

# **Influence of outsourcing the corporate internal operations on the sustainability of the business development**

## **Introduction:**

Outsourcing is the process of delegating some of the corporate internal operations to external entities for the purpose of performing them (Ono, 2003). Moreover, it is a contractual agreement between a corporation and external party to carry out well-defined duties by the latter to share the benefits (Kern & Blois, 2010). The argument on whether the outsourcing comprises the corporate core operations in addition to the corporate non-core operations has been debated by many scholars despite of rejecting them in the majority of the literatures (Ono, 2003).

The tendency to outsource the corporate internal operations has emerged in late of 19<sup>th</sup> century when the mega-organizations in US, UK and Australia began to outsource their production lines gradually to increase their profits. This propensity was thriven by the economic openness in these regions, the competitiveness between the firms to increase the market share, and the development in the transportation and the communication channels. A recent study has shown that in today's global market around 70% of the corporations are embraced in the outsourcing (Lonsdale & Cox, 2000).

On the other hand, in another study that has been conducted by a research center in a telecom corporation, around 50% of the telecom corporations that outsource their internal operations do not attain the expected objectives from the outsourcing (Kern & Blois, 2010). This finding is supported by the scholars who express the consequences of misusing the outsourcing to escape from the slope of the profit decline (Ono, 2003).

## **Research aim, questions and objectives**

The aim of the study is to investigate the impact of outsourcing the corporate internal operations on the sustainability of the business development. In this research, the sustainable business development is identified by the ability to foster the performance of the corporate functions and productions, bolster the corporate competitiveness in the marketplace and sustain the growth of the corporate financial profit.

The research paper is prepared to answer the following pivotal questions:

- (1) What is influence of the outsourcing on the performance of the corporate functions?
- (2) What is the impact of the outsourcing on the performance of the corporate productions?
- (3) How can the outsourcing influence of the competitiveness of the corporation in the marketplace?
- (4) How can the outsourcing impact of the corporate financial profit?
- (5) What is the influence of the outsourcing on the sustainability of the business development?

By the use of the quantitative analysis, the aim of the study is planned to be achieved by the following research objectives:

- (1) Identifying the influence of the outsourcing on the performance of the corporate functions. (Related to research question 1)
- (2) Articulating the impact of the outsourcing on the performance of the corporate productions. (Related to research question 2)

- (3) Investigating the role of the outsourcing on fostering the competitiveness of the corporation in the marketplace. (Related to research question 3)
- (4) Depicting the impact of the outsourcing on the corporate financial profit (Related to research question 4).
- (5) Identifying the impact of the outsourcing on the sustainability of the business development (Related to research question 5).

## **Literature review**

### **Outsourcing motivators**

The stimulators to outsource the corporate internal operations are predominantly divided into 3 categories, which are financial, skills and performance stimulators. According to Willcocks and Lacity (1999), one of the primary reasons that encourage the companies to outsource their internal operations is their willingness to minimize the operational costs and, thus, foster their profitability. Outsourcing the corporate internal operations enables the company to run their internal functions by lower-wage human resources often living in developing countries. This argument is supported by a study which articulates that the companies can minimize their operational cost by an average of 60% when they outsource their internal operations (Lawrence & Venkatraman, 1992).

Moreover, the governmental legislations in some of the counties impede the desire of the local corporations from downsizing their workload during the economic recession or depression cycles. Therefore, transferring the employees to the companies which offer the outsourcing services with new employment packages is one of the effective tools to adjust the their wages to the requirements of the marketplace (Kern & Blois, 2010). In addition, outsourcing the corporate internal operations by companies which are located in countries with different time zones

enables the continuity of the work throughout the day which saves the mother company from paying its workers for the night shifts (Kern & Blois, 2010).

As stated earlier, the availability of the required skills is one of the predominant factors which encourage the corporations to outsource their internal operations. The Information Technology (IT), for instance, is more developed in central Asia than the countries of the Middle-East with even lower costs. Therefore, it is worthwhile for the mother companies in the Middle-East to outsource their IT departments to the companies of central Asia (Willcocks and Lacity, 1999). Moreover, the outsourcing fosters the work specialization which bolsters the productivity and the effective utilization of the human resource (Ono, 2003).

In addition, the outsourcing is believed to improve the performance of the end products. This is because it enables the job concentration and work specialization which enhances quality of work and time that is required to deliver the ultimate products. Moreover, it enables the management of the mother company to concentrate on the core business while delegating the non-core duties to external entities that offer the outsourcing services. This advantage improves the alignment of the corporation towards its strategic objectives and, thus, paves the path to the business growth and the increase in the market share (Kern & Blois, 2010; Lawrence & Venkatraman, 1992)

### **Research approach**

The research is planned to be conducted quantitatively by distributing a research questionnaire to 300 randomly selected functional and executive managers in 15 mother companies. As identified earlier, the mother company is the entity which owns the functions or the productions and leases them to the outsourcing companies for the purpose of fulfilling them. The research participants are surveyed to evaluate the ability of the outsourcing to improve the corporate functions and productions, foster the corporate competitiveness in the marketplace, and enhance the corporate profit growth. By the use of the research outcomes, the study identifies the ability of the outsourcing to foster the sustainability of the business development.

## References

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