

Dear Reader,

You are receiving this message from the Saboo e-Solutions Resource Center. If you do not wish to receive future issues of Resource Center Learning please reply with the subject UNSUBSCRIBE. Further, if you know of others who would be interested in receiving the Saboo e-Solutions' Newsletter, please forward this email or send their names and email addresses to resources@sabooe-solutions.com.

Resourcing /Outsourcing

Resourcing, the practice of using outside firms to handle work normally performed within a company is a familiar concept to many entrepreneurs. It is a strategic choice for organizations looking to free their resources and focus on strategy, process improvements and cost efficiencies. It increases capabilities and helps to achieve competitive advantage. More and more companies are off-loading a variety of non-strategic functions to external service providers in order to concentrate on more competitive business opportunities.

The benefits of doing so are numerous, including access to instant and accurate information and access to world-class capabilities and technologies through a resourcing partner. Every business benefits hugely through outsourcing as companies are able to gain a technical and functional edge on the competition without capital investment. By leveraging expertise, one can devote one's internal resources and capital funds to profit-driven activities and responding with greater flexibility to today's rapidly changing market demands.

Industry experts state that global resourcing is essential for companies to compete in today's economy. According to Dun & Bradstreet's most recent Barometer of Global Outsourcing, outsourcing expenditures will top \$1 trillion worldwide soon. These expenditures have doubled in just the past three years alone. North America leads in outsourcing spending, representing 39 percent of the global total, followed by Asia at 31 percent and Europe at 25 percent.

Far from being bad for the US, in a recent study conducted by McKinsey, it is reported that outsourcing creates additional net value for the US economy that did not exist before. When \$1 of labor cost is outsourced from the US, the total value created globally is \$1.45 to \$1.47. Out of this, the receiving country captures just 33 cents. The remaining \$1.12 to \$1.14 is captured by the US in terms of new revenues (the receiving country buys goods and services from the US), repatriated earnings, and redeployed labor.

Benefits of Global Resourcing:

Many companies turn to outsourcing to cut costs. But not many businesses thoroughly understand the benefits of outsourcing. It's true that outsourcing can save money, but that's not the only (or even the most important) reason to do it. Outsourcing delivers tangible and significant benefits in the following ways:

Control capital costs:

Outsourcing converts fixed costs into variable costs, releases capital for investment elsewhere in your business and allows you to avoid large expenditures in the early stages of your business. Outsourcing can also make your firm more attractive to investors, since you're able to pump more capital directly into revenue-producing activities.

Increase efficiency:

Companies that do everything themselves have much higher research, development, marketing and distribution expenses, all of which must be passed on to customers. An outside provider's cost structure and economy of scale can give your firm an important competitive advantage. Reduce labor costs. Hiring and training staff for short-term or peripheral projects can be very expensive, and temporary employees don't always live up to your expectations. Outsourcing lets you focus your human resources where you need them most.

Start new projects quickly:

A firm utilizing outsourcing services has the resources to start a project right away. Handling the same project in-house might involve taking weeks or months to hire the right people, train them and provide the support they need. And if a project requires major capital investments (such as building a series of distribution centers), the startup process can be even more difficult.

Focus on core business:

Every business has limited resources, and every manager has limited time to pay attention to every detail in all areas. Outsourcing can help your business shift its focus from peripheral activities to work that serves the customer and it can help managers set their priorities more clearly.

Economies of Scale:

Most small firms simply can't afford to match the in-house support services that larger companies maintain. Outsourcing can help small firms act "big" by giving them access to the same economies of scale, efficiency and expertise that large companies enjoy.

Reduce risk:

Every business investment carries a certain amount of risk. Markets, competition, government regulations, financial conditions and technologies all change very quickly. Outsourcing providers assume and manage this risk for you, and they generally are good at deciding how to avoid risk in their areas of expertise.

We appreciate and value your feedback very much. Let us know how we can help make this communication vehicle and the learning resource more valuable to you.

You can always e-mail us at resources@saboee-solutions.com or call at 1-646-435-7887(USA) or 020 7993 8870(UK) or 91 33 2236 5173 (India).

Sincerely,

Editorial Board, Resource Center
Saboo e-Solutions Pvt. Ltd.
6, Ganesh Chandra Avenue
Kolkata-700013, India
www.saboee-solutions.com



Areas of Specialization:

Accounting Services
Taxation Services
Transaction Processing
Financial Planning
Customized Financial Reports