

Business strategies: Advantages of outsourcing in companies**Estrategias empresariales: Ventajas del outsourcing en las empresas**

JUAREZ, Sandra†*, TOSCA, Carlos and JIMENEZ, Francisco

*Universidad Juárez Autónoma de Tabasco*ID 1st Author: *Sandra, Juarez* / **ORC ID:** 0000-0002-7883-3622ID 1st Coauthor: *Carlos, Tosca* / **ORC ID:** 0000-0002-1546-8832, **CVU CONACYT ID:** 738415ID 2nd Coauthor: *Francisco, Jimenez* / **ORC ID:** 0000-0002-3366-2460**DOI:** 10.35429/JBDS.2019.15.5.21.26

Received March 15, 2019; Accepted June 30, 2019

Abstract

The objective of the research is to know the advantages and disadvantages of the use of outsourcing in companies in the Centro, Tabasco. The research is of inductive type with qualitative approach and a phenomenological design, the analysis units were 20 companies that have used this administrative tool, which the owners, managers or personnel in charge of contracting the services, tell their experiences about outsourcing. The results obtained that the business benefits are the use of outsourcing are the decrease of the workload and the assignment of highly trained personnel, also as a conclusion they mention that the hiring of outsourcing is through recommendations of other entrepreneurs, which include positive comments, quality of service, professionalism among others, in addition to the fact that workers who are hired under this modality are committed, with a high degree of responsibility in the development of their activities. It is concluded that the benefits granted by outsourcing are competitive advantages that serve to face market trends, which create benefits for workers and entrepreneurs

Resumen

El objetivo de la investigación es conocer las ventajas y desventajas que otorga el uso del outsourcing en las empresas en el municipio de Centro, Tabasco. La investigación es de tipo inductiva con enfoque cualitativo y un diseño fenomenológico, las unidades de análisis fueron 20 empresas que han utilizado esta herramienta administrativa, en las cuales los dueños, gerentes o personal encargado de contratar los servicios, cuentan sus experiencias sobre el outsourcing. Los resultados obtenidos que los beneficios empresariales son el uso del outsourcing son la disminución de la carga laboral y la asignación de personal altamente capacitado, también como conclusión mencionan que la contratación del outsourcing es por medio de recomendaciones de otros empresarios, que incluyen comentarios positivos, calidad en el servicio, profesionalismo, entre otros; además que los trabajadores que se contratan bajo esta modalidad están comprometidos, y con alto grado de responsabilidad en el desarrollo de sus actividades. Se concluye que los beneficios que otorga el outsourcing son ventajas competitivas que sirven para afrontar las tendencias del mercado, lo cual crean beneficios para trabajadores y empresarios.

Outsourcing, Strategies, Company**Outsourcing, Estrategias, Empresa**

Citation: JUAREZ, Sandra, TOSCA, Carlos and JIMENEZ, Francisco. Business strategies: Advantages of outsourcing in companies. Journal of Business Development Strategies. 2019, 5-15: 21-26.

* Correspondencia del Autor (correo electronico: tosca_vidal@hotmail.com)

† Investigador contribuyendo como primer autor.

Introduction

Companies today face the new trends and demands that the market requires, so all changes include the need for globalization and growth without the use of additional capital, as well as to respond to the threats and opportunities of the economy. Part of the current trends is outsourcing, which refers when a company transfers ownership of a business process, that is, it is based on the separation of some activity that is not part of the main skills of an organization, to a third party specialized.

Companies need growth in different areas due to external circumstances, and they do not have the staff to cover them, in addition to the structure to carry out the hiring processes, so they resort to hiring the services of people or companies that comply with the desired training in the areas; Among the advantages of this are mainly the operation, allowing the company to focus on the product or service it provides.

The advantages of Outsourcing contribute a lot to companies, however it must be prepared to be able to manage outsourced personnel, because there are risks that can cause damage to the company, such as the theft of information.

Developing

Due to the ravages of World War II, companies aimed to carry out most of their activities for themselves, in order not to depend on suppliers, in principle it seemed an excellent strategy, however in a way how technologies evolved, its efficiency was declining, because it was very complicated to stay updated and competitive, such as companies specialized in certain areas (Bolaños, 2016).

