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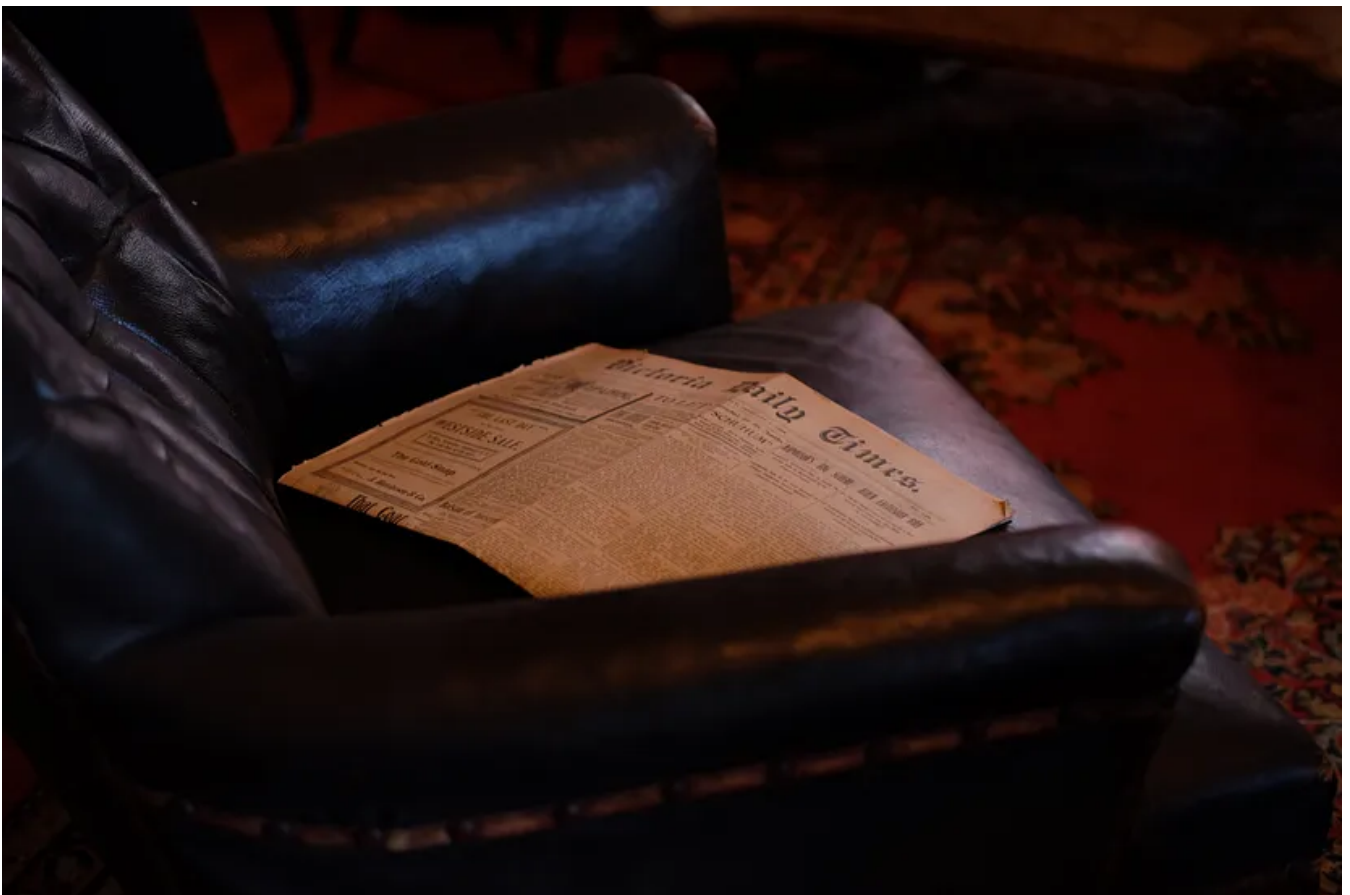


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The History Of Outsourcing

From carpenters to accountants

Image credit: [Kingston Chen](#)

The world without outsourcing is hard to imagine today. What once started as an economic movement, dictated by the rapidly evolving nature of capitalism, became a cultural phenomenon that united our 7,917.5 miles in diameter planet more than anything in the history of our kind. Almost contradictory to the laws of human

perception of one another, despite the rudiments of our tribal mentality, and regardless of all the xenophobic displays of the worst of us, we somehow managed to sustain an ethical work scheme that runs our world today.

