

CEM 515 Term Paper

Quality
Model approach of
Outsourcing

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OUTLINE

- ✦ Introduction
- ✦ Definitions & concepts of outsourcing
- ✦ Strategy
- ✦ The Integrated Model of Outsourcing
- ✦ The Cost
- ✦ The Vendor Relationship
- ✦ Advantages & Disadvantages
- ✦ Conclusion

INTRODUCTION

- ✦ Outsourcing to others what they do more efficiently is a successful management strategy.
- ✦ Outsourcing is not 100% foolproof and have some drawbacks
- ✦ *What is outsourcing?*

Outsourcing is having an outside vendor provides a service that you usually perform in-house.

Outsourcing is the transfer of routine and repetitive tasks to an outside source”

Outsourcing is the practice of handing over the planning, management and operation of certain functions to an independent third party.

- ✦ Outsourcing on the other hand, entails a long-term relationship between supplier and beneficiary, with a high degree of risk-sharing
- ✦ More variables are brought into play when management considers outsourcing.

Outsourcing Strategy

- ✦ Traditional Outsourcing.

- ✦ Strategic outsourcing:

When companies outsource everything except those special activities in which they could achieve a unique competitive edge

- ✦ Three major effects of technology:

(1) *Information technology: Computers* and the ability to produce products.

(2) *Communication*: Events in one part of the world now have implications everywhere in the world

(3) Organizational change: structure of organizations, Re-engineering are transforming the way business is conducted.

Outsourcing Strategy

- ✦ These forces have led to a period of aggressive organizational change throughout the world.
- ✦ Understanding these concepts stops at the process of cost cutting.
- ✦ Shareholders have declared that a corporation's principal, if not sole objective, is maximizing total shareholder return and profit.

