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OUTSOURCING AS A WAY OF DOING BUSINESS

Annotation. The essence, main stages and types of outsourcing as a way of running business and proves the necessity of outsourcing nowadays was considered.

Анотація. Розкрито сутність, основні етапи та види аутсорсингу як засобу ведення бізнесу, а також доведено необхідність аутсорсингу.

Аннотация. Раскрыто сущность, основные этапы и виды аутсорсинга как способа ведения бизнеса, а также доказана необходимость аутсорсинга.

Key words: outsourcing, business, resources, company, efficiency, quality, costs, innovations, information technology, services, production.

Over the years, more and more business owners and managers are looking at outsourcing as a way to save company resources. Since it entered the business lexicon several years back, it seems as if outsourcing has become a staple way of doing business – no matter what industry it is that you are in. So the aim of this article is to study thoroughly the essence of outsourcing, its main types and characteristics, in order to outline the strength and weakness of this phenomenon.

The problems of outsourcing nature, its objectives and performance of outsourcing were explored by a number of domestic and foreign economists, including Bravar J. L., R. Morgan, D. Doyle, N. Chukhrai, V. Luchenko, A. Koptelov, N. Krylov and others. However, some issues of outsourcing essence and its impact on businesses, as well as outsourcing opportunities and prospects in improving the activity of Ukrainian companies require further studying.

Outsourcing is a contract with another company or person of doing a particular function [1, p. 145]. The first examples of outsourcing dates to the 1930-s when Henry Ford's plants of their own departments began to use services of foreign firms to reduce costs for internal provider-sales service operations instead. The term "outsourcing" in its modern sense appeared in the West in the middle of 1970-s, but particularly active foreign corporations have adopted it as an instrument to reduce costs and improve quality of service about 20 years ago.

According to different sources outsourcing services gain more and more popularity on the markets of developed countries. Now it has become a common business practice. The results of the investigations show that today 54% of the total resource costs of foreign companies are the costs of outsourcing services.

The most common forms are information technology outsourcing (ITO), business process outsourcing (BPO) and knowledge management outsourcing (KMO) [2, p. 209].

Using outsourcing enable the company to save costs, to focus on core business, improve quality of production, to use innovations in providing services or production process, to use resources more efficient, to provide better management, to create leisure time. But we have also found some disadvantages of outsourcing, for example: low level of professionalism of outsourcing company, lack of control, risks of losing safety of property, security and leakage of confidential information, increasing in time solutions to problems in emergency situations.

The experience of foreign companies in outsourcing shows that in the United States of America, for example, there is a strong public opinion against outsourcing because it leads to job displacement. Outsourcing became a popular political issue in the United States during the 2004 U.S. presidential election. Democratic U.S. presidential candidate John Kerry criticized U.S. firms that outsource jobs abroad or that incorporate overseas in tax havens to avoid paying their "fair share" of U.S. taxes during his 2004 campaign, calling such firms "Benedict Arnold corporations". But practically outsourcing is very convenient for American companies. For example Procter & Gamble has outsourced a lot of services and produced consumer-products for \$57 billion additionally over the past three years.

In Europe 86 % of companies use outsourcing. The highest level of implementation of outsourcing is observed in Belgium (81 % of companies) and the lowest – in France (63 %) [2, p. 274].

Outsourcing as economic phenomenon in the former USSR was regarded as the type of work in different kinds of cooperation. After the Soviet collapsed and the system of economic relations was destroyed many business leaders have tried all the processes themselves. Many experts believe that today outsourcing is reborn in our country. According to some European economists the annual share of Ukraine in the global outsourcing is approximately \$600 million. [3, p. 96]

Having studied different sources we can conclude that the domestic market of outsourcing services is not fully developed, the scope of work requires extension, and the quality suffers. Therefore the effect of these measures is not fully underestimated by Ukrainian companies.

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