Off-shoring and outsourcing

The trend in recent years has been for companies to reduce their established resources profiles by outsourcing (and, more recently, off-shoring) many previously internal activities. This evolution is part of the growing globalization of the business community. The focus to reduce cost has driven many organizations towards low-cost labour markets for manufacturing and is now a growing trend in business process operations and service provision from external providers. This trend has clearly brought shareholder benefits but perhaps has been less beneficial to the communities that have lost employment and created new pressures in the communities that are (in the short term) winning employment opportunities.

It has already been suggested that these transfers of activity are moving on to more competitive regions. Once the process of transfer is understood then continuous cycling is likely. It must also be recognized that in some cases the consumer market has not reacted well to off-shoring and some organizations make not transferring work overseas into a marketing ploy. On the other side of the equation it must also be recognized that once external service providers become part of the delivery process then exposure through their performance can be more damaging than the potential benefits. Thus, as shown in Figure 20.1, integrating organizations is the real challenge.

This quest for greater competitiveness and optimization of investment in operating costs has opened up the panorama of risk and a wide range of sustainability issues. This has been focused on establishing external and overseas relationships to provide both manufacturing and backroom support services, such as data processing, and customer-facing services, such as call centres.

In many cases this approach has brought varied reactions from the consumer and related bodies, along with a wide range of challenges that emerge when trading across national and cultural boundaries and seeking to capitalize on the potential of transferring internal activities and resources to third-party organizations. Transferring internal support services, developing
external manufacturing or creating extended enterprise business models produces a whole new spectrum of opportunities and risks. The integration of external organizations into a cohesive business process places increased demands on the trading relationships and those charged with managing these relationships. At the same time, the structure of CSR programmes and the wider sustainability agenda now have to be overlaid across a more complex business network.

Globalization and the pressures from stakeholders to recognize the implications of sustainability and corporate responsibility demand careful consideration in the development of business strategies. The move from a command and control structure to one of interdependence highlights the need to develop a collaborative approach to underpin effective strategies, allowing organizations to capitalize on the opportunities and aid the risk management.

For any business venture to be successful it must first understand its own requirements before trying to develop those of an external organization. It is therefore imperative that organizations take the time to work through their sustainability values and consolidate these into a structured appraisal that can form the foundation for developing an external assessment.