

5. Emerging Modes of Business

Q1. (A) Select the correct option and rewrite the sentence.

1. For online transactions is required.

a. registration b. trading c. business

2. The term 'e-business' is derived from the term and e-commerce.

a. Cash b. e-pay **c. e-mail**

3. The transactions under are between consumers and consumers.

a. B2B **b. C2C** c. B2C

4. The process of contracting a business function to someone else is called as

a. outsourcing b. trading c. e-business

5. In online shopping customers put the product in the

a. shopping mall **b. shopping cart** c. shopping bag

(B) Match the pairs:

Group 'A'	Group 'B'
A) E- business	1) Consumer to consumer
B) B2C	2) Exist everywhere
C) Outsourcing	3) First step
D) Digital cash	4) Business to Consumer
E) Registration	5) Electronic business
	6) BPO
	7) RTO
	8) Efficient business
	9) exist only in cyberspace
	10) Last step

Ans: A-5 B-4 C-6 D- 9, E- 3

(C) Give one word / term / phrase for the following sentence.

1) The stage where the goods bought are delivered to the customer.

Ans: **Delivery stage**

2) The term derived from the terms e-mail and e-commerce.

Ans: **e-business**

3) The transaction which is done with the help of the internet.

Ans: **online transactions**

4) The first step in online transaction.

Ans: **Registration**

5) The process of contracting a business function to specialized agencies.

Ans: **outsourcing**

6) Subset of outsourcing.

Ans: **BPO**

7) Sub segment of BPO

Ans: **KPO**

8) One of the value added BPO service which involves legal work.

Ans: **LPO**

(D) State whether following statements are true or false.

1) It is easy to set up e-business as compared to traditional business.

Ans: **True**

2) The term e-business is derived from the term e-mail and e-commerce.

Ans: **True**

3) e-business allows you to work across the globe in any field.

Ans: **True**

4) LPO stands for legal product outsourcing.

Ans: **False**

5) KPO requires advanced analytical and technical skills.

Ans: **True**

6) With the help of outsourcing, company cannot focus on the core areas.

Ans: **False**

(E) Find the odd one.

1) BPO, RTO, LPO, KPO

Ans: RTO

2) B2B, B2C, A2Z, C2C

Ans: A2Z

3) Debit card, Credit card, Aadhar card, ATM card.

Ans: Aadhaar card

(F) Complete the sentences.

1) E-business is an abbreviation for Electronic business

2) The term e-business came into existence in the year 1997.

3) E-business means using the Internet to connect people and process.

4) E-business is Superset of e-commerce.

5) E-commerce is Subset of e-business.

6) The process of contracting a business function to specialized agencies is known as Outsourcing ..

(G) Select the correct option and complete the table.

(Business to Business, First step, e-commerce, payment mechanism, e-business)

Group 'A'	Group 'B'
A) Registration	<u>First step</u>
B) Superset of e-commerce	<u>E-business</u>
C) <u>Payment mechanism</u>	Last step
D) Subset of E-business	<u>E-commerce</u>
E) <u>Business to Business</u>	B2B

(H) Answer in one sentence.

1) What is E-business?

Ans: E-business means using the internet to connect people and process. E-business establishes more closer and responsive relationship with partners, employees and suppliers.

2) What is outsourcing ?

Ans: Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies mostly the non-core areas such as sanitation, security, household pantry etc. are outsourced by the company. The company makes a formal agreement with the agency.

3) What is Online Transaction?

Ans: Online transaction is done with the help of the internet. It can't take place without a proper internet connection. Online transactions occur when a process of buying and selling takes place through the internet.

4) What is shopping cart?

Ans: The shopping cart gives a record of all the items selected by the buyer to be purchased, the number of units or quantity desired to be bought per item selected and the price for each item.

5) What is digital cash?

Ans: Digital Cash is a form of electronic currency that exists only in cyberspace and has no real physical properties, but offers the ability to use real currency in an electronic format.

6) What is BPO?