The administrative process of Henry Fayol is an essential part of the companies (Stoner, Freeman, & Gilbert, 1996), these are still valid today, however, in studies conducted in successful companies based on these principles, which fell rapidly, It shows that the extreme use of the division of labor led them to become bureaucratic entities, which made operations very robust and slow, which at first were simple, in addition to requiring a greater number of personnel, raising costs. Due to these analyzes, new trends such as process reengineering were created.

Hammer and Champy (1994) were the creators of the process reengineering approach, where they propose that managers are often required to start over to rethink how to do the work, how technologies and people should interact, and how to restructure organizations completely. They define reengineering as “the fundamental review and radical redesign of processes to achieve spectacular improvements in critical and contemporary performance measures, such as costs, quality, service and speed” (Hammer & Champy, 1994, p.35).

These reengineering have worked in such a way that companies seek to make efficient using technology and entities immersed in globalization, it is necessary to grant alternatives to make them more competitive, including outsourcing.

There are countless definitions of the word outsourcing, also known as outsourcing or outsourcing, it has the main feature in delimiting activities or processes for a third party to execute. According to Cook (1999, p21), it is “to have the service of a provider, which will provide, on an ongoing basis, the administration of a human resources activity that will normally be carried out within the organization. In a nutshell it is to hire the services of a third party to perform some activity and that for the services provided establish a price.”

Heywood (2002) determines that outsourcing is “... the transfer of an internal business function or functions, plus any associated asset, to an external provider to a service provider that offers a defined service for a specific period of time at an agreed price, if well probably limited (p.27).

According to Schneider (2004), he mentions that outsourcing occurs when an organization transfers ownership of one of its processes to a third party. The crucial aspects in this transfer are, precisely, the importance and consequently, the degree of control over the process being transferred. For this reason, outsourcing, as a management tool, often generates fears and aversion. On the other hand, Rivard and Aubert (2008) conceptualize outsourcing as that process in which services, processes or activities are outsourced to organizations that are able to offer optimal results.

There are various classifications of outsourcing, according to the different points of view of the various authors, Cheon, Grover, & Teng, (1995) issue a classification based on the internalization of human and technological resources:

- Complete outsourcing. This type involves the transfer of the entire computer center and the personnel of the customer information systems to the provider.
- Outsourcing of administration facilities. It implies the outsourcing of the company's human resources and the hiring of Outsourcing for purposes such as computer center administration or technical support administration.
- System integration outsourcing. This type of refers to the hiring in order to integrate the information systems department together with the company's internal staff.
- Timeshare outsourcing. It refers to the outsourcing of a company's technical resources.

The phenomenon of outsourcing encompasses many points according to the required analysis, in the administrative field it is a technique that aims to improve the competitiveness of companies through the reduction of the worker's labor benefits (Ruiz, 2011).

Several factors have influenced the expansion of these types of strategies, from the point of view of companies, the pressures of competitors and organizational changes in the form of specialization, technology, and the easing of laws to take this type of strategies, and from the point of view of the worker the high rates of informality and unemployment have accepted less advantageous jobs (Ruiz, 2011).

Outsourcing models have been increasing in the country, according to data from the Economic Census in 2014, it grew by forty-eight percent in the last ten years. These Censuses mention that, of the 29 million 642 thousand 421 people who were employed, 16.6 percent were not dependent on the company name in which they worked, that is, they were not in a subcontracting regime, in accordance with these and in comparison with Of the Latin American countries, Mexico is the fifth place to use this contracting system (Guerrero, 2017).

Outsourcing has several benefits that favor the administration in terms of costs, focus on the core business activities, optimize processes, expand intellectual capacity, use the highest efficiency.

The most marked benefits is the possibility of hiring suppliers that can offer a great product or service at a lower cost, which would cost the company to do it internally, this is because the supplier uses the economy at scale and according to its volumes has access to better prices and greater technological capacity (Bedoya-Gómez, 2018).

The elimination or reduction of fixed costs are basic, since these become variable, when a company stops producing it hires a component through outsourcing. This helps many companies because most of the costs become variable and depend on production, when there are low production costs are reduced.

