



**‘BUY OR BUILD’ battle for organizations - The  
modern wisdom of outsourcing in the Global  
Corporate Village**

By

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## Global Corporate Village and its coherence to outsourcing

### Abstract:

*Globalization is the process of International Integration. The interchanging of goods, services are done globally- which in simple term is ‘Outsourcing’- The latest buzzword in these days. The terminology Global corporate village - refers to widening the business with compact trade deals, transactions with involvement of many countries with different sort of services as per their assets available with them. Interchanging these assets freely and making one corporate village where there would be cohesive inter relationship and the paths of the corporates must intertwine and cross. Newcomers also should get visibility globally and assimilated easily in this corporate village community by the ways of outsourcing and making own thumb print on a global canvas though they are separated geographically, by functions or specialty, services, productline. The core objective of global corporate village is Communication of information—about new ideas, products, strategies, opportunities, and challenges— The small & medium outsourcing providers are expanded and extended services globally to serve many business functions. In early 21<sup>st</sup> century globalization supported open door policy amongst the nations hence the outsourcing terminology has been explored with greater flexibility in budgeting, exchange of services, expertise and control etc.*

*Key words: Globalization, International Integration, Global canvas, outsourcing, Corporate village.*

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## **Introduction:**

The legendary Management Consultant Peter Drucker coined and developed the slogan: "*Do what you do Best and outsource the Rest!!*" This tagline recognized internationally which is primarily been using by the global players to advocate outsourcing as a visible business strategy.

Businesses are running after Quality as well quantities since they have to show existence globally as well as domestically. So surely the corporates are outsourcing their non-core business units, where they are conscious about cost and quality. The organizations are ready to be responsible and accountable for whatever services are being outsourced. It includes foreign and domestic contracting, and sometimes includes Offshoring and Near shoring

(Offshoring:relocating a business function to a distant country). (Near shoring:transferring a business process to a nearby country). The concept of outsourcing revolves around the costs associated with transferring control of the labor process to an external entity in another country. For some country's economy it is beneficial and surely it has an impact on particular country what kind of services are borrowed by. The question arises, why outsourcing?

Outsourcing refers to the way in which companies entrust the processes of their business functions to external vendors. They may enter into contractual agreement for an exchange of services and expertise. Any business process that can be done from an offshore location can be outsourced. This includes functions like transaction processing, payroll and order and inventory management to name a few. Plus, there are a whole lot of call center services that are being outsourced as well. Some of the processes that can be outsourced to providers like accounting and book keeping service, business process outsourcing, text and editing services, image manipulation services, OCR clean up services, transcription services, data conversion services, call center services etc. Financial savings from lower international labor rates can provide a major motivation for outsourcing. Outsourcing, gives the complete scope to the firms/organizations to exhaust their potential to highest extent as well as prove the core competencies in the cut throat competition and mitigate a shortage of skill or expertise in the areas where they want to outsource.

## **Objectives of the Study:**

- 1) To study, which services are being outsourced by the companies from FMCG sector.
- 2) To find out outsourcing advantages for corporates/organizations in the era of globalization.
- 3) To study the possibility of acceptance of 'Make in India' move coined by Hon'ble PM Modi.

## **Research Methodology:**

Research has been done for the company from FMCG sector- P&G and Unilever The objective behind this study is to analyze which kind of services are being taken and fully utilized. Does it really beneficial to the organization, how it really reduces the cost, how it helps to mark the presence globally.

Source: Secondary source

Methods of data collection: Published data in the annual reports of the company.

**Analysis of the data:** FMCG products has very short production life cycle and has very quick shelf turnover. This industry mainly deals with production, marketing, distribution, supply chain management, packaged goods. Though it does not require lot of Investment but the service support because of wide range of products.

**Procter and Gamble:**An American Multinational company P&G markets wide range of branded consumer goods and products from beauty care to house hold products. The HQ of company is in Cincinnati USA.

Company's products are sold in 180 countries with Net sales of USD 94 billion. It has 145 manufacturing plants with the range of 400 products.

