

Outsourcing Methods for Optimizing the Staff Management of the Economical Organizations

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Abstract: The main aim of the study is to investigate the components of the concept of outsourcing, the genesis of its development, analyzes the transformation of outsourcing of information technology systems, defined the place of outsourcing in the practice of Russian and international business. It has given an assessment for the problems of implementation, outsourcing under conditions of uncertainty, types and tools of outsourcing are analyzed, aspects of optimizing the control of production costs at the core of the business, core competencies, non-core assets and types of economical business organizations are analyzed, the problem of overcoming staff resistance to changes during the implementation of the outsourcing program is analyzed, and prospects for implementation of HR-outsourcing are identified.

Keywords: Outsourcing, Client-Oriented Strategy, Non-Core Businesses, Core Business Concept, Economic Security.

INTRODUCTION

From the period of the industrial revolution, many companies have faced the problem of using competitive advantages to increase markets and profits. The management model of a large integrated company in the first third of the 20th century was the concept of "own, manage and directly control" its assets (Ghoshal and Bartlett 1990). In the 1950s and 1960s, the integration of companies became an impetus for the expansion of corporate bases and the use of economies of scale. Another direction became the diversification of companies, which hoped thereby to protect profitability, although to expand them required several levels of management organization. Subsequently, organizations trying to compete globally in the 1970s and 1980s were having difficulties because of the lack of the ability to navigate due to bloated governance structures. To increase flexibility and creativity, many large companies developed a new strategy to focus on their core business, which required the identification of critical processes and deciding which ones could be outsourced (Ghoshal and Bartlett 1990; Kireeva-Karimova, and Kirillov, 2017).

Outsourcing was not formally defined as a business strategy until 1989 (Rick Mullin 1996). However, most organizations were not completely self-sufficient, they outsourced those functions for which they did not have a solid competence within the country. For example, publishers often buy services for the compilation,

printing and execution of publications. The use of external suppliers for these essential but ancillary services could be called a basic stage in the development of outsourcing (Mahmoudi *et al.* 2020). Complex outsourcing of ancillary services has become the next stage. In the 1990s, when organizations began to focus more on cost-saving measures, they began outsourcing the functions necessary to manage the company, but not specifically related to core business. Heads of enterprises, signed contracts with new service companies to supplement accounting, human resources, data processing, internal mail distribution, security, maintenance and attracting valuable human resources to solve problems of optimizing personnel management (Rick Mullin 1996; Demyanova *et al.* 2017).

METHODS

The modern stage of development of outsourcing is the development of a strategic partnership. Until recently, traditionally it was believed that no organization would transfer key competencies, those functions that give the company a strategic advantage or make it unique in the vision of other companies. Often, key competence is also defined as any function that brings the organization closer to customers, that is, a client-oriented strategy (Demyanova *et al.* 2017). In the 1990s, outsourcing of some core functions became one of the most effective resource-saving strategies.

RESULTS AND DISCUSSION

Eastman Kodak's decision to outsource the IT systems on which his business was based was

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Table 1: Types of Outsourcing of Software Projects

Types of OSP	Assessment of OSP processes
1. Orders for full program development	The structure of the process: the consumer of the software product ↔ the company that received the order for software development and transferred it to an outsourcing ↔ outsourcing company
2. Orders for the development of individual components of the software package :	<p>Process Risks:</p> <ul style="list-style-type: none"> - the need for coordination of actions; -increases the threats associated with interaction; -complex in management;
3. Orders for supporting existing software:	<p>The advantages of the process:</p> <ul style="list-style-type: none"> -typical outsourcing of services; -stable business; -profitable to all parties

considered revolutionary in 1989, but in fact, it became the result of a rethinking of his business vision (Rick Mullin, 1996). Types of outsourcing of software projects and their evaluation presented in Table 1. Outsourcing of software projects (OSP) is a kind of service that implies the partial or complete transfer by the customer of its functions in the development, integration and / either support of software systems or computer equipment systems in a specialized company.

This approach was followed by dozens of large corporations, whose managers determined that there is no need to own technology in order to gain access to the information they need. Today, the focus is not on asset ownership, but more on the development of strategic partnerships to achieve better results. Consequently, organizations will be more likely to choose outsourcing based on who can deliver more effective results for a particular function than on whether this function is primary or secondary (non-core). An effective tool for determining the forms of outsourcing, proposed by the specialists of the company Boston Consulting Group, presented in Figure 1.

