

# Outsourcing: Decision making in the case of outsourcing the company activity and the management of outsourcing project

## *Outsourcing: rozhodovanie o vyčlenení podnikovej aktivity a riadenie outsourcingového projektu*

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**Abstract:** The submitted paper was elaborated as a short summary of the main findings resulting from the research we have realized at the University of Economics in Bratislava. Based on the study of large amount of local (Slovak) and foreign literature and other sources, we have analyzed and compared many (often inconsistent and contradictory) approaches and opinions of Slovak and foreign authors related to outsourcing and offshoring. Following the questionnaire survey which we performed in years 2008 and 2009 on the sample of 51 Slovak companies, and as well as on the set of interviews carried out with managers and employees of these companies, we have identified several weaknesses in the outsourcing decision-making and also in the management of outsourcing projects. These weak points are connected with the insufficient assessment of risks resulting from outsourcing and managing these risks, rather than with an inadequate monitoring of outsourcing provider and an insufficient measurement of outsourcing efficiency. We have elaborated the standardized methodology, which can be used in decision making, implementation and management of outsourcing. In more details, we focus on the areas that show the gaps in the applied management and in the available theory: on risk management in the case of outsourcing and on measurement of outsourcing efficiency.

**Key words:** outsourcing, offshoring, decision making in outsourcing, management of outsourcing project, risk connected with outsourcing, efficiency of outsourcing, performance metrics, baseline, scope, service level agreement, key performance indicator, outsourcing partnership

**Abstrakt:** Predkladaný príspevok bol vypracovaný ako sumár hlavných zistení vyplývajúcich z výskumu realizovaného na Ekonomickej univerzite v Bratislave. Na základe štúdia veľkého množstva domácej (slovenskej) a zahraničnej literatúry a iných zdrojov sme analyzovali a porovnali mnohé, často nekozistentné a protichodné prístupy a názory slovenských aj zahraničných autorov v súvislosti s outsourcingom a offshoringom. Na základe dotazníkového prieskumu, ktorý bol realizovaný v rokoch 2008 a 2009 na vzorke 51 slovenských spoločností, ako aj na základe rozhovorov s manažermi a zamestnancami týchto spoločností, sme identifikovali viaceré slabé stránky v rozhodovaní o outsourcingu ako aj v riadení outsourcingového projektu. Tieto slabé miesta súvisia najmä s nedostatočným hodnotením rizika vyplývajúceho z outsourcingu a s riadením týchto rizík, taktiež s nedostatočným monitoringom poskytovateľa outsourcingu a nedostatočným meraním výkonnosti outsourcingu. Vypracovali sme štandardizovanú metodológiu, ktorá je využiteľná v rozhodovaní sa, implementácii a riadení outsourcingu. Detailnejšie sme sa zamerali na oblasti, ktoré vykazujú nedostatky v praxi a tiež v dostupnej teórii: na riadenie rizík spojených s outsourcingom a na meranie výkonnosti outsourcingu.

**Klíúčové slová:** outsourcing, offshoring, rozhodovanie o outsourcingu, riadenie outsourcingového projektu, riziká spojené s outsourcingom, efektívnosť outsourcingu, výkonnostné ukazovatele, základňa, rozsah, zmluva o outsourcingu, indikátory výkonnosti, outsourcingové partnerstvo

The global economic conditions have been changing fundamentally – an extremely fast development of information technology, a significant concentration processes or hybrid consumer behaviour are only some

of the examples. In the current world influenced by the financial crisis, which grew into the economic crisis, we are witnesses of numerous fast and extensive changes, the scope of which cannot be specified exactly at present.

One of the various conditions of successful business is to be able, in the long term, to focus the effort and the resources on the core company activities. It means not to waste time with the activities, which are not directly connected with the main focus of the company, but which are necessary for the company operations. The way how to solve this situation is outsourcing. In spite of its great success, which is being verified by the rapidly increasing volume, outsourcing is neither a universal nor a simple solution suitable for every organization.

The submitted paper is aimed at the topic of the process of decision-making between outsourcing or internal performance of company activity; the implementation of outsourcing and especially at the management of outsourcing project.

The submitted paper consists of 3 chapters. The first chapter gives a short analysis of the available literature sources. Here we compare the opinions of many experts, define the concept of outsourcing, briefly analyse the factors leading to the outsourcing development and we also outline the expected future development of outsourcing.

The second chapter defines the objective of our research and the methodology we have used. Here we present also the results of our research, which was performed and based on questionnaires submitted to managers of Slovak companies and on interviewing them.