P&G's global business services (GBS) organization has successfully met the challenges by dividing the services in various units. GBS grouped its Global Business Units into 4 Industry based sectors. They have implemented best in class services to create value for business units with reduced cost and efforts and achieving authentic results by applying business strategies. GBS delivers the services from employee to business like (people management, facility management, communication, meeting services, travel services, financial services and solutions, product innovation, supply network solution etc...

P&G grouped its GBUs in four industry based sectors.

1.Global beauty -Olay, OldSpice, SafeGuard, Covergirl, Head&Shoulders,
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Nicen'Easy, Pantene, Rejoice, Gucci, Hugo Boss
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2.Global baby feminine and family care- Luvs, Pampers, Always, Neutrella, Bounty,
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3.Global fabric and home care-Dash, Downy, Tide, Ariel, Mr. Clean, Febreze

4.Global Health and Grooming- Oral-B, Crest , Vics, Fusion, Gillette, March3 , Venus

The operations of these units are spread across 180 countries. GBS is the strong pillar of P&G which provides around 170 services to the company. The goal is to create value for business and improving the efficiency and effectiveness in this fast growing industry .It is also responsible to manage and improve end to end partnership relationships successfully.

It creates win-win situations for organization as well as partners, and ultimately it benefits

all stakeholders vested in the alliance partnership.

P&G's GBS has a standardized process. it has setup its business units in Costa Rica, Manila, Newcastle. They decided to get services from three companies for the best results

A) Jones Lang LaSalle for facilities management services.

B) IBM (International Business Machines Corporation) for employee services.

C) HP (Hewlett-Packard) for IT infrastructure applications and transactional accounts

<b>JLL</b>	<b>IBM</b>	<b>HP</b>
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payable.

The outsourced services are as follows:

<b>Facilities management Services</b>	<b>Employee Services</b>	<b>IT application</b>	<b>Infrastructural business model</b>
Security	Relocation Services	Technical expertise	business model
Mail delivery	Payroll processing	Data center operation	
Operations	Benefits administration	End user support	
Building operations	HR data management	Network management	
Portfolio management	Compensation planning	Application development	
Research facilities	Development of HR systems	Maintenance of inventory	
Advices on Real Estate investments	Organizational structure	supply chain systems, Business intelligence, SAP	

### **Unilever:**

Unilever is British- Dutch multinational company, founded in 1930 which is world's largest producer of consumer goods and products, includes food, beverages, personal care product, cleaning agents. Company's products are sold and available in 190 countries. It owns over 400 brands. Unilever is organized in to four main divisions. The total turnover of Unilever is of €49.79 billion of which 36% was from personal care, 27% from foods ,18% from Home care and 19% from refreshments., Unilever has been investing more than €1.05 billion in advertising and promotion. It is one of the largest media player in the world.

1) Food- Knorr, Brook Bond, BRU, Country Crock
2) Refreshments (beverages and ice-cream)- Lipton, Walls, Ben & Jerry, cornetto
3) Home care –Sun ,Surf, Domestos, Ala, Cajoline, Rin,Savo, Bio-Tex
4) personal care- Dove, LifeBoy,lux,Sun Silk,Rexona, Axe, Brut, Fair & lovely,HazeLine

The company has a strong impact in terms of its product reach. Company has established its plants in to many other countries for the manufacturing purpose, production and sales. Company

has tie ups with many multinational companies for various services. Its research companies are operating on every continent USA, India, Shanghai, Netherlands. Unilever has a subsidiary in India – Hindustan Unilever in which Unilever holds 67% stake.

The Outsourced services are offered by MNCs for operations and processes:

- 1) Cap Gemini - Finance and accounting outsourcing
- 2) Accenture – HR services / HR Business and processes
- 3) IBM – Supply Chain Management
- 4) BT( British Telecommunication) – Information Technology
- 5) Olswang - for guidance and advices for complex technology projects.