Let's look into how outsourcing started, what the future is like for it, and how our specific digital industry is doing in terms of effective outsourcing and the global historical impact it makes.

The roots of progress

Our civilization was shaped by a lot of universal and spiritual factors. We've accumulated enough knowledge and experience to provide a life of ease for a lot of people and somehow keep our sanity. In a lot of ways, the scientific change contributed to the rise of our material standing and cultural development.

Our values and aims at some point, became the constitutive criteria for “good science.”

What is *good science*? Scientists themselves tend to have different measures of good science, allowing them to leverage their biases in a lot of ways. The studies of this paradigm is a philosophical subject that does not have a lot to do with the economic reality. This brings us to the concept of the *goal* which is usually tangible. The progress of reaching that goal then is measurable as you can clearly recognize whether the goal has been achieved or not. As put by the [Stanford Encyclopedia of Philosophy](#),

A goal may be accessible in the sense that it can be reached in a finite number of steps in a finite time. A goal is utopian if it cannot be reached or even approached. Thus, utopian goals cannot be rationally pursued, since no progress can be made in an attempt to reach them.

If the goal is clear and reachable, we can work towards it and in the process of moving towards the goal, we stumble upon our greatness. We thrive in our problem-solving abilities and constantly search for empirical truth. This is the progress. This is what makes us look to the other side and always come up with something regardless of the limitations put on us.

The historic outsourcing routines

The first evidence of outsourcing is hardly traceable. It's natural that the skills of some people are appreciated more in the places where these skills are not available to the other. However, trading abilities as a commodity came more as a need than a search for progress.

Crewing

In the late 18th century, going across the oceans meant losing a half of your crew which made the commanders gather the missing parts of the crew across the world. It was a significant shift towards the diversification of the world in its business manifestation. Once these connections had been established, what was dictated by the need, started getting substituted with economic benefits of hiring a cheaper crew.



Image credit: [ageofsail](#)

The migration of people with various skills, dedication levels, and different affordability of their labor opened the eyes of many industrial leaders of their time to the potential outsourcing had. Ever since that time, we no longer limit ourselves to the territorial and cultural borders but instead, we are constantly digging into the diversity of the human resources available during all the stages of our growth.