In the third chapter, we describe the analysis we have performed. We have analysed the reasons why companies decide for outsourcing, the preparation of an outsourcing project (risk assessment, expectations, responsibilities in company etc.), the management of an outsourcing project (outsourcing contract, meetings with provider, and approach to the management of outsourcing) and the assessment of outsourcing (methods of the assessment of outsourcing efficiency, satisfaction with the provider and with outsourcing).

We have elaborated the standardized methodology, which can be used in the decision making, the implementation and management of outsourcing. This approach enables to improve and efficiently increase the general process of decision, implementation and management of the specific outsourcing theme. The last part is aimed on the summarization of the theoretical and practical contributions of our paper.

## **THE THEORETICAL OVERVIEW OF OUTSOURCING CONCEPT**

Outsourcing means providing the company activity by an external provider. Outsourcing is based on a

long-term, regular partnership, where the provider is responsible for the complete results in the outsourced activity.

Outsourcing decision could be the first step to increase profitability or improve the competitive position of the company. However, we can observe a very limited understanding of this process, especially of risks connected with outsourcing, what is resulting in the inappropriate management of outsourcing.

Linder (2004) says that until she did not deal with outsourcing more deeply, she thought this phenomenon was well understood. But, in fact, the definition is quite fuzzy. Most managers would agree that outsourcing involves purchasing services from an outside company. But that is where the agreement stops. Some argue that it is not outsourcing unless the company's employees are transferred to the service provider, still others would insist it is the case only when the organization could have provided the service for itself.

The approaches differ also in management of this process. An inadequate understanding of outsourcing can result into many problems e.g. costs undervaluation, low efficiency, low quality, negative PR, loss of the employees trust or loss of customers.

The situation of outsourcing in Slovakia has not been investigated yet, also no domestic literature about outsourcing is available (only several articles and some information on Internet). Based on the results of the submitted research, outsourcing is not a new term for Slovak companies and many of them use it. Foreign specialized literature deals with outsourcing approximately from the year 1995. The results of foreign researches and experiences show that outsourcing has its own place in the company of every size or specialization, but also that outsourcing is a complicated and sophisticated process which must be managed and assessed properly.

The systematization of the theoretical knowledge shows that in spite of the fact that outsourcing is a very popular and frequently used concept, its understanding is not clear and also looking at its history and first application we get different results.

There are many foreign sources which deal with the term of outsourcing, they include professional literature and scientific articles but also popular articles available on Internet. No Slovak monograph about outsourcing has been published yet, only several articles are available. In any case, foreign experiences and literature are much more consistent and detailed.

The basic idea of outsourcing is not new. Hiring of external parties for the activity, which can not be provided internally, by the company, is very old. The opinions regarding to history of outsourcing vary from

one author to another. Kakabadse and Kakabadse (2002) say that the one of the first example of outsourcing can be observed in the Antic Rome, where the process of tax-collection was outsourced. According to Hirschheim et al. (2006), the concept of outsourcing (as an agreement with the external entity for providing of goods or services) is being here for centuries. According to James and Weidenbaum (1993), outsourcing is not a new concept and we can find its origin in the sub-contracting of production activities. According to Corbett (2004), "outsourcing was first used in the 1970s by manufacturing executives and it has been gradually adopted since then by the executives in just about every other business function".

Bacher (2000) says that the first article, which discussed the term of outsourcing, was published in 1984 in the USA. This article describes the conflict between the American car producers and the employees' representatives of the "United Auto Workers". The subject of conflict was the entry of Japanese producers to the American market: "The one issue that is the most troubling to the union and the least negotiable: outsourcing". American producers were buying components from abroad, where the labour costs were lower than in the USA. According to other authors (e.g. Nývltová and Cempírek 2006), the tradition of outsourcing in the information technology stretches back to the '60s. (In that time, there were created computing centres for processing of accounting data).

McIvor (2005) says: "Although the term outsourcing has become in vogue in the last few years, organisations have always made decisions on determining the boundary of the organisation".

Schniederjans et al. (2007) say that: "... outsourcing is not a revolution but an evolution of change in business organizations and the way they conduct business activities".

Looking at history of outsourcing also varies. We think that it is not crucial to look for the answer to the question, when was the term "outsourcing" used for a really first time. More important is to analyse the present results and to predict the future of outsourcing: how it will influence the companies, management and also the economies of the individual countries.