The Outsourcing Model

★ Quality Assessment

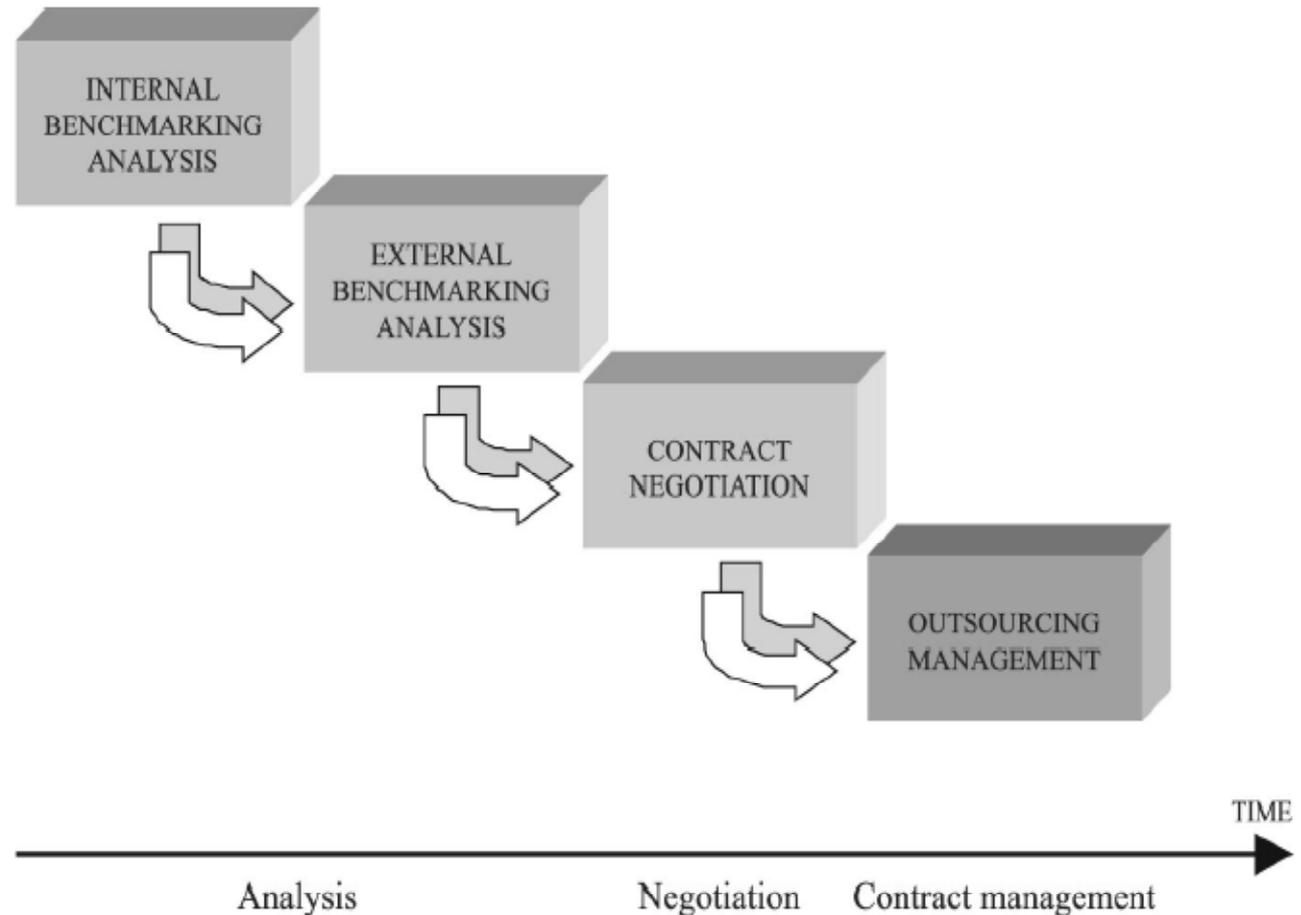


Figure 1.
Scheme of a general
model for the
management of
outsourcing processes

The Outsourcing Model

- ✦ Outsourcing process should start with Benchmarking procedure.
- ✦ Internal Benchmarking Analysis:
 - Monitors processes,
 - Analyzes their efficiency and