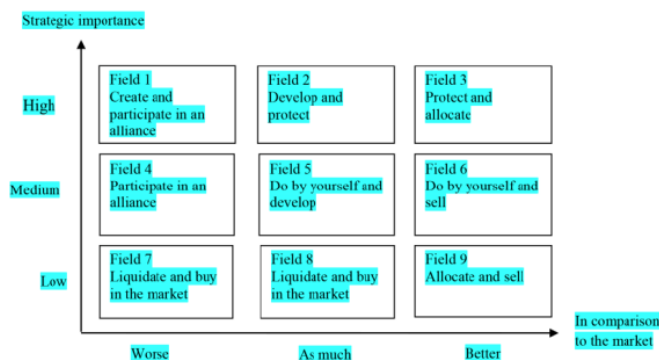


Figure 1: Matrix of outsourcing (Khlebnikov).

As a tool for strategic planning, the concept of outsourcing attracts more attention to the world's leading companies. According to the annual survey of top managers of foreign and Russian companies conducted by the international consultant PWC (PricewaterhouseCoopers), in 2014 only 11% of respondents from Russia were ready to withdraw some of the functionality for outsourcing and 9% wanted to return to the company functions previously outsourced (in the world, the number of outsourcing adherents averaged 25%). In 2015, already 22% of Russian top managers saw outsourcing as a step towards business restructuring (31% in the world) (Pisano et al. 2012).

Outsourcing can be defined as "the strategic use of external resources to carry out activities traditionally performed by internal employees and resources" (Stapran 2016). Outsourcing is a strategy by which an organization contracts large functions with specialized and efficient service providers, which ultimately become important business partners. And in some cases, outsourcing involves the transfer of employees from the outsourcer company to an outsourcing company.

The theoretical basis of outsourcing services is the concept of "core" ("core business"). Within the framework of this theory, the business core is the area of activity through which the competitiveness of the enterprise is maintained. Obviously, only the company whose product or service will be of higher quality can take the leading positions in the market. The level of organization of non-core business processes at the enterprise, including management activities, is not so important for the success of a business project. Therefore, all financial, time and labor resources and costs for them must be directed to the area of work that constitutes the "core" of the business, while other non-

core processes need to be transferred to a third-party executor to optimize costs (Kireeva-Karimova and Kirillov 2017).

There are two necessary conditions for the effective implementation of the outsourcing personnel management system in an organization. The first is a preliminary assessment of the economic benefit from the redistribution of the load as a result of the transition of some non-core activities to the hands of a third party. The second is a carefully thought out and correctly drawn up an agreement, in which the rights and obligations of the interacting parties are clearly and unambiguously described.

Most often, enterprises use the services of HR outsourcing and IT outsourcing. This sphere is most in demand; therefore the methodology of outsourcing in this area is developed in the best way. The second most popular is accounting and financial outsourcing. Most often, managers resort to a partial transfer of non-core processes to a third-party executor. As a rule, outsourcers are offered to carry out routine and labor-consuming processes: charging salaries, making tax payments and maintaining tax reporting documents. At the same time, the enterprise is not spent on equipping workplaces, paying for electricity, telephone calls, the internet, and buying office supplies. The leadership is spared the need to engage in the selection and organization of training. The means and time saved in this way can be invested in the main profile activity, the "core of business", thereby ensuring the growth of the enterprise's competitiveness, and, consequently, financial and economic stability.

There are many reasons, why a company can choose to outsource certain business functions. Here are some of the most common reasons:

- Reduction and control of operating costs.
- Improving the focus of the company.
- Access to world-class capabilities.
- Releasing internal resources for other purposes.
- Streamlining or improving the efficiency of time-consuming functions.
- Maximum use of external resources.
- To share risks with the partner company (Cullen *et al.* 2014).

But these reasons are not enough to implement a successful outsourcing program. In fact, companies must ensure that they take into account all components and can meet the requirements for successful outsourcing.

The following requirements for successful outsourcing stand out.

At the initial stage, the most common reasons for introducing outsourcing were the reduction of overhead costs or the minimization of variable costs, for example, the optimization of the number of personnel. Today, business leaders are often more attuned and focused on carrying out domestic activities to increase the economic value added value of EVA, in a situation where the organization can best use their basic competences (Kireeva-Karimova and Dubchak 2017).

The most important areas for the successful implementation of the outsourcing program are:

- Clarity about the company's goals and objectives.
- Strategic Vision and a plan.
- Selection of the supplier.
- Relationship management with work teams.
- Correctly structured subcontracts and suppliers.
- Open communication with stakeholders.
- Support and participation of senior executives.
- Overcoming staff resistance to changes in the implementation of outsourcing.
- Careful attention to personnel matters.
- Short-term financial justification (Cullen *et al.* 2014).

CONCLUSION

In our opinion, two requirements should be examined in more detail: open communication, the strategic personnel management support and executive support of top management.

Open communication and executive support are especially important for a successful outsourcing process. Additional attention should be paid to the working "Service Level Agreement" (SLA- Service

Level Agreement), which is openly accessible to all employees involved in the process.

