

Why is outsourcing still a dirty word?

 By [Kate Stubbs](#)

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Amongst South African business leaders, outsourcing is still something of a dirty word. For many, it denotes weakness and an inability to properly grow and manage all the traditional aspects of a successful company. Yet this is an outdated view - and one that does not take into account today's complex business and operating environment.



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Given the fast pace of change, ongoing technological development, and prevailing uncertainty, savvy businesses are focusing on their core activities. They understand the importance of holding strategic functions close and then looking to external partners to fulfill those roles where specialisation is not needed.

Attitudes toward outsourcing

In the 13th annual Barloworld Logistics [supplychainforesight](#) programme, which explored how companies have changed and adapted over the years, the prevailing attitudes toward outsourcing became clear. The report found that there appears to be a high adoption rate for both supply chain technology and supply chain and logistics skills development, however, 'the full impact or value thereof is not yet being realised.' Even though supply chain outsourcing is shown to have a positive impact for companies, the adoption rate seems to be low. This is interesting to note and is in contrast to general shifts seen in the market, both locally and internationally.

Moreover, outsourcing also appears to be off the radar for future strategies - which raises the question: is the true nature and value of the concept of outsourcing understood?

Based on the report findings, the dominant perceptions seem to be based primarily on the ability to control functions more effectively if run internally as part of the company. If, however, there is a specialised external organisation that can perform certain functions more effectively, efficiently or faster, consideration needs to be given to outsourcing such functions through strategic relationships.

Like the outsourcing of manufacturing or IT management, outsourcing of logistics management and logistical activities can - and often are - an essential component of gaining access to specialised skills and creating and sustaining market share... and a competitive edge. Interestingly, the survey reflected the willingness to 'partner' with external suppliers/providers, but a negativity towards outsourcing - which perhaps indicates an entrenched misperception of the concept.

Shift towards specialisation

Today's operating environment is undoubtedly far more complex and fast paced than that of even a decade ago. As a result, there is a marked shift toward specialisation and the ability to offer niche products and services. Yet in order to achieve a high level of specialisation, leadership needs to cede control of those non-core or non-strategic functions.



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So, for example, as a retailer, can you shed your IT department in favour of partnering with a more agile and nimble cloud-based provider? If there are better IT skills available elsewhere, then why spend money on maintaining an internal team? The challenge for leaders is to make this shift and recognise which strategic functions to keep internal and prioritise, and which non-core functions would be better serviced by external partners.

It is important to note that as this shift takes place, success and sustainability of the outsourcing model will come down to the quality of relationships. For leaders, it is critical to understand where the business is at, as well as the positioning and future trajectory of its key partners and suppliers. While outsourcing was traditionally perceived as a 'master-servant' relationship conducted at arms length, this is no longer the case. True outsourcing today is about partnering and sharing information around the critical facets of a business and its moving parts, and conducting a relationship characterised by trust and transparency.

ABOUT KATE STUBBS

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