As one from the reasons of an inconsistent view on the outsourcing history, there could be considered also the inconsistent understanding of this term. The term of outsourcing is very often interchanged with "make or buy" decision or with a delivery of any goods or services from a supplier.

We think that outsourcing means sourcing of goods and services, previously produced internally within the sourcing organisation, from an external supplier. Outsourcing is a long-term partnership; it brings a new perspective of quality, innovations and responsibility for the given activity.

The majority of the available literature is aimed on the possible advantages of outsourcing, but no relevant methodology for the assessment of these advantages has been elaborated (for example any qualitative or quantitative metrics).

The literature gives many models which can help the manager to decide about outsourcing or to implement it. Every model is based on several steps or phases, while the weight is given to the separation of activities into three groups: key, critical and support activities. Underlined are also the personal and technical requirements necessary for the successful implementation of outsourcing. Many from the named authors (Dominguez, Corbett, Davidson or Click and Duening) could be considered as "pro-outsourcing" oriented, they are mostly highlighting the possible advantages of outsourcing and a minimal place is given to the assessment of the risks resulting from outsourcing and to the management of these risks.

On one hand, we see companies which used outsourcing for their growth, for the cost decrease, risk diversification or the increase of quality. On other hand, there are many companies, which, due to outsourcing, suffered loss, lost the control over the process or lost customers.

There are only several successful examples of offshoring<sup>1</sup>, which brought cost saving, innovation, quality increase or other benefits, and these are mostly among large, global active companies. In spite of that, we think that the outsourcing decision has a place also in small or medium size companies.

All authors understand the process of outsourcing implementation as time-consuming and demanding. Every outsourcing implementation is very specific and depends on the type and on structure of the organization.

Based on the actual progress and decrease of the outsourcing business, which was positively influenced by the globalization, deregulation, the IT development, increasing quality of education and specialisation, we are expecting a further growth of outsourcing and offshoring. Based on the study of the mentioned sources and based on the analyses of factors which led to the outsourcing growth, we expect that in

<sup>1</sup>The term off-shore outsourcing, or in short "offshoring" is used for outsourcing in geographical far, mostly low-cost countries, e.g. India, China or Philippines. In case that outsourcer (client) and provider are coming from neighbouring countries, we use term "near-shore outsourcing" or "nearshoring" in short.

many countries, a new law will be passed regarding outsourcing, because such law is missing and we expect also the initiatives to regulate the outsourcing and offshoring. We think that outsourcing has not reached its peak yet and we expect its growth. The current global economy is still influenced by its crisis. In connection with the crisis, we see that it is strongly influencing the outsourcing business: many companies, in order to cut the costs and to manage their business effectively, are looking for such radical and fast solutions like outsourcing. On the other hand, many companies try to eliminate the activities, which are not the core activities for their business and are not necessary (consulting, some HR services, e.g. recruitment). We can observe ambitions of many countries to influence offshoring and to protect the domestic employment.

We think that the leadership in economy and a better competitive position can be reached only by such companies which achieve good results in research and development, which are innovative, dispose of educated and competent employees and focus on their core activities. Outsourcing should be seen as a tool which allows the company to concentrate on its core business.

**Based on our analysis, which was elaborated by the comparison of many literary sources, we observe:**

- **The understanding of the term “outsourcing” is not clear.** This is probably caused by many different approaches to its history. The term of outsourcing is also very often confused with the “make-or-buy” decision, with consulting but also with a single purchase.
- Many authors concentrate on the possible advantages of outsourcing, but **no calculable and reliable methodology for the assessment of the outsourcing efficiency is available** (for example as a set of the defined quantity and qualitative metrics).
- **Many different risks are connected with outsourcing. These risks are named in the literature, but an analysis of these risks is missing and also the methodology for management of these specific risks connected with outsourcing.**
- Based on the existing development in increase of outsourcing (and also offshoring), which was supported by globalisation, deregulation, the development of IT and communication technologies, the progress in education and deepening of specialisation, we expect that outsourcing will more and more expand.
- **Legislation does not regulate several aspects of outsourcing and offshoring** (accounting and tax aspects, outsourcing contract etc.). We think that many countries will in near future adopt special

laws to regulate offshoring (e.g. as a tool for the protection of domestic employment).

## THE GOAL AND METHODS

**The main goal of our research was to survey the current situation of outsourcing on the sample of Slovak companies** (such a research has not been performed in Slovakia before) to identify the weaknesses in management of outsourcing and to prepare a general methodology which would be applicable in the process of decision-making, implementation and management of outsourcing. Such methodology should help the manager to avoid the most frequent mistakes which appear in the managing of outsourcing.

