Offshore outsourcing

Author: Jelescu Olga
Ling. cons.: Zingan Olga

The terminology used to describe the exporting of jobs varies widely. In the present article we will provide information on how the new offshoring phenomenon assures multinational corporations with cheaper labor force in the era of globalization.

Outsourcing is the generic term used when companies contract out certain business functions to an external supplier, eliminating the need to maintain an internal staff necessary to perform that function. Offshoring is used to describe multinational corporations relocating work from their domestic sites to foreign locations. Once limited to manufacturing, the globalization of information technology (IT) has given rise to a new offshoring phenomenon [1]. The decision to outsource is often made in the interest of lowering firm or making better use of time and energy costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of land, labor, capital, (information) technology and resources. Outsourcing became part of the business lexicon during the 1980s [2].

There are four basic types of offshore outsourcing:

- ITO — Information Technology Outsourcing.
- BPO — Business Process Outsourcing covers things like running call centers, processing insurance claims.
- Software R&D — offshore software development.
- KPO - Knowledge Process Outsourcing covers things that require a higher skill set such as reading X-Rays, performing investment research on stocks and bonds, handling the accounting functions for a business or executing engineering design projects.

Organizations are tempted to invest in offshore outsourcing resources because when compared to their own countries, certain

nations have vast and easily accessible resources that can be exploited to gain competitive advantage. Many developing countries are attracting business organization from developed countries because developing countries are providing quality services at economically cheap price in comparison to developed countries [3]. Some of the major countries/districts that provide such services are India (Full Spectrum Services), Ukraine (Programming and R&D), Brazil (Web & Software Programming, Game Development, IT Support, Network Solutions, Offshore Outsourcing Service), China (Programming, Data Entry, Customer Programming, Animation, Transcription), Russia (Programming and R&D) [4].Various issues affect the decision of a client regarding offshore outsourcing. Factors like manpower cost, manpower quality, and infrastructure facilities in a nation decide the attractiveness of that country as an offshore outsourcing resource location. Legal and business environment in the service provider's country plays a major role in the development of offshore outsourcing.

The driving factor behind the development of offshore outsourcing has been the need to cut costs while the enabling factor has been the global electronic internet network that allows digital data to be accessed and delivered instantly, from and to almost anywhere in the world.

Bibliography:

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