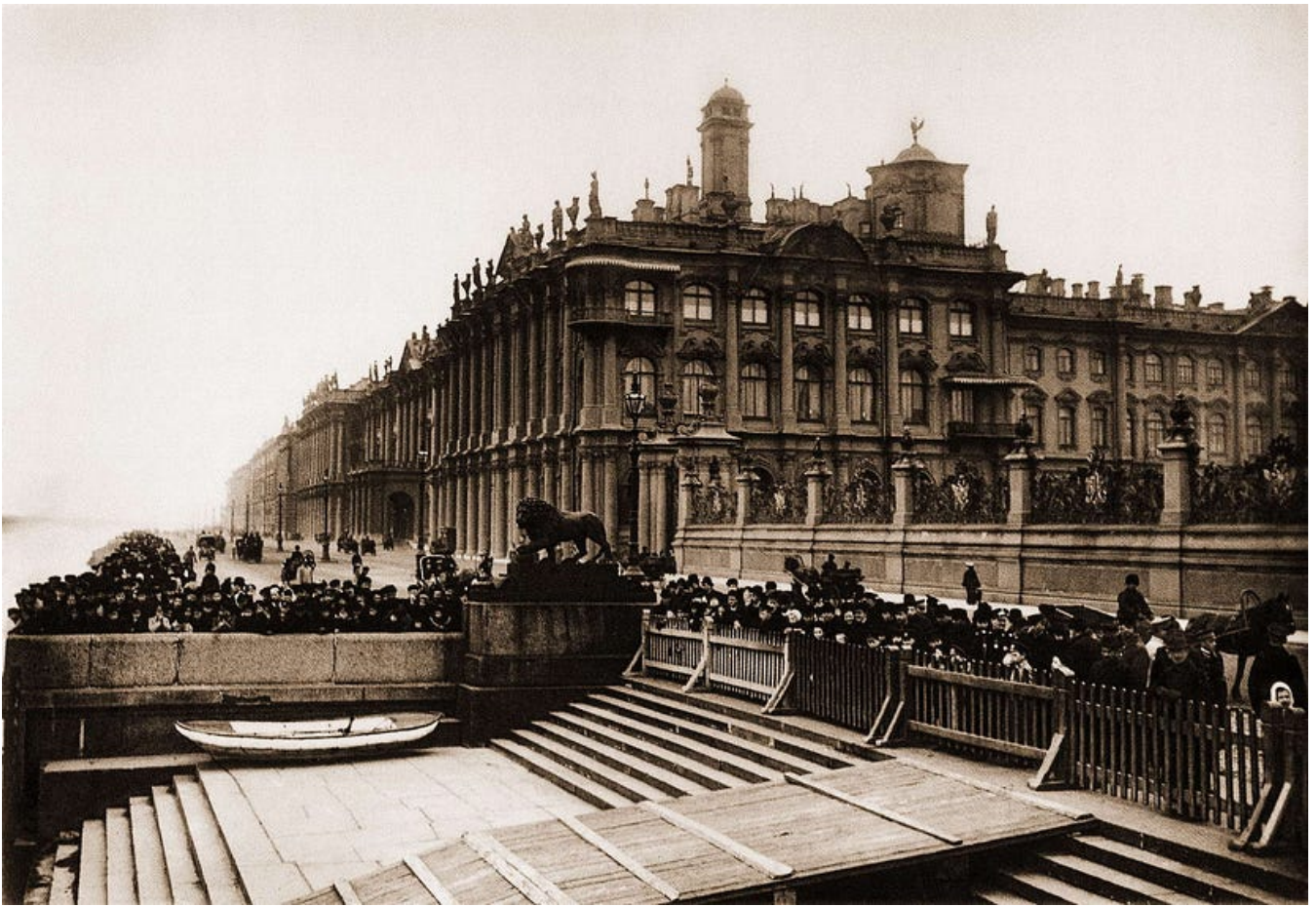
Peter the Great

Peter the Great, the Emperor of Russia, can be considered the first professional recruiter and outsourcer. Born into the Russian Tsardom, he became notorious for the new direction Russia took under his reign. In his 20's he basically outsourced himself to the Netherlands to work as a shipbuilder and study the craft.

He returned back to Russia with a wealth of knowledge and a team of foreign craftsmen of various professions to build the new Empire.

Here's what he managed to do applying the intuitive principles of outsourcing with a clearly stated goal:

- Peter changed the dress code from “Asian” to a European look for all of the official establishment and the military, contributed to the traditions that are being observed even in the uniforms of today.
- Peter opened the borders. For a country that battled against invaders for a good portion of its existence, this was huge. The Emperor believed in education and investments. He encouraged the foreigners to start businesses in Russia as well as inspired his own people to travel.
- Peter founded a city that became a postcard and a symbol of the country. He built Saint-Petersburg in the European tradition. For this, he outsourced Italian architects, German engineers, French artists, and pretty much everyone who could contribute to the foundation of our Northern Capital.
- He founded the first museum and cultivated a taste for art and appreciation of marvels of the world.
- Peter established the new alphabet along with the Arabic numerals, which significantly eased teaching and learning the language.
- Peter made education available and mandatory for all of the upper-class citizens. An uneducated noble guy wasn't allowed to get married.



Saint-Petersburg

With a lot of Peter's borrowings coming from Europe, he never turned Russia into a colony. All of his retrofits had been refined and modified to fit the needs and specifics of his country. Again, with an accessible goal in rebuilding the old ways, Peter used intuitive outsourcing to create a unique blend of tradition and innovation all for the sake of a better life.

Military outsourcing

One of the best examples of outsourcing, outstaffing, and recruiting is Japan during the reign of Meiji. The period that marked a place for itself in the history books as the Meiji Restoration, became a major reason for Japan's industrial rise later in the 1900's. The feudal period that had been ripping the country apart for centuries ended with the Emperor's vision and ability to adapt to the changes of the modern world that became united like never before and required a lot of catching-up from the closed-off country Japan was known to be. The Meiji Emperor announced in his 1868 Charter Oath that:

“Knowledge shall be sought all over the world, and
thereby the foundations of imperial rule shall be

strengthened.”

No wonder modern ethics and idea were to be sought in the West. Dutch shipbuilders, British bankers, German weapon makers, and of course military people from the USA were all offered huge outsourcing contracts for their service, supply, and tutelage. After successfully crushing several consecutive samurai rebellions, looking to return to the old ways, Japan has forever adopted western lifestyle as the guideline for further development.