Based on the study of theoretical sources available in the domestic and foreign literature, based on the trends in the global economy and also based on the analysis of practical experiences of Slovak companies with outsourcing, we identified some gaps (weaknesses) in the management of outsourcing project and we tried to define the recommendations to the manager, which is considering outsourcing or which is responsible for the implementation and management of an outsourcing project.

We applied the **general methods** (system analysis, information analysis, system synthesis, classification, induction, deduction and comparison). These methods we use in the first part of our research (more theoretical). We applied also the following **specific methods**:

### 1. Research methods:

- (a) Questionnaire survey (aimed on Slovak companies, the questionnaire includes open and also closed questions, the respondents can use multiple choice, alternatives or assessment based on a scale).
- (b) Managed, structured interview (both open and closed questions)

**2. Statistical methods of descriptive statistics**, for the assessment of the data received in the questionnaire survey. Based on the type and number of variables, we use the descriptive characteristics (arithmetical average, median, modus, Eta coefficient, maximum, minimum, variation range, percentage rate etc.). The data were analyzed in the MS Excel and are presented in different tables and charts.

The file of investigated companies was not created as a random choice. We wanted to create very a varied sample and also to achieve a high response rate, so we considered the sample subjectively. The random choice is often treated as the only one real scientific way of sampling (Rimarčík 2007), it allows the use of inductive statistics, and the probability theory

and the results of random choice sampling can be applied from the sample to the whole population. But there are also many problems connected with the random choice, e.g.:

- A perfect list of all statistical units of population is necessary for the random choice sampling (in our case, we would have needed the full list of all companies in the Slovak Republic).
- The response rate and the willingness to participate in the survey is very low – especially in case of economic research (many data are confidential; the companies would not share their experiences). Based on this reason, we should have to limit the random choice only to the respondents which are willing to participate and the fundamental precondition of random choice would not be fulfilled.

Based on the consideration of all the mentioned limits and problems connected with random sampling, we decided to address our questionnaire to the selected companies. We do not have any aspiration to generalize our findings to the whole population, but we think that our results are interesting and useful for a company of every size or business.

The research was based on the questionnaire survey, which has its own limits (the presented approaches can be in discrepancy with the reality, some answers could be inconsistent etc.). Our questionnaire was quite extensive, it consisted of 36 questions and the respondent must have had a good knowledge not only about the relevant company, but also about the specific data. We communicated the questionnaire personally or via electronic mail to 120 managers and employees of different companies in the Slovak Republic and we received 51 filled – in questionnaires.

The questionnaires were distributed in the years 2008 and 2009. In 2009, we continued with an additional research and we realised and then analysed the interviews with managers of the selected companies.

Based on the great interest of our respondents, we sent them the result of our research in March 2009, in a shortened form, and we received very positive reactions.

## THE RESULTS OF RESEARCH AND DISCUSSION

Based on the performed research, we have observed the following findings:

- **Outsourcing is being used**, by the companies they were participating in our research, **very often** (88% of our respondents have used outsourcing).
- **The frequent use of nearshoring** (22% of respondents) confirms the strong connection of Slovak economy with the EU countries.
- **Offshoring was not used by our respondents very often** (only by 2%), the main reasons were: the company size, cultural and language barriers, the need of physical interaction between the supplier and customer and also specific local conditions (law, accounting etc.).
- We observe that the **most frequently outsourced activities are advisory<sup>2</sup> and consulting** (legal, tax-related and finance advisory), **outsourcing of accounting, information and communication technologies and also the HR activities or supporting services** (courier, food-service, post, vigilance and security, parking, cleaning etc.) (Figure 1).
- **Consulting is being treated as outsourcing, but we cannot fully agree with this approach**, because it is complicated to say that this activity is being delivered continually and that it was “before outsourcing” performed internally. This also confirms that the understanding of outsourcing in practice is very wide.
- **Costs spent on outsourcing are not insignificant.** (The average costs were about 17% from the total costs, the minimum 1%, the maximum 10%, the median 10%, the variance range 54%, in the total amount: the average costs were 123 ths EUR per year, the minimum 1.2 ths EUR, the maximum 450 ths EUR).
- **The reasons why companies outsource are in particular an effort to increase the efficiency (16%), lack of internal resources (16%), effort to decrease costs (15%) and the focus on core activity (16%).**
- **The most frequently considered risk, in the case of outsourcing**, is the risk of costs increase, then the risk of the misuse of information and security risks, the fear of a low quality of the outsourced process and human failure.
- The companies **do not**, in connection with outsourcing, **consider properly the risk resulting from the loss of knowledge and innovation abilities, the loss of the control over the outsourced process or the threats of the loss of the customer’s trust (Figure 2).**