Another great benefit is the concentration in key activities, outsourcing frees companies from unnecessary activities that are not part of the strategic ones, and thus hire services such as cleaning, computer maintenance among others. (Guerrero & Terceño, 2012).

Outsourcing favors the acquisition of knowledge, experience and technology from suppliers, because they are specialized in their area, suppliers have qualified personnel to provide excellent service and products. However, using outsourcing as a strategy increases different risks that must be reviewed and analyzed:

One of them is that the service provider becomes a competitor, it must be recognized that the knowledge of the outsourcing provider has high preparations to develop products for several customers, which gives advantages over production time and cost optimization, and they also have access to the intellectual property of the contracting company and could benefit from the information.

In addition, the provider can combine the learning experience and the skill acquired to create a company or expand into a new line of business.

Another risk is the loss of knowledge and skills, as a consequence of transferring the execution of the activity to a third party, the sense of long-term production can be lost. If the provider carries out cutting-edge activities, this power to remain in the organization and is not transferred to the client, therefore it does not have access to the latest technology and products and processes. The high risk is the dependence of the supplier because it limits the normal development of operations in the sense that it can be affected in terms of quality, opportunity, image and costs. (Bedoya-Gómez, 2018).

Methodology

For the present investigation the inductive method was used, with a qualitative approach and a phenomenological design whose purpose is to “explore, describe and understand the experiences of people with respect to a phenomenon and discover the common elements of such experiences” (Hernández, Fernández and Baptista, 2014, p. 493).

The analysis unit was made up of 20 companies which have used outsourcing. The people analyzed have positions of managers or owners of the organizations, the information was collected through a semi-structured interview based on analyzing their experiences on outsourcing.

Results and Conclusions

Based on the observation and as a result of the interviews that were carried out with the businessmen and executives of different companies, a clear panorama of the business vision is observed, regarding the acquisition of professional outsourcing services in the municipality of Centro, Tabasco ; within which it stands out as an advantage, that having the support of companies contracted under this modality the optimization of activities is increasing; finding that the areas or departments where it is most used, is in terms of human resources and accounting with 35%, promotion and sales with 20%, in operational and logistics with 15% and the rest in field work, administration, services, legal, operational and logistics.

In a world in which most people have access to a great diversity of products, services, technology and goods, and in which companies seek to be the strongest and most profitable, the ones that grant the fastest and the fastest growing day after day, it is necessary to have the best work teams and the best people within it, which is why internally, the main factors for which the employer decides to hire the services, is the experience, promote and encourage the sale of products and services, optimize payroll management or discharge of fiscal responsibilities.

The advantages of analyzing outsourcing allow to have a clear vision of its benefits, as it is that the company can react in time for possible changes in its work environment, significantly reducing its expenses and avoiding the constant turnover of staff, because having a service derived from this modality gives the assurance that the employee is a highly trained person in the required area, showing great security and desires to grow or belong to the company.

A primary factor to know the importance of this labor phenomenon, is the time that firms have working under this regime, the interval is open from 6 months to 18 years, giving an average of 9 years, that is, Companies are no stranger to these services, since the average is a considerable time, giving them very good results, otherwise, they would have discarded the idea.

The business benefits in obtaining outsourcing, are largely support for the reduction of the administrative workload, since the personnel assigned to corporations are specialized, trained professionals; significantly reducing operational expenses in payroll, hiring and taxes, in addition to that with this tool it is possible to obtain better quality products or services, since the business only focuses on performing a specific job.

Most companies acquire the outsourcing service on the recommendation of other firms, this recommendation includes giving positive results, quality of service, trust, professionalism and a good price.

According to this, employers and executives have the certainty that outsourcing is for all types of companies, since they adjust to the needs of each company, solve problems and reduce work absenteeism, in addition to training times and payroll expenses, always having sufficient economic and operational capacity to contract this type of services.

As main elements of outsourcing, it helps build shared value and redefine the company, positioning the organization's resources to the key areas; according to the managers, coordinators, owners, and other personnel interviewed, the workers when integrating with this modality, show a high degree of responsibility, satisfied to belong to the labor market, insurance and with desires of growth.

Among the main points the advantages are: Decreasing fixed costs, to increase their profits, increase the flexibility of the company and to provide opportunities for companies to respond quickly and adequately to changes in the environment, taking it counts the competition and the use of technology of the best quality.

