



## Outsource Synergy

*"Multiply Your Profits, Slash Your Burden Into Half, And Free Your Time!"*

### Module 02: Assessing Costs and Benefits

**Important Learning Advisory:**

To experience better learning, it is recommended that you print and follow this transcript while listening to the MP3 audio. There is ample space at the bottom of every page for you to write your own notes and jot down ideas. Happy learning!

# Outsource Synergy

## Module 02: Assessing Costs and Benefits

Welcome to the second module of Outsource Synergy. When in business, we always aim to be profitable. Therefore, it is important to learn how to assess the costs and benefits of your outsourcing venture. With that said, that is exactly what you be taught in this module of the course. Without further delay, let's begin!

## Why Outsource?

- Lower operational costs vs. hiring permanent staff
- More results-oriented: you pay only for results
- Replace yourself and duplicate yourself for time consuming business operations

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Outsourcing means handing over business or a personal related work to other people, who is not from the company or in your country. These people will take over a job or task that you may not be very good at or you just have no time to deal with them. You save your time and effort by outsourcing the tasks to other companies or individuals.

Outsourcing is very popular around the globe. Big companies often delegate their work to people who can help them do the tasks. On the other hand, entrepreneurs and companies with a view of enhancing their performances and lessening the risks involved constantly hold debates about outsourcing's advantages and disadvantages. Outsourcing venture does have its own pros and cons.

The advantages of this venture outweigh the disadvantages which can be overcome with deep planning. Looking in the facts, almost all the big companies and establishments in the world are into outsourcing. By careful analyzing and planning to outsource, it should give their business more pros than cons.

Consider the large advantage of this venture, big companies such as Information technology companies provide their work to the third party service suppliers. As a result, they have access to the service of some people who are specialized in this work. The advantage of outsourcing includes a number of companies, especially those who are in the Information Technology business and the diminution of the costs, specifically in the present economic situation of the globe.

Outsourcing helps those IT companies to lower their operational costs which would otherwise incur the maintenance of the server, the desktop support and the troubleshooting. By outsourcing, they can hire professionals outside the company hence the expenses on their own employees lessens. Lowering the costs will help the businesses to reap on their financial benefits. This also helps businesses to focus

on their parts of the operation while other areas are being handled by the third party. This will give more time for production and the chance to work on their business priorities.

## Real Outsourcing Costs

- Shared service and captive service
- Full outsourcing (one-time contract)
- Joint Venture
- Internal Delivery
- Best of Breed Consortium
- Selective Outsourcing
- Brand Service Company
- Primary Outsourcing Contractor

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To find out how much to budget and spend for outsourcing your work, the cost may be written in the official bill however, you might discover later that the final sum up has increased more than 65% estimated costs causing you to overspend your initial budget. It starts out with the estimated amount of figure based on the calculations revealed in the papers.

For example, you hire someone to do a task for you and he states he will do it for only \$20 per hour. You then think this as a good deal thus hire him for the job. At the end of job, somehow the offshore vendor later claims that the job actually costs of about \$100 per hour in the US whereas the offer for \$20 per hour is only valid in India and in China therefore because of this misleading issue, you waste your time and you have to fork out some additional money. That said with this article, you will learn and uncover the true costs of outsourcing. Many people have yet to know there are hidden figures in the bills.

By outsourcing services, the amount spent in choosing a service provider can be based from 0.2% to 2% plus on the national costs of deals. The selection costs on this will include a documenting requirement, evaluating responses and sending off contracts. Project leaders might be working full time but staffs are only chipping in and this represents opportunity costs. There are also some of the legal fees and outsourcing companies who hire advisers in their business and projects. Outsourcing services need to have the best sourcing model. There are long term and short term contracts; you have to find the right provider so you have a stable project supplier. Below are the sourcing models that you can choose from.

- Shared service and captive service - centralized off shore and on shore service organization that delivers information technology process operations of the organization and also called as the 'in sourcing organizations'.
- Full outsourcing- a one-time contract with the provider for a full scope of services.
- Joint venture- a separated service company created and built with a co-owned external service provider expected to give management and expertise.
- Internal delivery- the present status of most information technology organizations and the process operations
- Best of the breed consortium- a group of external service suppliers with a lead provider funded for a large contract.
- Selective outsourcing- separate outsourcing contracts for selected IT role or a business process with the use of the best of breed strategic approach and some competitive deals.
- Brand Service Company- to share IT service suppliers and also for some non-IT process and services to influence the market, to some particular outsource branch of services and to give proper service to the market.
- Primary outsourcing contractor- gives the management and the integration a multiple service provider to draw from a single or a global solution and services to some outsourcing arrangements and this includes the transformational relationships, project's works, and multi-sourcing, which is an organization that provides the best services that you need. Some skilled professionals suggest few sourcing options like: outsourcing business skills and technical skills, outsourcing projects or just a part from it (more than fifty percent of respondents expect to see the relevant costs of savings through outsourcing and according to that survey, their major goal is to make companies be more competitive), outsourcing management, sourcing IT services, sourcing business process and sourcing some business solutions.

Groups can use any of these sourcing options, which are based on the tolerance of the risks as well as the eagerness to admit and to transfer management accountability for the deliverance of service. Choosing an external service provider may necessitate an employee's resources and entry to the statistics, key development and measures, normally for a short span of time. These possessions are vital to uphold the schedule and meeting goals. Build up and go behind a formal, precise timeline for each step in the course. This timeline makes it harsh, trim down costs, helps maintain keenness, and provide for 'generally the whole' dexterity of the managerial and for the external service provider workers who administer the process.

Transition is perhaps most expensive level of an offshore endeavor. It usually takes three months and even a whole year to totally hand the tasks to an off-shore partner. The costs of transition for the revenue projections are normally bundled in the costs of an overall outsourcing deal, like multifaceted BPO (business project outsourcing) which involves a migration of projects to new systems and platforms. This is under excess labor arbitrage, which you can see in the split contract drawn up to wrap the costs. One of the best suggestions that you can take is to have a single all-inclusive

plans of activities to be created and utilized as a master plan for your whole transitions.

Ideally, to make use of outsourcing is meant to complete as a piece of the company's tactical visualization to make a new business pattern of augmented modernism and efficiency, at the same time lowering the costs. Outsourcing for industry progression and business process has turned out to be the most chosen line of tactic for carrying out international companies of the present day. It is also well thought-out and considered to be a great tool for doing business activities for the duration of the economic slowdown and global recessions.

Global recession is such a state where the chances of being paid with enough profits fall off radically. As a result, it becomes very significant to lower costs and set aside as much cash as possible. Here, outsourcing is said to be the key as this is the only way to overcome such a horrific situation. Throughout the financial downturn, you have learned that there is more business and leading brands and companies outsourcing their work. They find ways to do more with their present budget.

These processes are welcomed all over the globe thus opening opportunities to some people who can work and still guarantee a good and quality design of works. People would source for professionals with a lesser cost, although it would be sensible to be very careful with the cheapest bidder. Ask for samples and record deck. Throw some test job to sample numerous choices and sources. Create a sound conclusion based on quality since these jobs will describe the character of your company.