The outsourced services are as follows:

<b>Accenture</b>  <b>(Broad range of HR Services)</b>	<b>Cap Gemini</b>  <b>(Finance and accounting)</b>	<b>BT (British telecommunication</b>  <b>(IT Services)</b>	<b>IBM</b>  <b>(Global finance &amp; procurement services)</b>
Recruitment	Global intercompany processes	Integrated network service and support	Financial Planning and Analysis
Payroll processing	Access Control and Reporting & monitoring globally.	voice, data, video and mobility services	Finance Initiatives and Projects
Performance management	Litigation Support	Audio-conferencing and video-conferencing.	Treasury Management

Workforce reporting and core HR administration.	Financial statement preparation	Infrastructure Services	Accounting and Tax Compliance
One Unilever" programme	Accounting setup system for new business		Service Support Officers
reward administration			Research and Major Equipment

**Findings and Analysis:**

The Analysis of benefits of outsourcing to the organizations are as follows

Cost Benefit: The most and Visible benefit relates to cost saving. Get the job done on lower cost and at better quality for which the outsourcing company would utilize the core competency and there potential to the highest extent.

2. Increased productivity and efficiency: When business get outsourced by outsourced partner they bring their domain knowledge expertise and years of experience in the same business practices to deliver complex projects. Thus they perform their job better with their fullest knowledge. Surely it increases productivity and efficiency in the process.

3. Focus on brand image and core areas: Outsourcing allows you to focus on building your brand by making you free to utilize the core value and the preserved energy can be invested in research and development to provide higher value added services.

4. Save on technology and infrastructure: outsourcing partner takes the responsibility of investment in infrastructure,recruitment. Domain expert companies takes care of human resource

needs, training and development of employees, up gradation in respective business areas so it helps to reduce operating expenses and risk.

5. World class business practices: When we talk about world class business practices it points out the international level competition amongst the organizations. Every small and medium large companies will try to stamp a strong foot print in the market in whatever services or products they are best.

6. Round the clock business operations: In digital outsourcing, it has a great advantage of time zone apart from cost advantage. The time zone differential between two countries get your job done by outsourced company when you are closed for the day once finished with requirement gathering. Your service being delivered next morning.

7. Maintain competitiveness in global trade: when the service offered are better and faster with high quality deliverables, it decreases the lead time for your product to reach the market place. Thus you would be faster in turning your ideas in reality and better at delivering the value added propositions

**'Make In India Move'**: Make in India move is initiated by Honorable Prime minister of India. The objective behind this move is to make strong economy so that India should emerged the fastest growing major economy with GDP growth rate above 7.6. It is a major national initiative designed to facilitate foreign investment, foster innovation, enhance skill set, development, protect and boost intellectual property ,build Best-in-class manufacturing infrastructure etc.

Make in India involves own land, capital, labor, entrepreneurship, intellectual property, technology. so defiantly more jobs will be produced for Indians for the foreign countries.

For E.g. Apple co. has decided to have to have a manufacturing plant in India.

It is nothing but boosting for outsourcing as well as strengthening the country's manufacturing sector and to turn the country in to a global manufacturing hub.

The Make in India move focuses on production, Manufacturing, supply chain management in the home county to decreasing domestic employment levels.

## **Conclusion:**

Overall, outsourcing has become important trend which boosts organizations to grow and compete in a healthy way in the era of globalization since it has insight and oversight governance structure. Through outsourcing everyone gains and compete so it gives the competitive advantage. It develops the harmonious relationship amongst the countries Outsourcing is nothing but the battle of 'Build' versus 'Buy'. It is a modern wisdom of crowdsourcing. Outsourcing has emerged with a new wave of globalization marked by high volumes of trade and capital flows. The increased interest of expansion of many of the countries reduced the barriers. Out sourcing is been done in all the sectors like automobiles, aviation, pharmacy,electronics, bio-technology, chemicals, textiles, engineering,IT, tourism etc. It creates Millions of job opportunities to the citizens of outsourced country ultimately helps to build strong economy. Outsourcing gives opportunity for global business avenue. On the contrary outsourcing is unpredictable. It depends on future of any particular sector or skill group. The uncertainty of future conditions influence future governance approach. For example USA's policy: "Make America great again".

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