Ans: Business process outsourcing or BPO, is a business practice in which one organization hires another company to perform a task (process) that the hiring organization requires to operate its own business successfully.

7) What is KPO ?

Ans: KPO is the sub segment of BPO, in which the outsource service provider is hired not only for its capacity to perform particular business process or function but also to provide expertise around it.

8) What is LPO ?

Ans: LPO is a type of KPO that is specific to legal services, ranging from drafting legal documents, performing legal research to offering advice.



(I) Correct the underlined word and rewrite the following sentence.

1) E-business is hard to start.

Ans: E-business is **easy** to start.

2) There are five stages of online transactions.

Ans: There are **three** stages of online transactions.

3) Registration is the Last step in online transaction.

Ans: Registration is the **first** step in online transaction.

4) Digital cash is form of plastic currency.

Ans: Digital cash is form of **Electronic currency**.

5) KPO includes less knowledge based and specialized work.

Ans: KPO includes **more** knowledge based and specialized work.

(J) Arrange in proper order.

1) Purchase or sale / Delivery stage / Pre purchase or sale.

Ans: Pre purchase / sale , Purchase / sale, Delivery stage

2) Placing an orders, Cash on delivery, Registration

Ans: Registration, Placing an order, Cash on delivery

Q.2. Explain the following terms / concepts.

1) E-business

Ans: The term 'E-business' i.e electronic business is derived form the terms e-mail and e-commerce.

E- business or electronic business, is the administration of conducting business via the internet.

This would include the buying and selling of goods or services, along with providing technical or customer support through the internet.

2) B2B

Ans: In Business to Business (B2B) form the buyer and seller are both business entities and do not involve individual consumers. Here, both the parties involved in e-commerce transactions are business firms and hence the name B2B i.e. business to business.



3) B2C

Ans: B2 C transactions have business firms at one end and its customers on the other end.

The transactions under B2C are between business firms and consumer. Firms use their sites for a range of marketing activities.

4) C2C

Ans: Consumer to consumer (C2 C) involves the electronically facilitated transactions between consumers through some third party. A common consumer posts an item for sale and other consumers bid to purchase it. The sites are only intermediaries, just to match the consumers.

5) Outsourcing

Ans: Outsourcing is the process of contracting some business functions to specialized agencies. The company benefits in two ways.

1. It reduces its own cost
2. It uses the expertise of the firm which specialises in a particular kind of service.

6) BPO

Ans: BPO is a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business process to a third party service provider. BPO refers to the outsourcing of peripheral activities of the organisation to an external organization to minimize cost and increase efficiency.

7) LPO

Ans: LPO is a type of KPO that is specific to legal services, ranging from drafting legal documents, performing legal research to offering advice. LPO refers to the practice of law firm or corporation obtaining legal support services from an outside law firm or legal support services company. LPO is high-end industry that has been growing rapidly in the recent years.

8) KPO

Ans: KPO is the sub segment of BPO, in which the outsource service provider is hired not only for its capacity to perform particular business process or function but also



to provide expertise around it.

KPO is a form of outsourcing, in which knowledge related and information related work is carried out by workers in a different company or by a subsidiary of the same organization. Which may be in the same country or in an off shore location to save cost.

Q.3. Study the following case / situation and express your opinion.

1. Abhay purchases some gift articles online from www.flipkart.com. At the same time Sheetal purchased gift from e-bay.com.

i. Which website is related to C2C?

Ans: eBay.com website is related to Consumer to Consumer (C2C).

ii. Which website is related to B2C?

Ans: www.flipkart.com website is related to Business to Consumer (B2C).

iii. What first step does Abhay need to follow?

Ans: Before online shopping. Abhay has to register with the www.flipkart.com by filling up a registration form. Registration is the first step in online transaction. Abhay needs to login a particular website to buy particular gift articles.

2. Satvik purchases watch from Titan shop and his friend Shambhavi purchases watch from online shopping site.

i. Which shopping is from traditional business?