Regarding the management of outsourcing services, risks must be taken into account, for example if the service provider is not analyzed, there is a risk of receiving unskilled workers and it affects the development of the company, and that workers be given fair wages and given the corresponding social security services.

When it comes to hiring outsourcing services, a risk arises in training your suppliers and making you your potential competitor, because the contracting company transfers the intellectual property to properly develop their work, being able to benefit from it, and combine all their experience and learning, to generate a company in the same line of business.

Another great risk to not be involved in the issues of innovation and development, because the outsourcing company performs these activities, this knowledge is in their possession, allowing in the future to be in a dominant position for their level of specialization.

One of the most significant disadvantages lies in the investment that has to be made for the search, selection and implementation of outsourcing services, because not only financial resources are allocated, but an analysis of all styles transfer, standards and culture of the organization, through training, assigning the company's employees to these meetings, in the same way if the company outsources not only to one company, but to several, the effort is doubled; associated with this last point, hiring several suppliers causes different quality of the final product and variation in delivery and logistics times.

Finally, to talk about outsourcing we must take into account that there are several parameters that must be contained in the contract, as the first element to consider is that the worker's rights are not violated, but the company may incur a violation of the Federal Labor Law, in addition to the organization must ensure that the company with which you want to hire outsourcing services, offers quality services and transparency.

Recommendations

To be able to subcontract personnel, that is, in order for a company to apply or wish to apply this strategy, certain factors must be taken into account, as a result of the interviews that were conducted with the employers and managers of the companies, we have the following recommendations:

- Make a previous analysis to know the company and its needs.
- To enter into a contract for the provision of services, supply or the necessary with the outsourcing provider. Taking into account clearly in both client and supplier the stipulations that will be established in said contract.
- Analyze the flexibility that can be given in the contract.
- Measure the performance of the outsourced company constantly based on metrics and instruments.
- Maintain continuous and clear communication with the outsourced company, due to flexibility issues or last-minute agreements.
- Consider time, contract development and provider delivery.

- When working with several outsourcing companies at the same time, always take care of the logistics of delivery and quality unification in each of the products delivered.
- Compare price and choose the outsourcing company that best suits the entity's budget needs.
- Permanently preserve the essence of the business.
- Take care of the intellectual property of the contractor, as well as the management of information inside and outside the company.

Outsourcing is increasingly used in companies because it allows a high added value for customers and products, and in most cases reduced processing time or costs, offering stability, but must keep the impact clearly of outsourcing in the company.

References

Bedoya-Gómez, D. (2018). Outsourcing: beneficios vs. Riesgos. Perspectiva Empresarial, 5(2), 101–112.

Bolaños Pérez, A. (2016). El outsourcing en México: Pasado, presente y futuro. Puntos Finos. Noviembre, IMPC, 62-69.

Cheon, M., Grover, V., & Teng, J. (1995). Theoretical perspectives on the outsourcing of information systems. Journal of information Technology, 10(4), 209–219.

Cook, M.F. (1999). Externalización de las funciones de RRHH. Barcelona: Gestión

Guerrero, C., & Terceño, A. (2012). Cómo seleccionar y contratar empresas en el outsourcing utilizando la metodología de números borrosos. Contaduría y administración, 57(2), 113–134.

Guerrero, L. (2017, enero 12). Mercado laboral en México, panorama y prospecciones. Recuperado el 22 de enero de 2019, de <http://www.conacytprensa.mx/index.php/ciencia/economia/12156-mercado-laboral-en-mexico>

Hammer, M., & Champy, J. (1994). *Reingeniería*. Bogotá, Colombia: Editorial norma.

Rivard, S., & Aubert, B. (2008). Information Technology outsourcing (M.E Sharpe). New york.

Ruiz, S. (2011). *El Outsourcing Desde La Perspectiva Jurídica*. En la administración y la Responsabilidad Social Empresarial (pp. 22–43).

Schneider, B. (2004). *Outsourcing. La herramienta de gestion que revolucionará el mundo de los negocios*. Bogotá, Colombia: editorial Norma.

Stoner, J., Freeman, R., & Gilbert, J. (1996). Administración, México: editorial Pearson.