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**STAGES FOR A DECISION TO USE OUTSOURCING**

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**Abstract**

This article presents the authors' views on the use of outsourcing in the activities of domestic enterprises. Many foreign companies have long and effectively used outsourcing as a way of doing business. Perhaps Russian companies can study the best practices of some countries and organizations and try to use successful outsourcing developments in the activities of domestic companies. Outsourcing brings great benefits to customer companies. Currently, more and more specialized works or services contractor are appearing on the outsourcing market. The contractor offer clients a wide range of work and services. But one of the key problems is the lack of approaches and algorithms for implementing this process in organizations. Also remains open the question of the possibility of using the principles of outsourcing in the activities of companies. The process of making a decision on the use or refusal of outsourcing in the activities of the enterprise was considered by the authors. This aspect indicates the relevance of these research themes. The research materials were data on the activities of domestic enterprises that use outsourcing in their activities. Theoretical and experimental method served as a method of research. The main findings of the study were the development algorithm for making decisions about outsourcing work and services.

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*Keywords:* Business model, control, decision making algorithm, efficiency, outsourcing



## **1. Introduction**

Today's market conditions would have to exercise influence over a business. For the effective functioning of the company, new, non-standard forms of company management are necessary. Some authors recommend implementing technological innovations, using cloud technologies, and using adaptive manufacturing. The introduction of outsourcing can be called this direction. Outsourcing is a form of economic relations. The outsourcing process allows you to use the competitive advantages of outsourcing companies. Outsourcing allows for more efficient of the customer's company.

## **2. Problem Statement**

In this study, the authors set the task of search for data on the results of outsourcing implementation. In the preparation of this study the experience of domestic and foreign companies was reviewed. Another task was to compare data on the implementation of the outsourcing on the basis of foreign and Russian enterprises. The advantages and disadvantages of implementation also need to be identified, and explore typical features of providing and receiving outsourcing services. The next search task is the ability to build an algorithm for making a decision about outsourcing. In this study, this task is a goal-forming. This algorithm can consist of several stages. Each step must be considered as part of the overall solution. All stages must be confirmed by analysis. The results of research conducted at each stage should be justified.

## **3. Research Questions**

The basis for the formation of research questions in this study can be called the fact that most Russian studies do not consider the issue of building an algorithm for making a decision on outsourcing. Many studies do not reveal the importance of making the right decision about outsourcing. And researchers immediately begin to describe its big shortcomings about outsourcing. Features of outsourcing also in the fact that the company can use various types of outsourcing in economic activities. The main research issues are: whether a certain algorithm is needed when making a strategic decision on whether to outsource in the company and if such an algorithm is needed, what kind of algorithm is needed. During the step-by-step review of the decision-making algorithm, it is also necessary to answer the question of what type of outsourcing the enterprise needs. The form of outsourcing can also be chosen as a result of this algorithm.

## **4. Purpose of the Study**

Many foreign companies have long and qualitatively implemented outsourcing principles. Domestic companies need to learn from the experience of foreign partners. Helfat and Martin (2015) in their work, reflect the need for changes in the activities of enterprises, advise to pay attention to strategic changes, the importance of effective management. It is necessary to study and analyze aspects of outsourcing in the activities of domestic enterprises, to consider all essential features. But the most important to understand is outsourcing always necessary? The aim of the work is to consider theoretical features of outsourcing implementation and practical recommendations that reflect the possibilities of outsourcing to improve the