Ans: Purchase of watch by Satvik from Titan shop is an example of traditional business.

ii. Which shopping is from e-business?

Ans: Purchase of watch by Shambhavi from online shopping site is an example of e-business.

iii. Which business involved high risk ?

Ans: e-business i.e. purchase of watch from online shopping site involves high risk as there is no direct contact between Shambhavi and e-business owner.



3. Mr. Ved made his payment by cheque at the same time Mr. Shlok made his payment by fund transfer.

i. Whose payment is faster?

Ans: The payment made by Mr. Shlok by fund transfer is faster than payment made by Mr. Ved through cheque.

ii. Whose payment is related to traditional business?

Ans: The payment made by Mr. Ved by cheque is related to traditional business.

iii. Whose payment is related to e-business?

Ans: The payment made by Mr. Shlok by fund transfer is related to e-business.

Q.4. Distinguish between.

1) Traditional business and E-business.

Point of distinction	Traditional business	E- Business
1. Formation	Traditional business takes lengthy and complicated procedure to form	E- Business is easy to form
2. Setting up cost	It takes huge capital in order to setup	It takes a very nominal cost
3. Risk involved	Less Risk involved as parties have personal interaction.	High risk involved as there is no direct contact between the parties
4. Scope of business	Traditional business is limited to particular area so scope is limited.	E- business covers entire world and so scope is vast
5. Customer interaction	Face to face interaction is possible	In E-business there is absence of face to face interaction.
6. Physical inception	Goods can be inspected physically before purchase	Goods cannot be inspected physically before purchase



7. Resources focus	Traditional business resources focus on supply side	E-business resources focus on demand side
8. Delivery of goods	In traditional business delivery of goods is instant.	In E-business delivery of goods takes time
9. Usage	It is ancient and still in usage where the digital network is not reachable.	It is used to save valuable time and money
10. Accessibility	It is available during the limited time	It is available round the clock
11. Scope	It is difficult to perform more business in this model.	More business can be done easily without any hassles

2) E-business and E-commerce

Ans:

E-business	E-commerce
1. Meaning: E- business is conduct of business processes on the internet	'E- commerce involves commercial transactions done over internet
2. What is it? E- business is superset of E-commerce	E-commerce is subset of E-business
3. Features: E-business includes all kinds of re- sale and post-sale efforts.	E-commerce just involves buying and selling of products and services
4. Concept: It is broader concept that involves market surveying, supply chain and logistic management and using data mining	E-commerce is narrower concept and restricted to buying and selling
5. Transaction: It is used in the context of B2B transactions	It is more appropriate in B2C context
6. Which network is use? : E-business can involve the use of internet intranet or extranet	E-commerce involves the mandatory use of internet

3) BPO and KPO

Ans:

BPO	KPO
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1. Meaning: BPO refers to the outsourcing of non primary activities of the organization to an external organization to minimize cost and increase efficiency	KPO is another kind of outsourcing whereby, functions related to knowledge and information are outsourced to third party service providers
2. Degree of complexity: BPO is less complex	KPO is complex
3. Requirement: BPO requires process expertise	KPO requires knowledge expertise
4. Talent required in employees: BPO requires good communication skills	KPO requires professional qualified workers
5. Focus on: BPO focus on low level process	KPO focus on high level process

Q.5. Answer in brief.

1) What is outsourcing? Illustrate with suitable example.

Ans: Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies mostly the non-core areas such as sanitation, security, household pantry etc. are outsourced by the company. The company makes a formal agreement with the agency.

Company benefits in two ways.

1. It reduces its own cost
2. It uses the expertise of the firm which specializes in a particular kind of service.

Examples of outsourcing -

The establishments such as shops, malls, housing societies, offices etc. outsource facilities like canteen, sanitation, security etc. In the same way arrangements for wedding, anniversary, birthday celebration can also be outsourced.

2) What is BPO? Explain in detail.