<sup>2</sup>We included the consulting into consideration because our findings are very close to findings from Merino and Rodríguez (2007). They performed research in Spain, on the sample of 1800 companies which are included in Encuesta Sobre Estrategias Empresariales from 1998. Based on this research in Spain about 80% of companies employ outsourcing of legal, tax and finance advising, then also IT and supporting services.

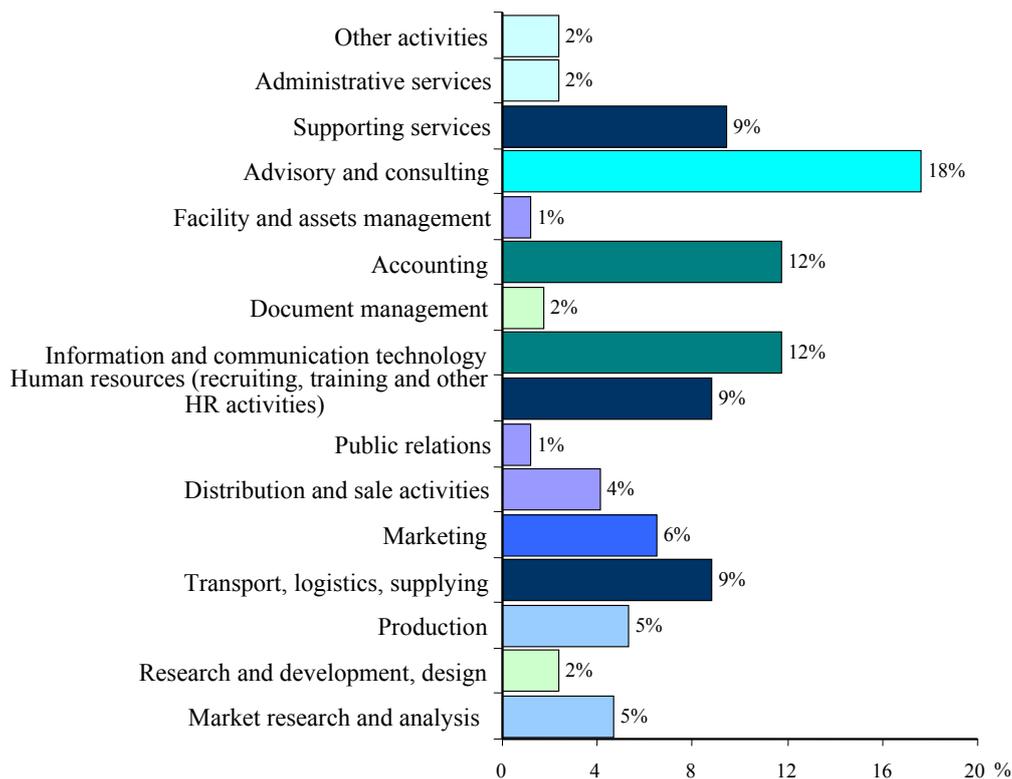


Figure 1. Use of outsourcing – based on the type of the outsourced activity

Source: results of own research

– We calculated the Eta coefficient to determine the connection among several numeric and categorical variables. We did not find any dependency between the size of the company (measured by the number of employees) and the costs spent for outsourcing (as a percentage from the total costs). We did not find any connection between the costs spent on outsourcing (%) and the company's age, the location of the company or the company's profit-

ability (we cannot say that company which spends more on outsourcing is more efficient).

– A higher correlation (0.498 what means the medium-strong correlation) we observed between the costs spent on outsourcing (% from the total costs) and the industry. **Based on our analysis, the companies from the finance sector and trading companies spend more on outsourcing** (as a percentage from the total costs, not in absolute numbers).