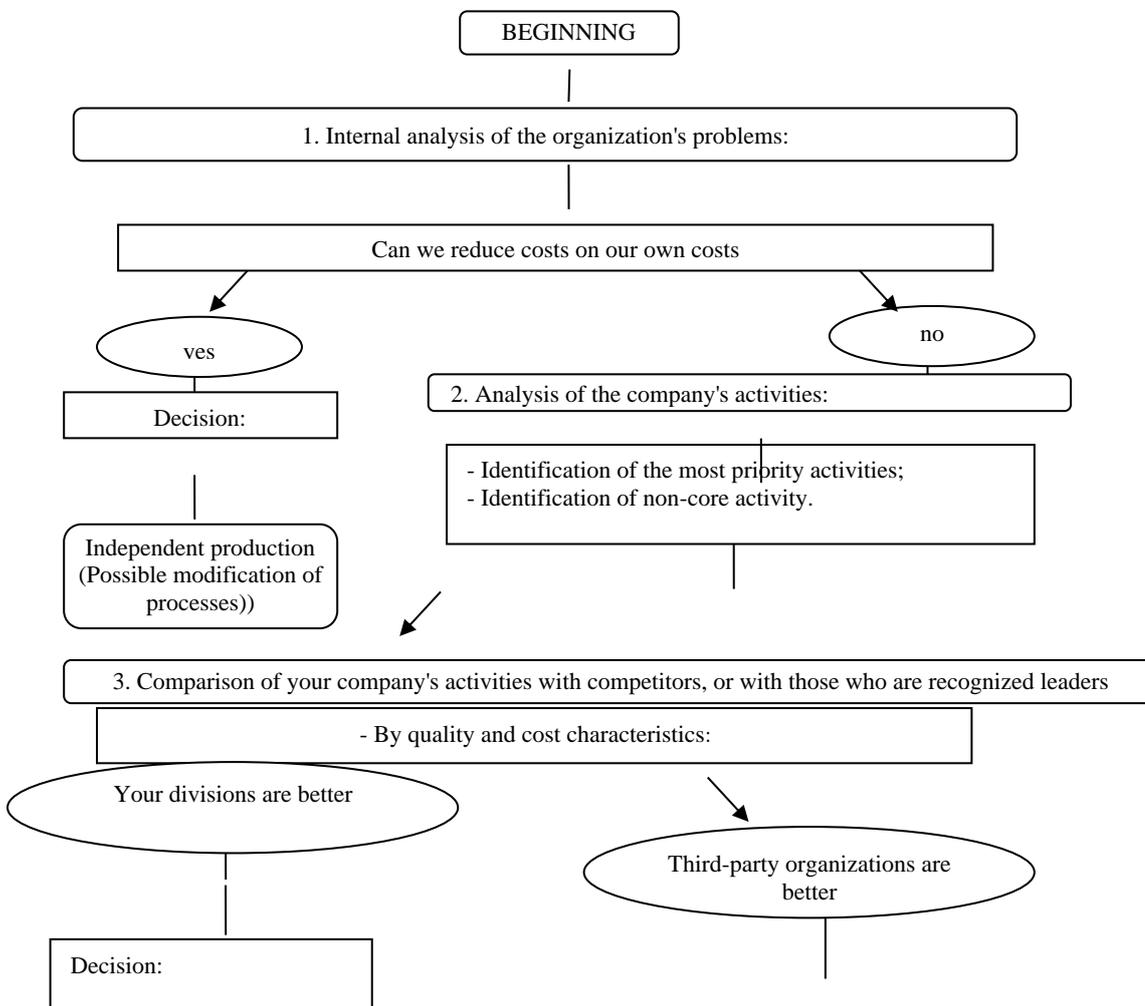
performance of enterprises. Also, a very important point in the work is the development of an algorithm for making a strategic decision about outsourcing.