Regardless of the outcome of the outsourcing agreement, effective change management is fundamental to the success of the outsourcing program. Needs Assessment interested of the parties is the main part of this process, and the availability of open communication channels at this time is vital for overcoming resistance to strategic changes, accordingly, all interested parties should be involved in the process (Larionov and Kireeva-Karimova 2016).

Executive support for strategic goals, such as outsourcing initiatives, should come from the top management level of the company. Top management should clearly articulate the goals and objectives of the outsourcing initiative and explain how the process will benefit the organization (Duka 2014).

Modern creative managers look to the future and recognize that the responsibility for ensuring the success of outsourcing initiatives in their enterprise does not stop when the documents are signed and "the ink on the contract has dried up," but, unfortunately, this is not always the case (Meneylyuk, 2020).

In order to avoid unsuccessful outsourcing in relationship management, it is useful to assess the following facts, a combination of uncertainty and insufficient attention to critical details led to the creation of a current approach to outsourcing when, according to The Gartner Group, 25 percent of outsourcing contracts will be revised or canceled within three years. Continuous relationship management is important. The top management should remain involved during the performance of the contract (Meneylyuk, 2020). It is necessary not only clearly define the escalation procedure, but also top executives should meet at appropriate intervals for relationships. Meetings should also be held at the operational level for practical work with the contract for outsourcing, identifying and eliminating any problems they encounter, and agreeing on changes to ensure a permanent positive psychological climate in personnel management.

Consider HR- outsourcing (Human Resources Outsourcing). Outsourcing of human resources is the transfer of rights to personnel management. Includes in, management of medical benefits plans, pension plans, workers' compensation insurance, and work, training and legal expertise of conflict situations.

Smaller companies hire outsourcing organizations to manage wages, pay taxes, solve employment problems, and manage risk. In fact, the average staff of the company that uses HR outsourcing is about 19 employees (Pisano and Shih 2012).

According to American studies, outsourcing firms are "pools for thousands of enterprises" (Pisano and Shih 2012). Economy of scale reduces the cost of staffing services, and economic recession increased the speed of implementation of this type of outsourcing.

There are the following advantages of HR outsourcing. HR outsourcing reduces ongoing cost of personnel management. These human resources of the firm more efficient. A small company usually saves time and money, hiring an HR firm. Small companies are more likely to outsourcing and other aspects of human resources. These include the administration of payroll and recruitment. Most companies retain some of the staff to focus on communicating with employees in areas more related to their core activities.

Studies show that 85% of companies that use the human resources outsourcing retain as much funding, how much they spent. Another 25% of companies are twice the benefit. Cost savings related to operating activities and innovation.

Companies that expand foreign economic activity, are looking for HR firm with international experience. Many of them are American, for example, Accenture, IBM Global Business Services, and Hewitt. The real competition for them is the Indian firm Consultancy the Tata.

We will assess the strategy of HR -outsourcing. The biggest drawback is the poor quality connection. Employees can not just go to the HR-department if the problem is beyond their competence and out of reach. Employees can start to feel distrust managers. Other departments may wonder what if they, too, will be outsourced. Workers may resent the emergence of a new company, if the old personnel department loyal to them. On the other hand, if the old department did not like, employees can simply transfer their old feelings for the new company.

A poorly managed outsourcing company can create a crisis in the company. This can lead to the leakage of confidential information about the company. She will not be able to provide adequate service, worst of all, she can go bankrupt and leave the client without any personnel services.

If the outsourcing company has become too strong, it can keep a customer hostage. For example, they may require a much higher fee during future negotiations on the contract. This risk is increased if at its sale the new owners demand higher yields (Rick Mullin 1996).

David R. Smith considered how the HR-outsourcing affect the US economy (David 2014). In general, human resources outsourcing has a positive effect on the US economy. This reduces the expense of business, provides access to complex benefits, as well as providing experience on the international markets for global corporations. Since 2010, HR outsourcing services has increased significantly. In 2012, the companies received \$ 92 billion in gross revenue (including payroll clients). This is 12% higher than in 2011 (www.vestifinance.ru).

Small businesses can grow faster than average through HR outsourcing. S 2010 employment growth in these was 4% higher than in the US economy on average (www.vestifinance.ru).

Today the market situation is so unpredictable; changing so rapidly that to expect to be able to develop long-term business strategies without the necessity for constant adjustment is not justified. Age of the immutable long-term strategies over.

Outsourcing activity - it is an integral part of the strategy of sustainable development of the company, and HR outsourcing is the key competency of success (core competition). Heads of the enterprises must be able to quickly configure it to use the various tools of outsourcing depending on the current situation in the real economy.

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