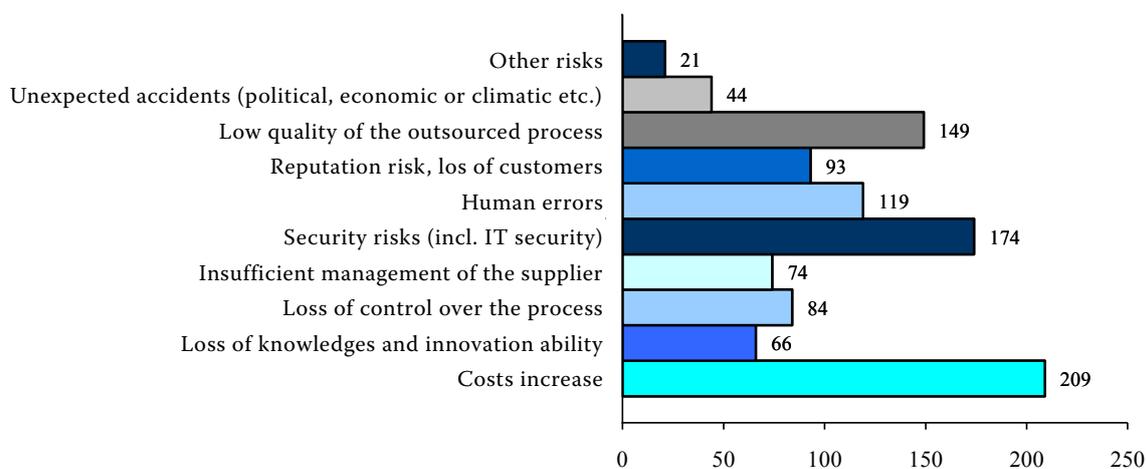


Figure 2. Risks considered in the case of outsourcing decision-making

Source: results of own research

Table 1. Criteria for the provider assessment in case of outsourcing

| Criteria of the provider assessment/importance | Total number of all points | Modus | Average | Number of responses |
|--|----------------------------|-------|---------|---------------------|
| Provider's quality                             | 359                        | 10    | 9       | 40                  |
| Price  | 317                        | 10    | 8.1     | 39                  |
| Fulfilment of deadlines                        | 264                        | 10    | 8.3     | 32                  |
| Provider's flexibility                         | 246                        | 9     | 7.5     | 33                  |
| Complexity of services                         | 242                        | 10    | 7.6     | 32                  |
| Goodwill, reputation                           | 233                        | 10    | 7.3     | 32                  |
| Provider's stability                           | 213                        | 8     | 7.9     | 27                  |
| References                                     | 205                        | 5     | 6.8     | 30                  |
| Quality of management                          | 159                        | 10    | 6.1     | 26                  |
| Organizational capacity                        | 136                        | 7     | 6.2     | 22                  |
| Language skills and culture understanding      | 81                         | 2     | 4.1     | 20                  |

Source: results of own research

- **For the implementation of outsourcing, there is mostly responsible the top management (44.2%), unit leader (23%)** or, in case that the capacities of the company are adequate, for the implementation of it, there are responsible several employees (18% of respondents). The implementation of outsourcing is very often supported also by the employees of vendor (in case of 46%).
- Suppliers of outsourcing are being evaluated based on several criteria, while as the most important, there is considered the quality of the supplier, then the price and keeping of the deadlines (Table 1).
- **The satisfaction with supplier, the quality of the delivered services, solving of problems and the**

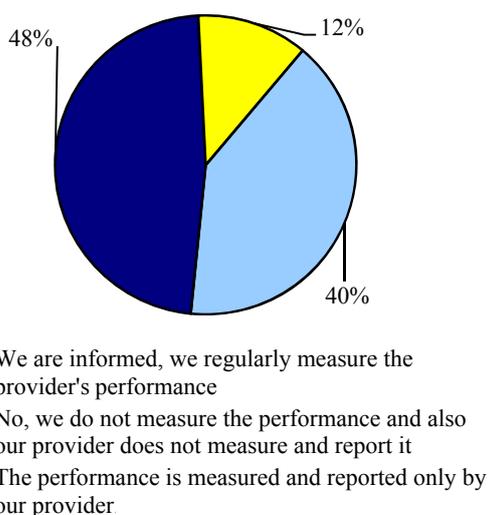


Figure 3. Monitoring and measurement of the provider's performance

Source: results of own research

**observing of deadlines were assessed very positively.** The overall satisfaction with outsourcing was very high, outsourcing met the expectations of the respondents (49% were fully satisfied and 51% of respondents were partially satisfied with outsourcing). A lower satisfaction rate we observed in the case of the innovation ability of the provider and also with the price for services (which could be lower).

