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1 March 2016

Online at <https://mpra.ub.uni-muenchen.de/69788/>
MPRA Paper No. 69788, posted 03 Mar 2016 07:34 UTC

Arthur Ashe Open Essay Contest of United States

Offshore Outsourcing: A positive perspective from U.S. region

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Abstract:

An argumentative article explained the facts and specifies from United States region and gave generalized affirmative overview globally by maintaining the liaison with supplier through technology. Beside this, the verity of considering the cost incurred in outsourcing was also highlighted and risks minimizing and maximizing involve in outsourcing was also discussed briefly. The comprehensive worldwide evidences were used in article with draw attention to United States perspective as well.

Keywords: *Offshore Outsourcing, Risk factors in outsourcing, employment, Cost involve in outsourcing.*

1. Introduction

In last few decades, organizations have been cutting down their financial cost from numerous ways. It is becoming a ritual to outsource services from developing or low economy countries because of occurring low labor cost with quality of work as well. In this essay, I discuss the pros and cons of offshore outsourcing under the light of existing evidences and supportive studies. The need of outsourcing is mounting drastically due to continuous increasing the pressure of global competition and demand of innovation among end-users. It has been highlighted that the ventures of international businesses not only lead towards cost advantage, but also quality improvement or same quality in an economical charge of service (Maskell, Pedersen, Petersen and Nielsen, 2007). However, vendors can offer cultural blended services that raise the requirement of international labor; on the other hand, clients can experience the best worldwide code of conduct and environmental standards if they have a well control over vendors. Information Technology industry is heavily relying on offshore outsourcing because it

provides the business opportunities for IT service providers. In the era of technological advancement, the world is becoming diminutive in maintaining relation with supplier and client. The strategic positioning of outsource market was found out approving and suggestion for outsource was given as well to persist the service to be outsourced with low risk and values near to the ground (Khan, Currie, Weerakkody and Desai, 2003).

2. Cost Consideration

It has been revealed that organizations highly focus on cost saving factors in order to maximize profit. As a part of this, organizations rely on fixed cost to maintain the relationship with partners as compare to variable cost of day-to-day transaction (Ellram, Wendy, Tate, and Billington, 2008). Beside this, several studies also came across in favor reduction of transactional cost by outsourcing. With the large enterprises, it has been noted that small businesses and intermediaries are also getting involve in outsourcing their services in order to trim down contact cost. Maskell, Pedersen, Petersen and Nielsen (2007) articulated prominently the outsourcing as a major factor that influences the contact and contract cost reduction. It also helps in standardizing of service to diminish demand and supply-side issues and strengthen strategic positioning in the offshore outsourcing market.

3. Risk Factors

An organization always avoids the flow less operation and it is highly dependent on the relationship with partners. Being an outsource company, some sort of risk is involved with the collaboration like delay of work, fraudulent act, misrepresentation, invasion of privacy and other ethical issues. As results of these, many organizations have started to avoid outsource for the departments where management of risk is difficult task for manager (Ellram, Wendy, Tate, and Billington, 2008). Nowadays, organizations with complex environment are having risk management department to manage and evaluate the hazard situations due to external factors.

4. US Perspective

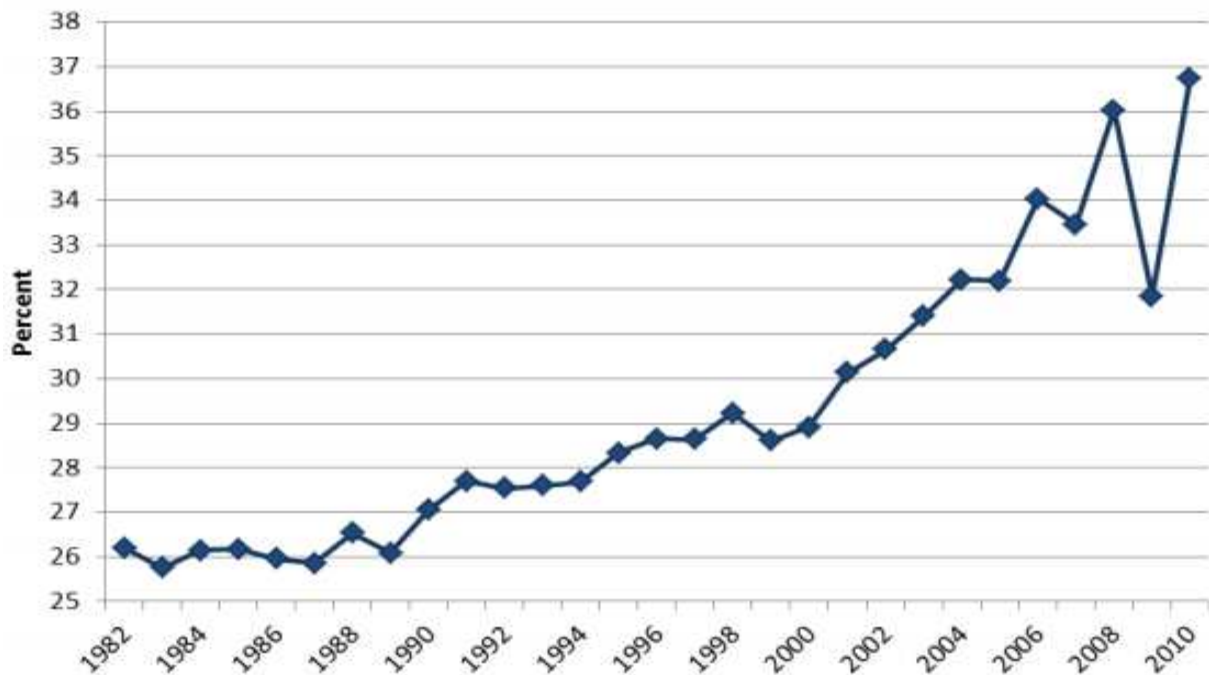
United state is considered as the country having strongest economy in the world because of less proportionate of fluctuation in US Dollar and it is also being used in maximum number of international transaction. Some cases elucidated the offshore outsourcing in against of the US

economy but beside this, it was also put in plain words by empirical evidence to date that venturing with overseas vendors increased employment for US citizen to some extent (Mankiw, and Swagel, 2006). The perception of growing attention to outsource could disturb the employment ratio of local citizen in United State but *US Department of Commerce* indicated that there was no significant reduction in employments reported during the period of 2002 and moreover employees started migrating toward cross cultural organizations.

5. Conclusion

In the light of above arguments, it is concluded that the culture of offshore outsourcing is spreading globally and found to be beneficial for both onshore and offshore sides. However, maintaining the relationship with partners was considered as a vital dilemma but involvement of information technology has overcome this subject to some extent. Whereas large scale firms are moving radically towards outsource their services for prospering business operation with product varieties.

Figure 1: Outsourcing with US parent companies as a share of the total employment of Multinational companies of United States (1985 - 2010). Source: US Department of Commerce



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