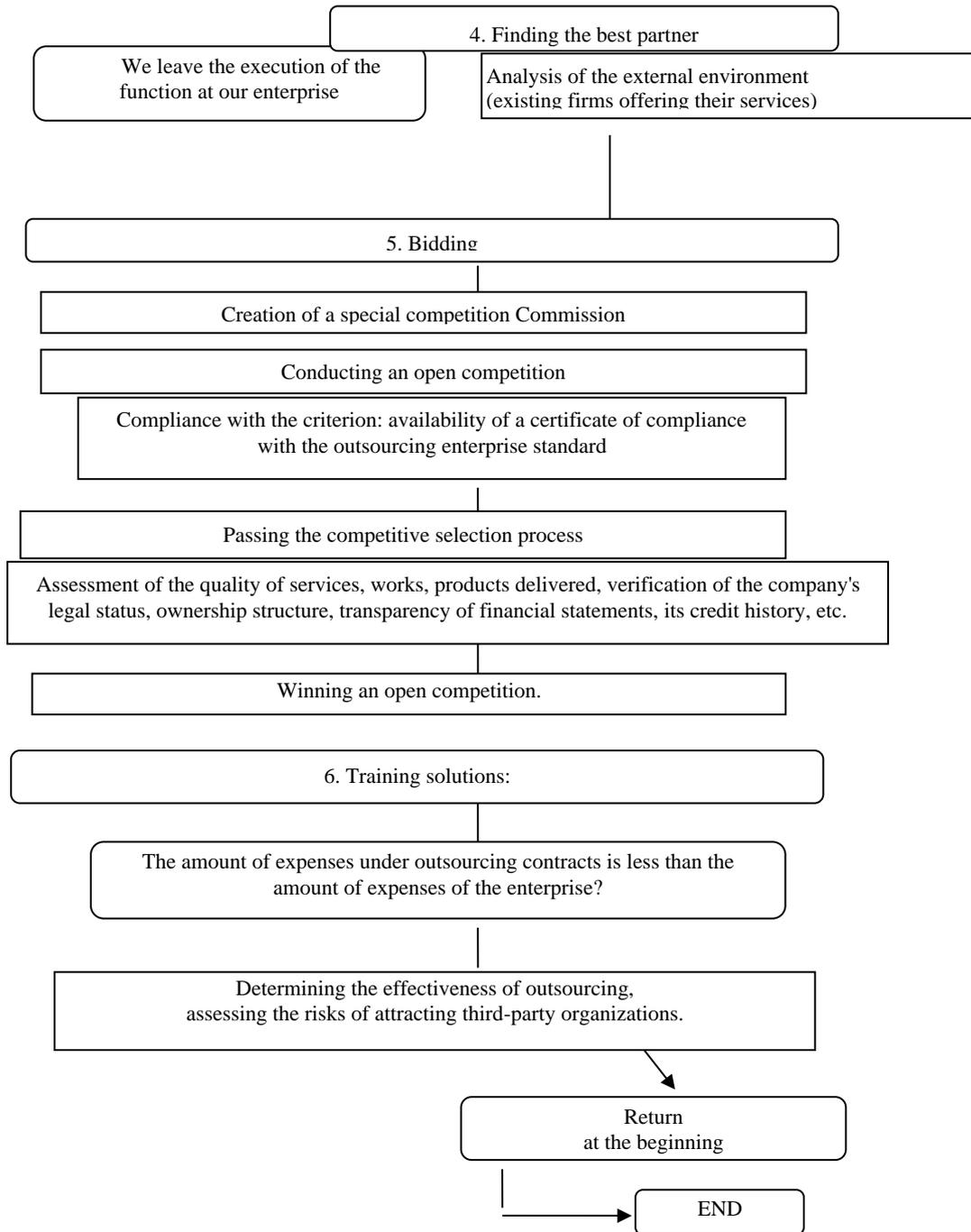
## 5. Research Methods

The methods of study of this work may include theoretical and practical. From the standpoint of theoretical methods, this article could include the authors' consideration of outsourcing as a way to improve company performance. The authors consider the features of the use of outsourcing in the activities of enterprises. Theoretical methods also include comparing the features of outsourcing by domestic and foreign companies. The authors have systematized data on the implementation of outsourcing in the activities of enterprises. They represent the transition to algorithm development. Experimental methods may include algorithm development, selection process description and strategic decision making of outsourcing.

## 6. Findings

Before outsourcing functions, operations, tasks or business processes, the management of a company must clearly for what outsourcing is needed for. The authors propose an algorithm for making a strategic decision to outsource works and services. The decision-making algorithm for outsourcing works, services involves several important steps (Figure 1).





**Figure 1.** Algorithm for making a decision to outsource work and services.

Source: authors.

The main stages of making a decision on outsourcing are the following:

1. Analysis of organizational problems.
2. Analysis of organizational problems.
3. Comparison of the enterprise with competitors and outsourcers.
4. Search of outsource company.
5. Choosing an outsource company.
6. Preparation of the final decision.

It is necessary to consider and describe in detail each of the listed stages. The algorithm for making a decision on the possibility of outsourcing begins with stage 1.

Stage 1-Internal analysis of the organization's problems. At a certain point in the life of any organization, there may come a time when the company ceases to work effectively. There are organizational or economic problems at the enterprise. Organizational problems include bloated organizational staff. The company has several divisions with the same direction of activity. The second option is to create divisions with duplicate functions that are performed by several departments at once: two or more. When analyzing the activities of these divisions, comparing their functionality, the question arises: why is there a duplication of functions. The bloated staff indicates an increase in the level of costs. It is impractical for an organization to have several identical departments. When such problems are identified, a decision is made on the possibility and necessity of reducing the number of employees. From the point of view of economic analysis, we can identify a number of problems associated with a fairly high level of costs. If the company can independently reduce the level of costs, reduce the selling price of the proposed product or service, then further consideration of the outsourcing option is impractical. The company independently solves the problems that have arisen. If it is not possible to solve the problem independently, then it is necessary to proceed to the second stage of the algorithm.

