Abstract

The Unicist Ontology of Outsourcing

This is a synthesis on the results obtained from the research on the ontology of outsourcing led by Peter Belohlavek.

Outsourcing and Insourcing: two stages in nature

When living beings expand, "outsourcing" is a natural way to do so. The wind pollinates flowers, plants generate humus, and the entire ecological system is based on interdependence.

Interdependence implies outsourcing and outsourcing implies interdependence.

But when there is extreme scarcity and living beings resort to individualistic behaviors to survive, like bacteria, insourcing is the only possible way. They must be absolutely independent because they cannot count on resources of the environment.

Outsourcing and insourcing in the business world

To enter the world of effective outsourcing and insourcing it is necessary to define the criteria of effectiveness.

From a unicist point of view the optimum blending of outsourcing/insourcing is given when the highest level of synergy is achieved.

Synergy implies synergic behavior in the short and long run.

Interdependence vs. Independence

Outsourcing is self-evident in nature. As said before, pollination is an example of interdependence.

Pollination, a strategic matter for species' survival, is subject to outsourcing.

But nature switches to insourcing in situations of extreme scarcity.

The same thing happens to adequately managed organizations. They outsource for expansion, and insource all what they need for survival.

Understanding "natural organization" implies considering what and when something is subject to be outsourced and when the same matter should be insourced.

The answer is given by the need of independence or interdependence. When an organization expands, interdependence is its natural environment and outsourcing is its natural model.

But when the life of an organization is endangered, independence is an extreme natural behavior. When seeking independence no outsourcing is possible. Then insourcing is a natural behavior.

Cooperation & Competitiveness

Nature always seeks the way to evolve consuming the minimum amount of energy. Cooperation saves energy in some cases, but competitiveness saves energy in other situations.

The integration of both is a fundamental of business organization, as well as of human behavior.

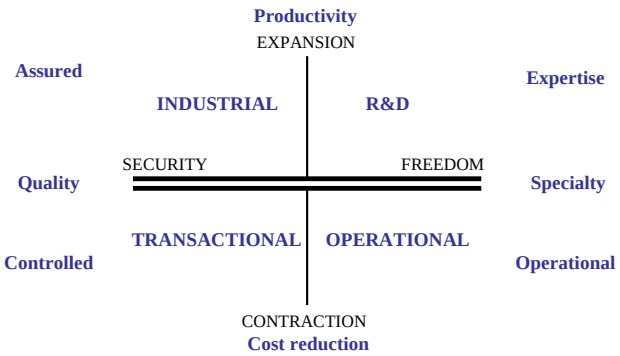
Interdependence is a natural way to organize in developed countries. Independence is a natural response in immature cultures.

Therefore outsourcing is "extremely" effective in developed markets and an unbalanced methodology in immature markets.

The nature of expert outsourcing

Outsourcing is a synergic cooperative operation to increase productivity and reduce costs based on specialization and quality.

Structure of the concept "Expert Outsourcing"



Based on the ontology of outsourcing four structural segments can be described:

1) Operational outsourcing
2) Transactional outsourcing
3) Industrial outsourcing
4) R&D outsourcing

Operational outsourcing

This is the segment that seeks cost reduction of operational processes based on sound operational knowledge with the necessary quality control procedures to ensure reliable outputs.

Operational outsourcing providers do not seek continuous improvement because it implies future price reductions.

The relation between the customer and the outsourcing provider is basically based on interests and therefore price strategy-driven.

There is usually a "life-cycle" relation. After several years the relation is worn-out because of “interest-conflicts”. Maintenance is a typical case. Industrial approach is a necessary complement to build long-term relations.

Transactional outsourcing

This segment is in charge of outsourcing transactions which are a part of a process.

This type of outsourcing is typical in IT outsourcing. It requires a higher analytical specialization within operational problems. It is absolutely cost-driven and tech or high-tech-based.

The outsourcing of transactional tasks requires innovation technologies. Every technological upgrade means more efficiency with lower costs.

Operational innovation is a natural and necessary complement. Continuous improvement through innovation is what maintains the relations between customer and provider.

Industrial outsourcing

This is the archetypical outsourcing. It implies a real partnering where both parts are willing to share their knowledge to improve the productivity and quality of an "industrialized" process.

It is based on sound expertise in the specific action field. The expertise must suffice to introduce quality assurance as a part of the productive system.

When this cannot be achieved, industrial outsourcing develops into operational outsourcing. Industrial outsourcing implies a relation between peers. One specialized in its industry and the other specialized in a specific part or process of the industry. The outsourcing provider adds technology to his client.

That is why in industrial outsourcing R&D is an implicit value. A typical case is the tire industry in the automotive business.

R&D outsourcing

This is the most sophisticated but frequent type of outsourcing. After the first period in the history of industrialization, when inventors built their own industrial companies (Edison, Ford, Daimler Benz, Firestone, etc.) knowledge became a hyper-specialization.

This specialization was developed in Universities, Research Centers, Research Boutiques and individuals.

The integration between business and researchers evolved into a outsourcing-partnering model. This model is extremely effective in developed countries and rare in peripheral countries.

This outsourcing model includes, on one hand, a conflictive competitive relation between money and knowledge. But on the other hand, it is the basis for sustainable industrial outsourcing.

The USA's patenting model fosters this outsourcing partnering much more than the European.

The Unicist Research Institute