From 1867, Japan requested various Western military missions to help Japan modernize its armed forces. The first foreign military mission in Japan was held by France in 1867. At that time, the two major European countries fought for the territory within Europe, as well as the laid basis for future colonial disputes and the distributions of spheres of influence.

The Franco-Prussian War ended in defeat for France in 1871, ultimately leading to the Japanese government switching to the victorious Germans as a military model.

The list of other prominent foreign military consultants included Major Pompeo and Major Quaratezi Grillo from Italy, Captain Schermbeck from the Netherlands, and Commandant Jacques-Paul Faure, was requested to assist in the development of the Japanese air services.

Much to the tragedy of a lot of countries in the Eastern Asia region, it's the European invasive strategies and tactics that blossomed in what became known as the Japanese militarism. But if truth be told, if there is a country that has paid its dues in the harshest way possible, Japan is certainly the one.,



Emperor Meiji and his family

The Japanese mentality, known for its discipline and religious dedication to the profession provided a fertile ground for a lot of western entrepreneurs who amplified their brands using Japan as the expansion platform all across Asia. Here are some of those companies, courtesy of Julian Bashore's great [article](#): Bayer, Harley-Davidson, Xerox, Bosch, Oerlikon Balzers, Arconic, and etc.

Legal and accounting

Since the mid-19th century, Great Britain witnessed a rise of legal and accounting jobs outsourcing. Due to the case-law systems, people required business cases to be settled by the qualified specialists with similar cases under their belt. This led to the creation of private law offices all across the UK. The more services they provided, the broader became their consulting routines, eventually turning them into the law outsourcing firms.

The Big Four was bred out of this type of legal and accounting/audit firms. The Big Four have a solid history; since their foundation in 1849, PwC (PricewaterhouseCoopers) and Deloitte, and early 1900s' Ernst & Young and KPMG,

outsourcing legal practice and accounting audit became a common thing for the companies willing to effectively run their business without distraction. This is the example of business goals prevailing over the isolation and total control.



Image credit: [Griddiron](#)

Outsourcing in the 20th century

After Alfred P. Sloan Jr. took over General Motors in 1921, the company was a step away from bankruptcy and Sloan's emphasis on outsourcing pulled the company out of the crisis and resulted in GM beating its main rival — Henry Ford.

The two Wars reshaped the world's principles it used to operate on. Thousands of men returning from the battlefields required work. A lot of them being qualified mechanics, radio electronic engineers, pilots, and machinery operators became the core of the arising career outsourcing.

The new economic reality created highly-specialized companies running outsourcing businesses.

For example, the ADP company, found in 1949 provided the salary calculation services only. In 1962 the IT outsourcing company called EDS was established in

Dallas, TX. It would primarily offset the balance for several banks by renting the time from high-capacity computers. EDS saved over \$4 million for GMC.

In the Soviet Union, outsourcing was masked under the term of *socialistic cooperation* which meant a huge state-funded facility had smaller ones attached to it to produce exclusive parts and scientific projects.



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IT outsourcing origins

As computers kept growing stronger and becoming more available, data processing routines were becoming more complicated which meant business owners either had to open new departments in their enterprises or hire someone else to do the analytics, calculations, and other computer-based operations. On top of that, having your own computer meant constant maintenance and service of the machine. That became another branch of IT outsourcing. Shortly, business owners realized, they were much better off buying the third-party complex infrastructure solutions than by trial and error, build their own.

Besides costs saving, entrepreneurs appreciated some other advantages IT outsourcing was bringing. Among these were the relative safety of business

processes and data, the ability to incorporate new technologies in a heartbeat, and the elimination of the necessity to recruit personnel.

In the modern world of frequent economic crises, for any company, it's extremely important to adapt to the new realms. If the executives of a company are forced to optimize their business processes, saving on IT is a go-to move. IT salaries are typically in the uppercase of the matrix. IT outsourcing fixes that by not only saving costs on compensations but also mobilizes the business by outsourcing IT professionals that keep up with the modern trends in development because of the highly competitive nature of the segment.

Outsourcing is as multifaceted as it gets. You can decide which processes you can outsource based on your goal and capabilities. One of the modern trends in outsourcing is connected to the concept of functional outsourcing, or meaningful outsourcing with financial flexibility, versatility, and productivity as the main areas of focus.

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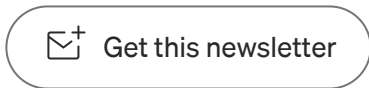
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