Stage 2 - Analysis of the organization's activities. To consider this stage, two main questions need to be answered: 1. What types of activities are priority, 2. What types of activities are non-core. Most often, the main, profile type of activity is rarely outsourced. Profile type of activity – this is the key competence that this enterprise has. And if the enterprise is industrial, it is best to outsource auxiliary activities. Those that are necessary for the full functioning of the enterprise, but which are not irreplaceable. For a manufacturing enterprise, it can be transport, warehouse, security, accounting, legal services, IT technologies, and so on. It is not recommended to outsource activities that contain trade secrets about the company.

Stage 3 - Comparing the activities of your company with competitors, or with those who are recognized leaders. At this stage, a comparative analysis is performed for the already selected non-core assets of the organization. To do this, select the organizations in the market that perform these functions. The analysis is carried out by qualitative and cost characteristics. As a result of the analysis, a summary estimate is obtained. There are two options for analysis. The first option is when your units are better. Then the organizational decision will be to leave the performance of this function in the enterprise. The second option is when third-party organizations are better. If, as a result of the study, the second option is selected, then it is necessary to proceed to the next – the fourth stage of the algorithm.

Stage 4 - Search for the best partner. The search for the best partner takes place in the market of goods and services. The external environment is analyzed. Companies operating in this market and offering their products or services are analyzed. If there are many such companies on the market, then you need to choose a specific supplier organization. To do this, you need to go to stage 5.

Stage 5 - Conducting competitive procedures. This stage includes several steps. The first step is to create a special competition commission. The second step is to hold an open competition. At this stage, the presence of a certificate of compliance with the standard of the outsourcing company is checked. The third step is passing the competitive selection. This selection includes: assessment of the quality of services provided, works, products delivered, verification of the legal status of the company, ownership structure,

transparency of financial statements, its credit history, etc. Evaluating the quality of services provided is a very important criterion in choosing an outsourcing company. If the outsourcer company offers services or goods of average quality, it is necessary to understand that the final product of the customer's enterprise can also turn into a product of low quality compliance. Customers interested in quality products may eventually stop applying for products or go to competing companies. And the customer company will eventually lose key customers of its company. This will lead to a decrease in the level of sales and profit of the enterprise. An analysis of the transparency of financial statements should also be carried out in order to identify unscrupulous companies. Since outsourcing is a strategic decision about cooperation. The outsourcing company should establish itself as a fully open enterprise. Often, customer companies want to know which companies are customers of the outsourcer company. The presence of an outsourcer company with effectively implemented outsourcing projects is an additional point when making a decision on the implementation of outsourcing. If the outsourcing company can provide supporting information about the implementation of the outsourcing project in the customer's structure, this will be a significant advantage over other outsourcing companies participating in the competition. The final step at this stage will be the victory of the outsourcing company in an open competition.

Stage 6 - Preparation of the solution. There is a determination of the effectiveness of outsourcing, assessment of risks from the involvement of third-party organizations. It is also necessary to compare the amount of costs under outsourcing contracts. If they are less than the cost amounts of the customer's enterprise, then a positive decision is made to conclude an outsourcing contract. If the sum of costs under outsourcing contracts is greater, it is necessary to return to the beginning of the algorithm for making a decision about the possibility of using outsourcing in the enterprise.

Two parties are actively involved in the outsourcing process: the outsourcing company and customer's company. Some authors consider the customer and the performer as two players for the purpose of strategic cooperation (Yahneeva et al., 2020). Researchers reflect the need for corporate social responsibility in the activities of enterprises (Agafonova et al., 2019). Outsourcing in logistics is considered by many authors. Supply chain management with the possibility of further use of logistics outsourcing is discussed in articles (Sosunova et al., 2019). The market of logistics services has been studied by many authors (Kalashnikov et al., 2018). To make a decision on the implementation of outsourcing, it is necessary to consider all of problems in stages. Rakhmatullina et al. (2020) in their article give an assessment of the quality of public transport services in the digital economy.

## **7. Conclusion**

The use of outsourcing in the activities of domestic enterprises will make it possible to improve the quality of the work and the services offered to end-users (Evtodieva et al., 2020; Ivanova et al., 2020). Outsourcing provides access to new technologies, high-level skills, necessary resources. It is necessary to use the experience of foreign companies in the activity of Russian enterprises. The important aspect is the right decision to outsource. It is important to understand which type of outsourcing will be appropriate at a particular enterprise. An important factor is the choice of the form of outsourcing to be implemented at the enterprise. The proposed algorithm for making a strategic decision on transferring works and services to

outsourcing can be used and implemented in the management of enterprises, which consider outsourcing as a way of increasing their efficiency.

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