

Handout for:

Realisation and Controlling of Outsourcing Decisions

Realisation of Outsourcing Decision

The word "outsourcing" comes from U.S. A., it is composed of the words "outside" and "resource". On the surface it means the method that production is made by other people, but now it has a different meaning, for example reform the organization etc. Of course it is related to anything in the business. Outsourcing is considered as a special form of Make-or-Buy-Decision with the following signs:

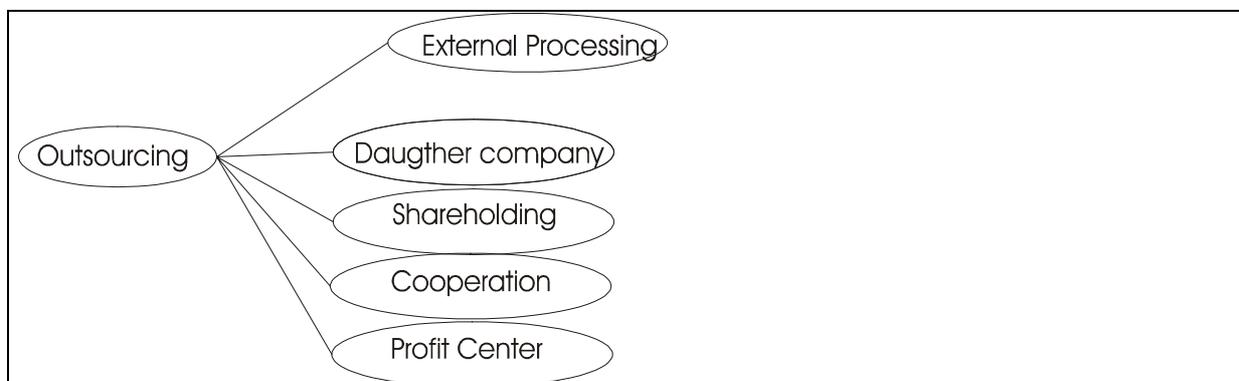
1. Strategic meaning
2. The long time cooperation is founded
3. About function is a analysis made in a big range
=so is outsourcing in this aspect a sign of structural change.

The industrial increase is not enough so that the problem in new situation can not be solved. The new management concept: The core of company become smaller and smaller. The company put his resource into new group or subsidiary company. These groups are special and easy to manage. There are many ways to achieve it. But it is not always good. A manager should know that the outsourcing has also his disadvantage. Specially for the Buy-decision, for example if the company want everything depend on the outsourcing, nobody in the company want to know how it would go like.

Sometimes is very difficult to make a outsourcing-decision:

1. Unpractical waiting : outsourcing-decision can not be made in a short time. The final decision come from many partdecisions, then after longtime discussion you can make it.
2. The decision depend only on the cost : outsourcing is a very complex question of management, cost is only a part of the problem that we should think about .

You can't be ignored the outsourcing question or treat it with simple methods, otherwise it is very dangerous for your company.



How can you make right decision about outsourcing?

The outsourcing-decision is successful or not depend on many factors of different aspects. For the purpose of accurate evaluating of an Outsourcing-Decision we can consider from following aspect.

Important is these points are:

1. The standard of association's opportunity: The associators present some decision. The decision is right or not can be checked. The standard of association' s opportunity relates to the following points:
 - a. The examination in the term of Make- or - Buy
 - b. Get more information about the group's ability
 - c. In process changing the time to suit to Outsourcing-Decision.
 - d. Establish the law of optimization
 - e. Expert
2. Weigh the interest
Though there are some standards that tell people how to make decision, but the associators would like to choose the Outsourcing that they think is interesting. As a manager you should be rational for it.
3. Examine schedule of process and decide who is in charge: It is very easy to know whether a deciding process is organically built. Outsourcing-Decision can not be made without it. Outsourcing-decision, at first the employce of the each department in the company make advice, then the boss decides and is responsible of it.
4. Exame with the appropriate way to the economic decision: This is the problem concerning relevant foundation of Make- or - Buy - Decision, this kind of examination relates to a series of following problems:
 - a. The Make- or- Buy-Object is not defined very clear. Sometimes the people in the company don't know or exactly know that the scope of certain service or the main function of certain product. It will cause a lot of problems, specially at the Make- or - Buy - Decision.
 - b. Strategy must be conform to ages.
 - c. Social influence should be considered: The manager should know what kind of work is dangerous sustained development etc.
 - d. The strategic emphases should be evaluated
 - e. Think about Outsourcing- Barrier
 - f. Is the calculation of the basic cost exact?
 - g. Compare cost of Make- or –Buy
 - Is the company' own epacity adequately used? Mostly people use Outsourcing, but at same tune the resource of the company self is wasted, so least in a short time potential of company cant be neglected
 - Do you think about the question about the cost that you will find, after you finish your production, for example the rental of empty workroom, depreciation of machine etc..
 - On the hand you should think about same question, but after your purchasing. You pay the money for changing your contract, improving the product. In a word the action between copartner cost you the money.

5. People change the job, because they don't want to be out of the work. If you make the decision, some people will lose their Job. You should care about them.
6. The form of your Outsourcing
7. The emphases in conversion of the organization:
 - a. The problem of the contact with new supplier should be as soon as possible solved
 - b. The problem on the technique and on the personnel is better distinguished. The simpler problem is easier to solve.
 - c. Try to make the new and old power of the inside company promote each other.
 - d. Sometimes you should do something before the conversion, this is for making everyone including inside and outside the company to establish trust.
8. Complete the control of Outsourcing: Should check if you get the resolute what you want and the outsourcing resolute is effective. The cost, quality, time limits, development and equipments and development of personnel's condition are all an important factor. That means because of Outsourcing whether your company is stronger.

