

In certain circumstances, outsourcing poses risks to vendors

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Outsourcing routine tasks, like payroll, customer service, and accounting, offers well-known benefits to businesses and contributes to an economy in which entrepreneurial vendors can support industry and

expand employment. However, new research from the Lally School of Management at Rensselaer Polytechnic Institute discovered that not all client-vendor relationships are beneficial for the vendors.

"It's important to observe and study both sides of a business relationship," said T. Ravichandran, a chaired professor of information systems in Lally and an author of a new study published in *Information Systems Frontiers*. "For businesses to thrive, they need a vibrant vendor community that will support growth. But it's equally important for vendors to be informed on risks involved with the undertaking."

Ravichandran and his co-author, Sukruth Suresh from St. John Fisher College, examined 231 [business](#) process outsourcing announcements spanning 13 years and found that the least beneficial proposition for a vendor tasks them with developing specific capabilities for the client, leading to significant uncertainties. Combined with the complexities associated with managing the client's expectations, such an arrangement amplifies the vendor's risks.

"A contract may appear to be lucrative but if it involves significant client-specific investment of [vendor](#) resources, our findings show that it is a risky proposition for the vendors," Ravichandran said. "When vendors fail, it means reduced options for businesses, which directly disrupts the lives of many people through unemployment and strains the economy in general."

The authors found that the value gains for vendors were substantial when the task being outsourced was well-defined, and required specifically trained workers. Knowledge-intensive processes in areas like [supply chain management](#), finance and accounting services, and research and development are particularly promising. Additionally, the researchers found that contracts of longer duration are generally more beneficial for vendors, no matter the task.

More information: Sukruth Suresh et al, Value Gains in Business Process Outsourcing: The Vendor Perspective, *Information Systems Frontiers* (2021). [DOI: 10.1007/s10796-021-10111-1](https://doi.org/10.1007/s10796-021-10111-1)

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