

Three Ways Outsourcing Software Jobs Can Save You Money

Pay an individual outside of your company to complete a software project for you and you could find yourself saving money in the process. This is a concept which may seem counterintuitive to some but those who have embraced the idea of outsourcing realize the cost savings associated with process is one of the benefits. Outsourcing results in an overall cost savings for a number of reasons. Outsourcing contributes to reduced labor costs and greater productivity. Additionally, outsourcing virtually increases manpower giving companies greater capabilities.

Reduced Labor Costs

For many the most important reason for outsourcing is to reduce labor costs. Employers may not be obligated to offer benefits such as social security, Medicare and workers' compensation to the workers who are completing the outsourced work. Additionally, these individuals often have their own offices and computer equipment and are capable of completing their work offsite.

Labor costs can be a significant part of a company's budget for the year. A company that is able to reduce their labor costs will be able to enjoy a greater profit margin without making any other changes to their business operations.

There are certainly other changes which can be made to increase profitability but reducing labor costs is a guaranteed method of increasing profitability while other methods of increasing profitability such as marketing different niches will not guarantee success.

Greater Productivity

Another benefit of outsourcing is increased productivity. Greater productivity can be another cost savings benefit for companies. When work is outsourced there are a number of factors which contribute to increased productivity. Productivity may increase due to workers being assigned appropriate projects, workers being more efficient and less cases of underutilization.

Assigning workers to tasks that are beyond their capabilities is one way to cause a decline in productivity. While challenging employees to think for themselves and take on increasing responsibility is worthwhile, giving an employee an assignment he is not qualified to complete can be damaging to productivity because of the learning curve involved. This is why it is so important to outsource complicated software tasks to experts in the industry. They are often able to complete complex tasks quickly and efficiently.

Outsourcing also makes employees more efficient because by allowing individuals to focus on only one task at a time there is less time spent transitioning

from one task to another. Many employees and employers think multi-tasking is a way to increase productivity but it can actually have the reverse effect. Employees with too many responsibilities may feel pressured to work on each task each day. This can be detrimental because each time the employee switches from one task to the next it is necessary to get back up to speed with the new task and remind himself where he left off when he stopped working on the project.

Finally, outsourcing can lead to greater productivity by reducing underutilization. For example outsourcing very specialized projects requiring expert analysis is preferable to maintaining this expert on staff when their services are only needed occasionally. If

this were a salaried employee he would be greatly underutilized. However, outsourcing these occasional projects to an expert prevents the underutilization phenomenon.

Increased Manpower

Another way outsourcing can save you money is through providing your company with increased manpower. This is especially important for smaller companies who would normally be precluded from attempting to secure larger government projects. This is because there are typically requirements regarding the number of employees a company must have available to work on the project. Maintaining a network of qualified individuals gives a company

more bargaining power when negotiating larger contracts.

Outsourcing is really ideal in this situation because it enables the company to work with highly qualified individuals when necessary without having to retain these individuals as salaried staff members. This is significant because niche experts often become so specialized that working as an independent contractor is really their only option because as a salaried employee they are more of a liability to companies than they are an asset. This is because many companies do not want to bear the burden of keeping these individuals on staff when they can outsource the work to them on a per contract basis.