Ans: Business process outsourcing or BPO, is a business practice in which one organization hires another company to perform a task (process) that the hiring organization requires to operate its own business successfully.



Meaning - BPO is a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business process to a third party service provider. BPO refers to the outsourcing of peripheral activities of the organisation to an external organization to minimize cost and increase efficiency.

BPO refers to the outsourcing of peripheral activities of the organization to an external organization to minimize cost and to increase efficiency. For example, customer care centres for various banks, service providers etc.

3) What is KPO? Explain in detail.

Ans: KPO is described as the functions related to knowledge and information outsourced to third party service providers.

KPO is the sub segment of BPO, in which the outsource service provider is hired not only for its capacity to perform particular business process or function but also to provide expertise around it.

KPO is a form of outsourcing, in which knowledge related and information related work is carried out by workers in a different company or by a subsidiary of the same organization. Which may be in the same country or in an off shore location to save cost.

KPO requires advanced analytical and technical skills as well as a high degree of specialist expertise. KPO allows both core and non-core activities.

4) What is LPO? Explain in detail.

Ans: LPO is a type of KPO that is specific to legal services, ranging from drafting legal documents,

Performing legal research to offering advice.

LPO refers to the practice of law firm or corporation obtaining legal support services from an outside law firm or legal support services company. LPO is the industry in which in house legal departments or organizations outsourced legal work to such areas where it can be done at less cost.

For example, areas like US or Europe outsourced legal work to India, where it can be performed at significantly decreased cost. LPO is high-end industry that has been growing rapidly in the recent Years.

Legal outsourcing has gained tremendous ground in the past few years in India. It achieved

Success by producing service such as document review, legal research and writing, drafting of briefings etc.

Q.6. Justify the following statements



1) It is easy to set up e-business as compared to traditional business.

Ans: (1) e-business is run, managed and carried out with the help of information technology, i.e. web (internet). However, traditional business is run, managed and carried out in accordance with specific old custom or a trading practices of long lasting

(2) In traditional business large, physical space is needed, to arrange and display the variety of goods. It needs large amount of capital to have infrastructure, staff and other required facilities. e-business can be started, managed and operated with the help of the internet from any place or even from one's own home. Naturally, it requires very less capital. It is also easy to set up.

(3) In traditional business, time is required to travel, to convince, to negotiate and to interact with the customers. In such process lot of time, energy and money are wasted. While in e-business required information is provided and accepted with terms and conditions more instantly.

(4) e-business is also free from most of the problems as faced by the traditional business. Thus, it is easy to set up e-business.

2) E-business allows user to work across the globe in any field.

Ans: (1) e-business i.e. electronic business may be defined as the application of information and technologies to support all the activities of business. It involves electronic buying and supply, chain management, process orders electronically, online payments via debit or credit cards, handling customer service, etc.

(2) In order to begin with e-business, a business owner must have an internet presence. He has to obtain an e-mail address for communicating the same to the customers and other business associates. This helps speedy communication between business firms and customers. Communication is easy as there is no face to face interaction.

(3) Once the owner of e-business has acquired an electronic means of contact, he may sell goods to the customers residing in any part of the world. There is no need of any wholesalers, retailers, etc. This reduces costs and increase profit. In e-business, goods can be purchased on internet from any place across the globe, payments can be made with the help of debit, credit card, internet banking and the goods are physically delivered at the doorstep of the buyer.

(4) Similarly, he can do trading in any field. e-business uses internet to connect



people and processes. The World Wide Web (WWW) offers lot of exposure to e-business on a global platform. International relationship is very strong in e-business. The Government also offers lot of support to e-business. Thus, it allows one to work across the globe in any field he likes.

3) Online transaction is done with the help of the internet.

Ans: (1) Online transactions take place when a process of buying and selling are completed through the internet. For online transaction, registration is required. The consumer needs to login a particular website to buy a particular article or service. The customer's email ID, name, address and other details are saved and safe with the website for further contact.

