

# Outsourcing

## Examiner's Tip

Try not to confuse outsourcing with sub-contracting or even relocation. Consider the specific advantages for the business in your exam.

*“The contracting of jobs to labour outside the organisation - often in other countries”*

## ADVANTAGES

- ▶ Lower staffing costs
- ▶ Increased employee productivity
- ▶ Less space required in company buildings
- ▶ Space can be used for other things
- ▶ Reduction in cash outflow
- ▶ Increased economies of scale
- ▶ Increased focus on the core activities of the business
- ▶ Frees up management time

## DISADVANTAGES

- ▶ Loss of 'local' jobs
- ▶ Slower response times
- ▶ Slower resolution times
- ▶ Problems with language and accents
- ▶ Can lead to unhappy customers
- ▶ Loss of direct control
- ▶ Some customers will 'boycott' firms who outsource
- ▶ Negative publicity