Controlling of Outsourcing Desisions

Influence decisions

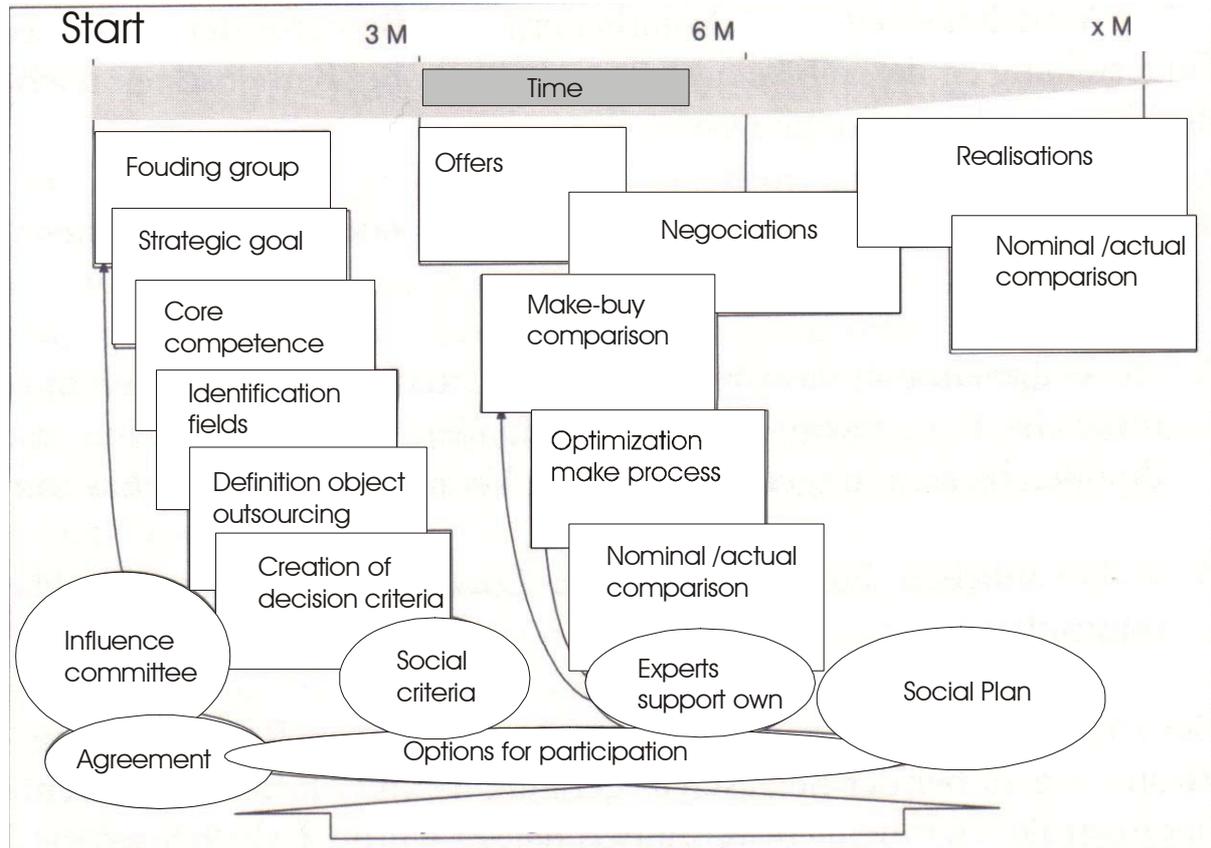
To the evaluation of outsourcing decisions the question about the process of decision making finally belongs: "successful change processes presupposed the active integration of all coworkers and their protections of interests." The representatives for the employees should not only influenced on contents and consequences of an outsourcing decision. In the way of a "Sourcing framework employment agreement" should be agreed upon therefore : ·

- decision methods and criteria
- operational sequence (decision preparation, execution and control)
- possibility of alternative forms for the outsourcing, co-operation forms.

In principle you should know the borders of the procedure.

In a little picture their listing all the possibilities for a worker to take part in the different steps of a project:

1. participation in a committee
2. take part for social criteria
3. ask experts for supporting an own production
4. take part in social plan / balance of interests etc.



picture shows the influence of a worker to take part in project steps

Assumption for Controlling the Process

Controlling of a company needs the following tasks:

- Employers active connection in interest group, Worker's council
- Desision methods must be known
- Process action (desision preparing, realisation of control)
- Alternatives of outsourcing

Characteristics Controlling Process

The typical picture of a control process is regarded as:

- Controlling typical instrument to check the arrangement for reaching goals
- Companies ideas should be considered as well as social aspects
- Location saving questions could not be sloved alone with outsourcing desisions
- Different cooperations in controlling process: worker's council and teamwork or others

Task of worker's council

- Defense employers interest
- Justification against the workers
- Arrangement for restructuration – communicate to workers and try to find solutions

Sourcing Frame-Aggregation

The Sourcing Frame Aggregation is a legal framework that covers mostly the interests for the employers in adjustment with the workers council.

It contains the following aspects:

- Goal : saving location
- Regulation area for out or insourcing
- Description Make or Buy process
- Description Make or Buy criteria
- Social effects
- Acceptance of outsourcing (y/n)
- Arrangement M-o-B carrier decision
- Right for initiative for workers council
- Personell arrangement for M-o-B
- Money for retirement
- Commencement and dismissual of agreements, etc.

Outsourcing shows in this example negative consequences for the workers job. But as a member of the company he has the right to speak about with the workers council. Problems can be analysed that comes up on worries in the aspect of the working condition and jobcondition. In general it is important to have control mechanism in company that takes care about the members of an enterprise.

sources: Outsourcing Management - H-E. Müller - Bund Verlag