(2) When a customer likes a product or service, he/she selects, pick ups and drops the items or things in the shopping cart. The shopping cart keeps the systematic and detail record of what items have been picked up while browsing the online store.

(3) The buyer then proceeds to the payment option after selecting all the products. Payment can be made by accepting cash on delivery mode of payment, after receiving physical delivery of goods. The customer may pay in cash or by debit or credit card. The buyer also sends a cheque to the seller and the seller sends the products after the realisation of the cheque.

(4) If the payment is transferred by the buyer from his account to the seller's account electronically, then after the payment is received by the seller, he sends the goods to buyer. The credit card or debit card is also used by the card holder for making payment of purchases. The amount gets immediately transferred to vendor's bank account. After the successful transfer of funds, goods are delivered by the vendor to buyer. Thus, all the aspects of online transaction are completed with the help of the internet.

Q.7. Attempt the following.

1) What are the advantages and disadvantages of e-business?

Ans: Advantages of e-commerce are as follows:

1) Ease of formation:

The formation of traditional business is difficult, whereas to form e-business is relatively easy to start.

2) Lower Investment requirements:



Investment requirement is low as compared to traditional business as the store does not have physical existence and can be managed with less manpower so if trade does not have much of the investment but have contact (network), he can do fabulous business.

3) Convenience:

Internet offers the convenience of 24 X 7 X 365 days a year. Business is going on any time and flexibility is available. Yes, e-business is truly a business that has enabled and enhanced by electronics and offers the advantage of accessing anything, anywhere, any time.

4) Speed: This benefit becomes all the more attractive when it comes to information. Much of the buying or selling involves exchange of information that internet allows at the click of mouse.

5) Global access:

Internet is truly without boundaries. On one hand, it allows the seller an access to the global market. On the other hand, it offers a freedom to the buyer to choose products from almost any part of the world. No need of face to face interaction between buyer and seller.

6) Movement towards a paperless society:

Use of internet has considerably reduced the dependence on paperwork. Thus, recording and referencing of information has become easy.

7) Government support:

The government provides favorable environment for setting up of e-business. This support ensures maximum transparency.

8) Easy payment:

The payment in e-business is done by credit card, fund transfer etc. and it is available round the clock.

The Disadvantages of e-business are as follows:

(1) Lack of personal Touch : E-business lacks the personal touch. One cannot touch or feel the products. So it is difficult for the consumers to check the quality of products.

(2) Delivery Time : The delivery of the products takes time. In traditional business you get the product as soon as you buy it. But that doesn't happen in online business. This time lag often discourages customers e.g. Amazon now assures one day delivery. This is an improvement but does not resolve the issue completely.



(3) Security issues : There are a lot of people who scam through online business. Also, it is easier for hackers to get your financial details. It has a few security and integrity issues.

This also causes disturbance among potential customers.

(4) Government interference : Sometimes the Government monitoring can lead to interference in the business.

(5) High Risk : High Risk is involved as there is no-direct contact between the parties. In case of frauds, it becomes difficult to take legal action.

2) What are the types of e-business? Explain.

Ans: Followings are the types of business:

- 1) Business to Business (B2B)
- 2) Business to Consumer (B2C)
- 3) Consumer to Business (C2B)
- 4) Consumer to Consumer (C2C)
- 5) Business to Administration (B2A)
- 6) Consumer to Administration (C2A)

1) Business to Business (B2B)

In this form the buyer and seller are both business entities and do not involve individual consumers. Here, both the parties involved in e-commerce transactions are business firms and hence the name B2B i.e. business to business. Transactions between business firms come under this category. Business firms interact with each other for a variety of services.

2) Business to Consumer (B2C): B2 C transactions have business firms at one end and its customers on the other end.

The transactions under B2C are between business firms and consumer. Firms use their sites for a range of marketing activities. The cost of products and services is kept low through this method and the speed of transaction is also faster.