 - Evaluates what to outsource, considering core competencies.

The Outsourcing Model

- ✦ *External Benchmarking Analysis:*

Analyze all the interactions between “Organization and Outsourcers”, from their selection up to the strategy of relationship.

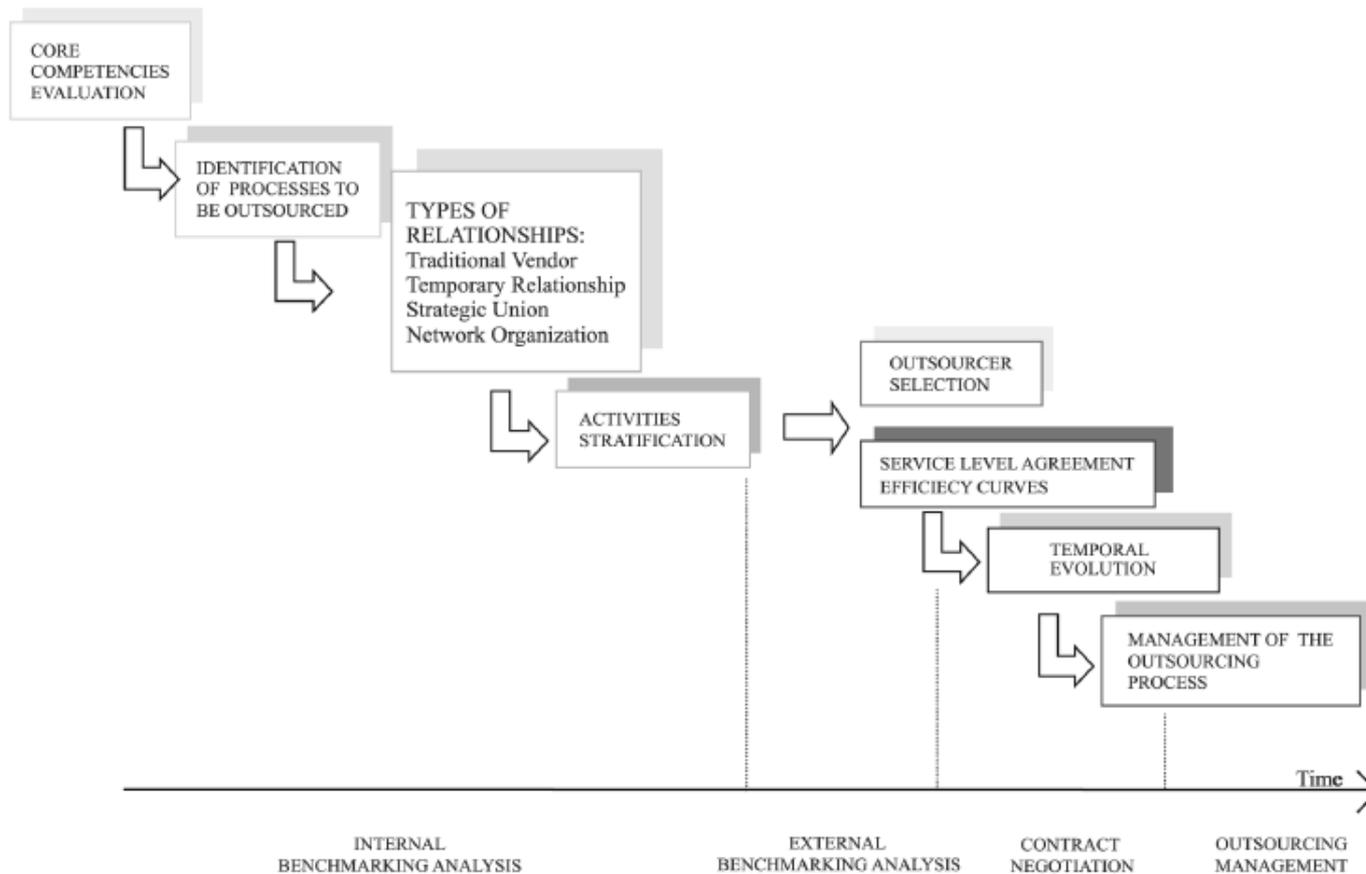
Is a tool to monitor service levels offered and