- **The measurement of the outsourcing efficiency and the assessment of the supplier are very different from one company to another.** The majority (48%) of companies does not measure the efficiency of outsourcing, another big group says that they measure the efficiency (but 43% also say in other question that they do not use any specific indicators for the measurement of efficiency). The monitoring of the provider's efficiency and the measurement of it is inconsistent. Companies use most frequently only a subjective assessment and monitor the quality of the delivered services, the price and the response time.
- **The approach to the measurement of the outsourcing efficiency is various. The majority of our respondents did not agree with the supply of any specific indicators and one-fourth of the respondents said that they do not waste their time managing the outsourced activity** (Figure 3).
- The approach of the employees to the outsourcing was very positive (52% of them have known of the outsourcing initiative and supported it), but we think that the positive approach was influenced by the fact that in majority (3/4 of respondents), outsourcing has not a direct impact on their positions.

- **Also the assessment of costs connected with outsourcing was very positive, the majority of companies (60%) think that they save with outsourcing** and another 20% say that outsourcing is not more expensive than the internal solution. **It is very difficult to objectively assess this statement, because we did not dispose of any data, which would compare the costs “before” and “after” outsourcing.** (And we also suppose that the companies do not dispose of the relevant data to validate this cost saving).
- The majority of respondents (63%) think that outsourcing simplifies the management of their company.

Based on the scope of the sample (51 companies) and the way of the statistical sampling, we do not generalize our findings to the whole population. The subject of our research was to describe the situation in outsourcing in Slovakia, to identify the weaknesses of the process of outsourcing management and subsequently, using analysis and synthesis, to elaborate recommendations for the business practice.

## CONCLUSION

Based on the performed survey, we would like to recommend the managers responsible for the implementation and management of outsourcing:

- **We recommend focusing on the analysis, assessment and managing of risks connected with outsourcing.** Some companies do not consider the possible risks resulting from outsourcing and companies, they do the risk analysis; do not cover all possible risks. **We recommend the preparation of risk scenarios and business continuity plans for the potential supplier’s failure.**
- The majority of companies calculate with some costs connected with outsourcing, but probably not with all costs. We recommend focusing also on the “hidden” costs of outsourcing, which are highlighted and well described in the available literature:
  - Costs connected with monitoring of the provider
  - Management of outsourcing
  - Costs on the outsourcing transaction (outsourcing contract, spent time etc.)
  - Costs in the case of returning the activity back “in-house”
- In the case of sufficient internal capacities, **we recommend to realise the implementation of outsourcing with the support of the “outsourcing team”** (either from inside of the company or in cooperation with the employees of a further

supplier, because an individual is not able to cover such complex issue alone).

- **Indicators for assessment of the outsourcing efficiency are not being used very often. We recommend the implementation of indicators directly into the outsourcing contract. Both the provider and customer should be involved in the efficiency monitoring.** It is necessary to consider also the personal and technical requirements connected with the measurement of the outsourcing efficiency. We insist that the monitoring of the outsourcing efficiency is crucial for a successful outsourcing project.
- Approximately one quarter of companies do not deal with the management of the outsourced activity. **We agree that outsourcing should help the manager, but we insist that the outsourced activity should be monitored and managed.** The company should have a complex overview about the outsourced activity and the control over it.
- **We do not recommend outsourcing of a problematic activity, which is being performed at a very low level.** Before outsourcing, is necessary to revitalize this activity.
- For the assessment of outsourcing efficiency, it is necessary to measure the internal performance of the single activity first (costs, personal requirements, technologies etc.). Without such data, the company is not able to assess the costs increase/decrease after outsourcing.

Based on the results received from the questionnaire survey and also based on the interview we had with the managers of some companies, we formulate a partial analysis, identify the weaknesses in the management of outsourcing and subsequently elaborated the methodology, which can be used in the case of decision making, in the case of implementation and management of outsourcing.

The proposed methodology for the decision-making about outsourcing and for the implementation and management of outsourcing consists of seven phases (see the picture below).

We recommend focusing especially on the analysis and management of risks connected with outsourcing and also on the measurement of the outsourcing efficiency. The undervaluation of these activities would lead to serious problems. An insufficient risk analysis can lead to the choice of a bad partner, to outsourcing of the inadequate activity and to exposing the company to some unnecessary threats. Risk scenarios allow the company to prepare for the uncertain future.