3) Consumer to Business (C2B)

In this electronic transaction the consumer requests a specific service from the business. Consumer to Business is a growing arena where the consumer requests a specific service from the business. It enables buyers to quote their own price for specific goods or services. A consumer posts his request with a set budget online and, companies review the customers' requirements and bids out the project. For example, pest control services, taxi services, door step food delivery etc.

4) Consumer to consumer (C2C)

It facilitates the online transaction of goods or services between two people. Consumer to consumer (C2 C) involves the electronically facilitated transactions between consumers through some third party. A common consumer posts an item for sale and other consumers bid to purchase it. The sites are only intermediaries, just to match the consumers.

5) Business to Administration (B2A)

This part of e-commerce encompasses all transactions conducted online between business and public administration. For example, registration of companies, payment of taxes, getting permits etc.

6) Consumer to Administration (C2A)

The consumer to Administration model encompasses all electronic transactions conducted between individuals and public administration. For example, getting passport, aadhaar card, licenses etc.

3) What are the advantages of outsourcing?

Ans: Advantages of Outsourcing:

1) Overall cost advantages- It reduces the cost and also saves time and efforts on training cost.

2) Stimulates entrepreneurship, employment and exports- Outsourcing stimulates entrepreneurship, employment and exports in the country.

3) Low manpower Cost- The manpower cost is much lower than that of the host company.

4) Access to professional, expert and high Quality services- Mostly the tasks are given to people who are skilled in that particular field. This provides us with a better level of service and fewer chances of errors.



5) Emphasis on core process rather than the supporting ones- With its help companies can focus on their core areas which lead to better profits and increase the quality of their products.

6) Investment requirements are reduced - The organization can save on investing in the latest technology, software and infrastructure and let the outsourcing partner handle the entire infrastructure.

7) Increased efficiency and productivity - There is an increased efficiency and productivity in the non-core areas of an organization.

8) Knowledge sharing - Outsourcing enables the organization to share knowledge and best practices with each other, it helps develop both the companies and also boosts goodwill in the industry.

4) What are the disadvantages of outsourcing?

Ans: Disadvantages of Outsourcing / Limitations of Outsourcing

1) Lack of customer focus- An outsourced vendor may be catering to the needs of multiple organizations at a time. In such a situation, he may lack complete focus on an individual organization.

As a result, the organization may suffer.

2) A threat to security and confidentiality - The confidential information of the organization may be leaked to the third party, so there are security issues.

3) Dissatisfactory services - Some of the common problem areas with outsourcing include stretched delivery time and substandard quality.

4) Ethical issues - The major ethical issue is taking away employment opportunities from one's own country, when the function is outsourced to a company from another country.

5) Other disadvantages -

i) Misunderstanding of the contracts.

ii) Lack of communication.

iii) Poor quality and delayed services.



Q.8. Answer the following.

1) Explain the steps involved in online transaction.

Ans: The online transaction moves through pre-purchase/sale, actual purchase/sale and delivery stage. It involves following steps.

1) Registration - Before online shopping one has to register with the online vendor by filling up a registration form. Registration is the first step in online transaction. For online transaction registration is required. The consumer needs to login a particular website to buy a particular article or service. The customer's email ID, name, address, other details are saved and are safe with the website. For security reasons, the buyer's 'Account' and his 'Shopping Cart' is an online record of what you have picked up while browsing the online store.

2) Placing an Order- It is second step in online transaction. When a customer likes a product or service he/she puts the product in the shopping cart. The shopping cart gives a record of all the items selected by the buyer to be purchased, the number of units or quantity desired to be bought per item selected and the price for each item. The buyer then proceeds to the payment option after selecting all the products.

3) Payment - It is the last step in online transaction. The buyer has to select the payment option.

These payment systems are secured with very high level encryption. The personal financial information is completely secure. The following are some ways in which we can make this payment.

a) Cash on Delivery- In this type of payment the buyer pays when he/she receives the product. The payment is made at the doorstep. The customer can pay in cash or by debit or credit card.

b) Cheque- In this type of payment, the buyer sends a cheque to the seller and the seller sends the product after the realization of the cheque.