To define competitors' relative positioning in the market.

The set of distinguishing activities in comparison with competitors.

- ✦ *Contract Negotiation.*

- ✦ Outsourcing Management.



The Outsourcing Cost

- ✦ *Bargaining costs :*

Related to negotiation between parties during contract definition.

- ✦ Monitoring costs:

Cost of monitoring the operations.

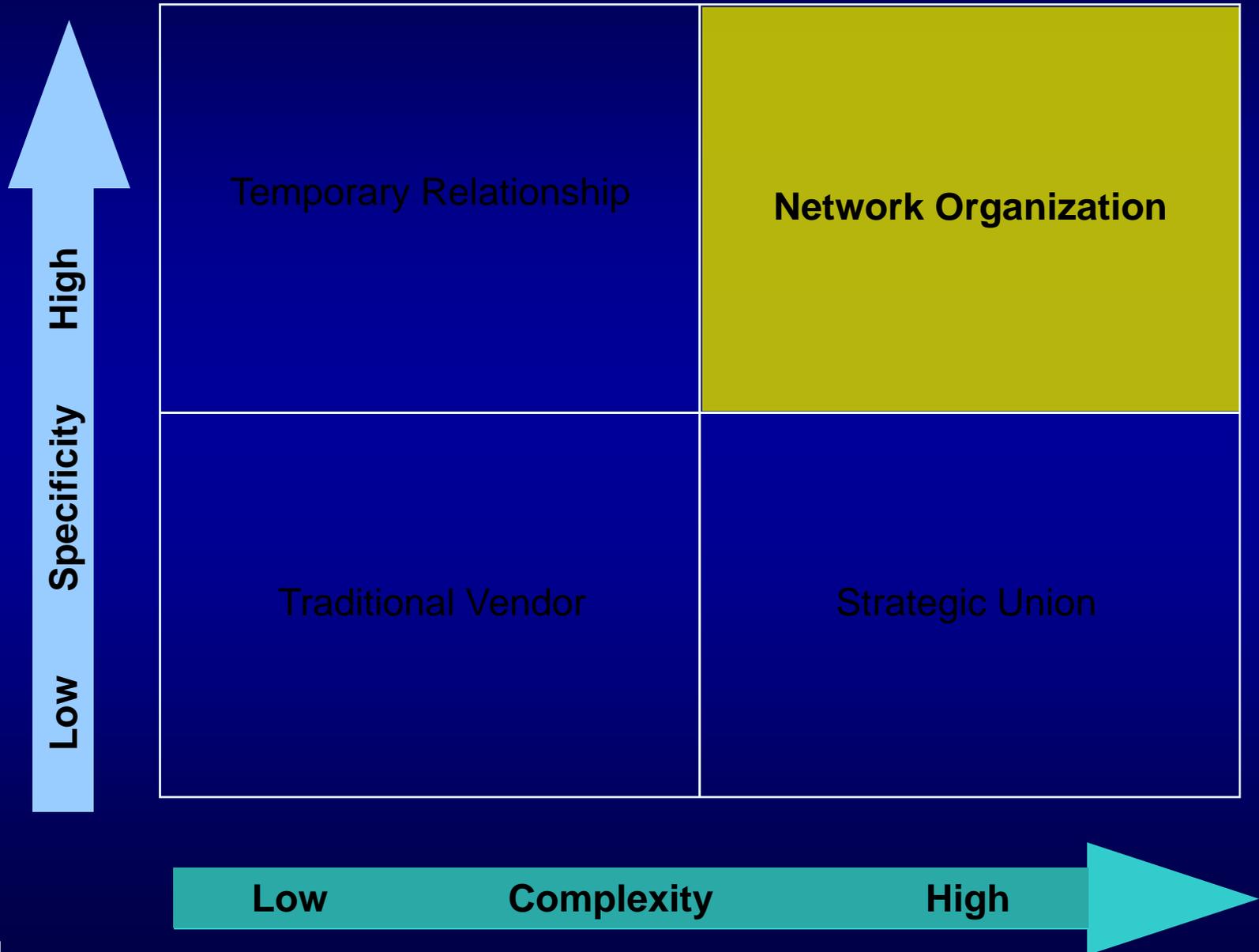
- ✦ Market costs,

Related to the presence of a limited number of suppliers. .

Types of relationships between “outsourced” and “outsourcer”:

- ✦(1) Traditional vendor;
- ✦(2) Temporary relationship;
- ✦(3) Strategic union; and
- ✦(4) Network organization .

Fourth Quadrant Relationship



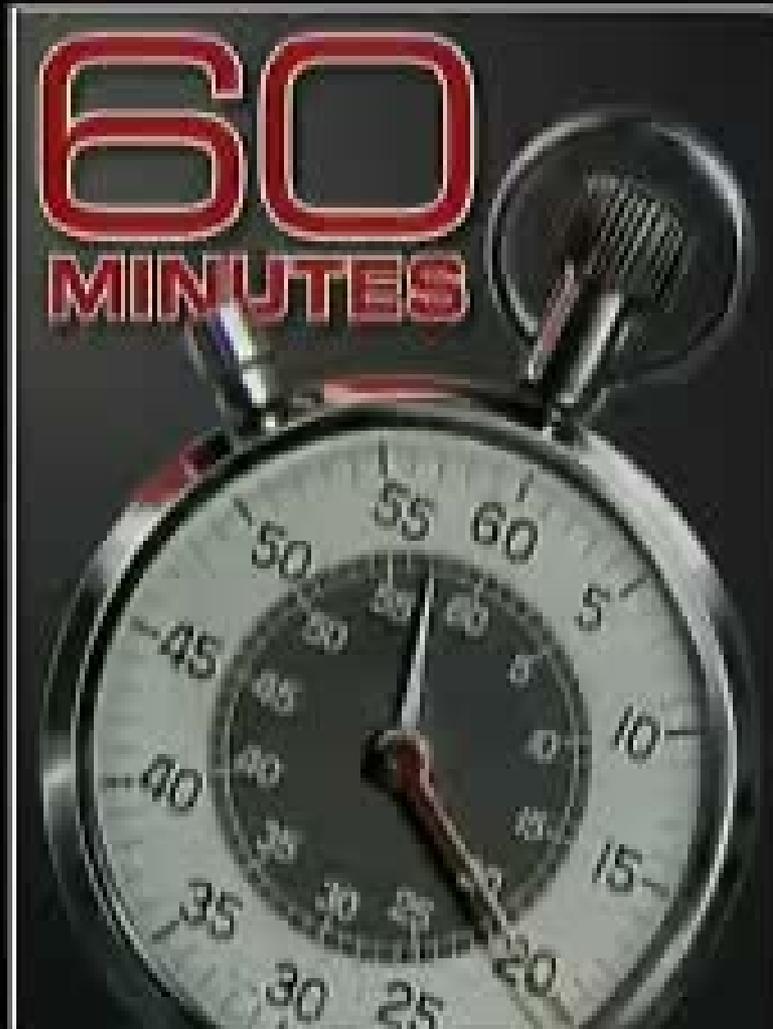
Outsourcing Advantages

- ✦ Quality improvement.
- ✦ Cost and Time savings.
- ✦ Focus on Core Activity.
- ✦ Reengineering of the Organization.
- ✦ Free in House Staff.

Outsourcing Disadvantages

- ✦ Control is to service provider.
- ✦ Reversibility.
- ✦ Multiple clients.

Outsourcing Feedback



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CONCLUSION

- ✦ Outsourcing can be an excellent way to improve processes
- ✦ The method is also able to highlights the need for a structured benchmarking.
- ✦ It is possible to assess the advantages that an organization can achieve by applying a structured approach outsourcing