Both improper management and missing monitoring of the supplier lead to the lack of information and

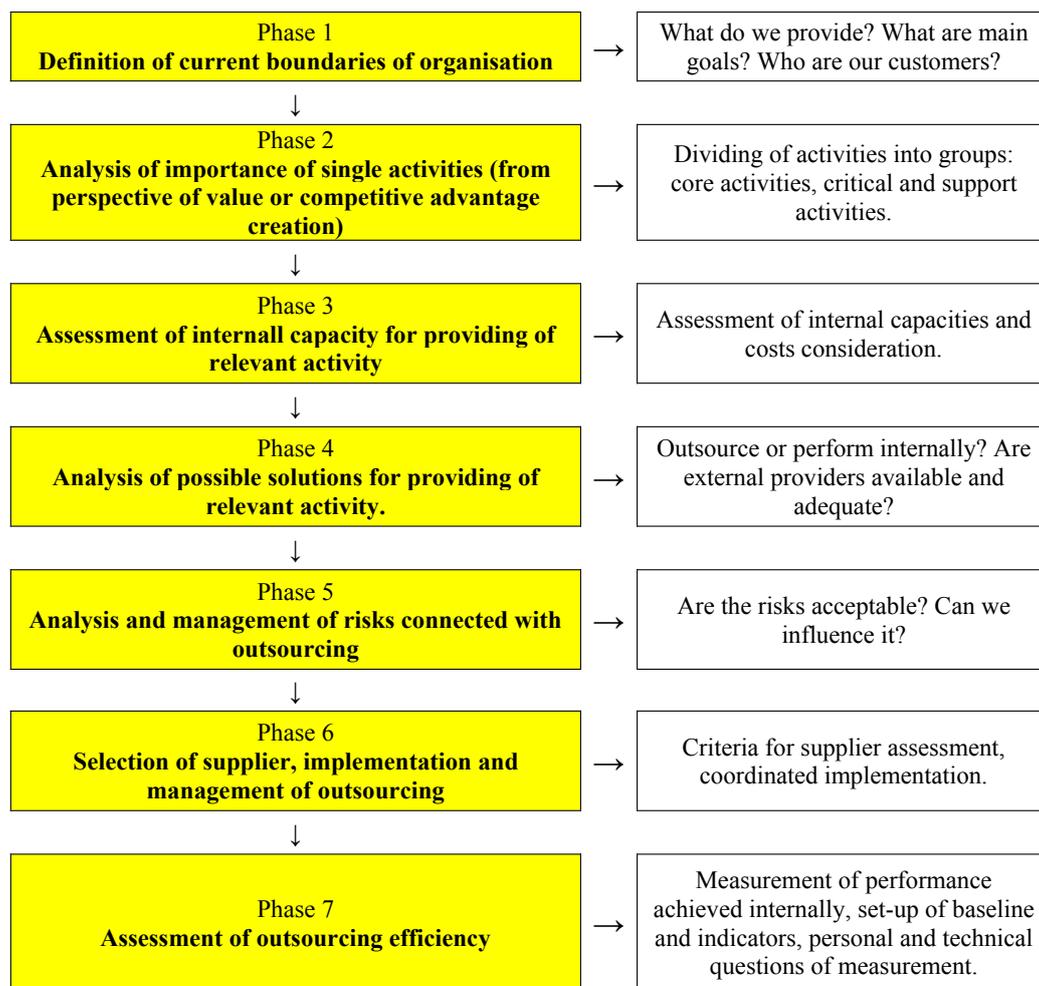


Figure 4. Proposed methodology for the implementation, management and assessment of the outsourcing project

Source: results of own research

complicate the decision-making and managing of the outsourcing project. The lack of information regarding quality and quantity of the delivered services decrease the trust between the outsourcing partners. Without metrics, the company is not able to assess objectively the benefits of outsourcing (Figure 4).

In the context of a further research, we think that in particular, there should be analysed and developed the following questions:

- **Impact of outsourcing and offshoring** – on the companies, on countries and on the public also (e.g. the questions of continuing the division of labour, the deepening specialisation, the orientation of education, globalisation).
- **Impact of outsourcing and offshoring on the movement of labour force and also on the rain of capital and jobs.**
- **Requirements given to the manager** in connection with the outsourcing decision making and management of the outsourcing project (personal and qualification requirements, but also new skills:

coordination and management of third parties working in virtual teams, solving of cultural problems etc.).

- **Development of methods for the quantification of the benefits resulting from outsourcing and the development of specific models for the analyses, measurement and management of risks connected with outsourcing.**
- **Legal directives regarding outsourcing** (outsourcing contract, booking of outsourcing, or taxations).
- Impact of outsourcing on the organisation structure and new structures (virtual teams, new – organically structures etc.).

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Arrived on 14<sup>th</sup> July 2009

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