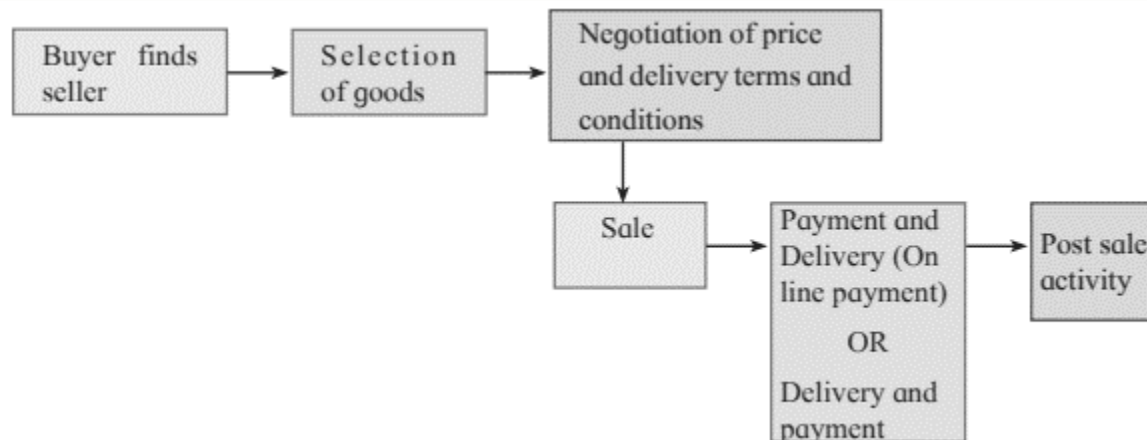
c) Net Banking transfer- In this type of payment, the payment is transferred from the buyer's account to the seller's account electronically. After the payment is received by the seller, the seller dispatches the goods to the buyer. It is an electronic facility of transferring funds through the internet.

d) Credit or Debit card - The buyer makes payment through debit or credit card and amount gets deducted from customer's account. Debit card or credit card is popularly known as "Plastic".



Money". They are mostly used for online payments.

e) **Digital Cash** - Digital Cash is a form of electronic currency that exists only in cyberspace and has no real physical properties, but offers the ability to use real currency in an electronic format.



2) **What is outsourcing? Explain advantages and disadvantages of outsourcing.**

Ans: Outsourcing is the process of contracting some business functions to specialized agencies. The company benefits in two ways.

1. It reduces its own cost
2. It uses the expertise of the firm which specializes in a particular kind of service.

Advantages of Outsourcing:

- 1) **Overall cost advantages-** It reduces the cost and also saves time and efforts on training cost.
- 2) **Stimulates entrepreneurship, employment and exports-** Outsourcing stimulates entrepreneurship, employment and exports in the country.
- 3) **Low manpower Cost-** The manpower cost is much lower than that of the host company.
- 4) **Access to professional, expert and high Quality services-** Mostly the tasks are given to people who are skilled in that particular field. This provides us with a better level of service and fewer chances of errors.

5) Emphasis on core process rather than the supporting ones- With its help companies can focus on their core areas which lead to better profits and increase the quality of their products.

6) Investment requirements are reduced - The organization can save on investing in the latest technology, software and infrastructure and let the outsourcing partner handle the entire infrastructure.

7) Increased efficiency and productivity - There is an increased efficiency and productivity in the non-core areas of an organization.

8) Knowledge sharing - Outsourcing enables the organization to share knowledge and best practices with each other, it helps develop both the companies and also boosts goodwill in the industry.

Disadvantages of Outsourcing / Limitations of Outsourcing

1) Lack of customer focus- An outsourced vendor may be catering to the needs of multiple organizations at a time. In such a situation, he may lack complete focus on an individual organization.

As a result, the organization may suffer.

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5) Other disadvantages -

i) Misunderstanding of the contracts.

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