Outsourcing in the organization of global business services

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Abstract. The article presents an analysis of existing views on the outsourcing of global business services, discusses the problems of global outsourcing of business services that are affected by global scientists in their studies of the effectiveness of project organization, analyzed the global market for global business services.

Keywords: outsourcing, business, global business services, International Association of Outsourcing Professionals, market

1. Introduction

In a global world economy, knowledge and technologization of all sectors of the economy and business based on contemporary information technologies are of key importance. World practice shows that the erasure of territorial and temporal boundaries between participants in the global production process contributes to the further development of the international division of labor in the global economy. The ability to use the most suitable resources, regardless of their location, is an ideal condition for the development of outsourcing.

Every day, the global outsourcing market rapidly increases the requirements for the quality and range of outsourcing services provided, highlighting two main segments of outsourcing in the service sector: (1) IT-outsourcing; (2) business process outsourcing.

At present, information technologies allow the company to open new opportunities to increase its competitiveness and develop in the relevant industry. However, we also need to keep in mind the ever-increasing demands for ensuring information security and preserving personal and corporate data. In turn, this opens up new horizons for the IT companies that provide outsourcing services in this area.

The world's largest companies outsource most of their business processes, gaining the opportunity to focus and direct their main resources to the development of key areas of the company's business. So, the IKEA Group of Companies has been cooperating with outsourcing companies (outsourcers) for many years. Currently, the IKEA is cooperating with more than 2,500 outsourcers. The results of fruitful work on the implementation of outsourcing are confirmed by the company's position in the market in various countries, it occupies a leading position in international retail sales.

In 2005, the International Association of Outsourcing Professionals was formed to bring together client companies wishing to use the services of outsourcing companies, outsourcing companies and

consultants. It sets industry standards and contributes to the development of outsourcing in the international arena [11].

Over 40,000 participants are counted in the IAOP. The Association helps companies improve the process of providing outsourcing services, as well as expand the possibilities of outsourcing in various business areas. Not only the unification of those involved in the field of outsourcing, but also the definition of outsourcing as a profession was the idea for the establishment of the IAOP. The organizational structure is created in the IAOP, which provides the interaction of professionals and provides their full support (Fig. 1).

Figure 1. The organizational structure of the International Association of Outsourcing Professionals.

One of the main tasks of creating IAOP is to bring together professionals and scientists from around the world in the field of outsourcing to share experiences, methods, technologies and new interesting ideas on the use of outsourcing, as well as to study various aspects of outsourcing.

To accomplish this task, the Association has developed an international platform that allows you to meet and discuss topical issues in the field of outsourcing, personally or remotely via conference calls via the Internet, as well as online using thematic forums where participants have the opportunity to exchange acquired skills and lessons learned. In addition, the Association periodically holds seminars, webinars, and regional meetings to train existing participants and to attract new potential participants interested in obtaining information regarding outsourcing [12].

In 2005, the International Association of Outsourcing Professionals established an independent rating of the global outsourcing industry leaders – "Global Outsourcing 100". This is a prestigious award that recognizes the best of the best in the outsourcing industry. The rating includes companies from around the world supplying outsourcing services in the field of information technology, business processes, services, real estate, asset management, trade, and logistics. The "Global Outsourcing 100" includes more than 25 subcategories, selected by type of service, industry, as well as the geography of companies [13].

In a contemporary economy, it is important for outsourcing buyers to have the ability to easily identify and select a company that meets their outsourcing needs. The "Global Outsourcing 100" rating is an important tool that companies use to make better decisions. It provides companies with valuable information about the outsourcing industry, leading and novice service providers and consultants, as well as the key developments in this area.

The rating contains the top 75 leaders and the top 25 rising stars belonging to large well-established global companies and small but fast-growing firms. In compiling the ranking for 2018, the following five criteria were considered and evaluated:

- Size and growth as measured by income, employees, and global presence;
- Customer reviews;
- Awards and certificates obtained through industry recognition;

- Programs for innovation (as specific programs and the final results of the development of new forms of value for customers are demonstrated by means);
- Corporate social responsibility (such as topics such as community participation and development, labor relations, human rights, fair working methods, environmental impact, consumer issues and organizational management are reflected in corporate programs and results) [14].

According to the "Global Outsourcing 100 – 2018" rating, the following outsourcing companies became the absolute Leaders:

1. Accenture
2. CBRE
3. CGI
4. Colliers International
5. Concentrix
6. Cushman & Wakefield
7. EPAM Systems
8. EXL
9. HCL Technologies Limited
10. HGS
11. IQVIA
12. ISS
13. JLL
14. Newmark Knight Frank
15. NTT DATA Services
16. Teleperformance
17. TELUS International
18. VirtusaPolaris

The IAOP reports that they receive a huge number of applications from foreign companies to participate in this independent rating, but only the best ones are in the top 100. According to the interviews of top 100 company executives, we can say that this is an important reward for their professional activities. At the same time, the "Global Outsourcing 100" rating plays a big role for clients of outsourcing companies in making sound management decisions.

However, a study of the state of the outsourcing market for services and operations conducted by the KPMG and HfS Research in 2018 shows that, in recent times, the market needs changes in organizational models of work and services with an emphasis on automation, solution of complex problems and innovation. This issue is for further study.

2. Materials and Methods

Analysis of existing positions and views on the problems of outsourcing in the service sector according to international experience is the methodological basis of the study. The purpose of the study was achieved by studying the scientific works of scientists according to the theoretical and practical orientation of the issue studied in this paper, as well as an analysis of the current state of the market for outsourcing services in foreign countries.

3. Results

KPMG Global Advisory and HfS Research said in a joint survey that the outsourcing and shared services market is still in a state of change, mainly growth in 2018.

The importance of organizing global business services (GBS) continues to evolve and expand, including as a corporate mediator and organizer of intelligent efforts to automate and integrate data. The GBS is shifting from people to automated processes.

The Global Business Services Model (GBS) (that provides core business processes, such as finance and accounting, personnel management, IT, searching and purchasing, and internal customer service in organizations) is the most common model in organizations, with revenues of more than 5 billion dollars and shows steady growth. Smaller companies continue to use more centralized operating models.

According to company executives, according to a survey by the KPMG Global Advisory and HfS Research, the main investment priorities are automation of robotic processes (RPA), customer-oriented digital support (social / mobile / interactive), analytical solutions and replacement of local solutions with SaaS platforms (software). Large companies are in the lead in the introduction of RPA in business processes, look for solution providers and demonstrate willingness to invest in new technologies.

Cost reduction remains a major component in outsourcing service strategies for companies of all sizes and regions. The IT sector continues to be the largest business function using the outsourcing model.

However, the overall volume of outsourcing has increased since 2014, with such sectors as sales, marketing, and procurement increasing significantly. The survey also revealed a constant disconnect between management levels, including different opinions on the effectiveness of outsourcing [15].

According to Scopus, from 1987 to 2018, more than 7,500 papers on outsourcing were published. This clearly demonstrates the interest of scientists in solving existing problems in the field of outsourcing (Fig. 2). A significant increase in interest in outsourcing is observed in the period from 1999 to 2010. Its peak in the number of publications in its field reached in 2008-2010. The author connects this with the global economic and financial crisis. This event affected the whole world and involved the economies of leading countries. One way to optimize costs in a crisis and instability at that moment was outsourcing, which allowed companies to focus on the most vital tasks for the company.
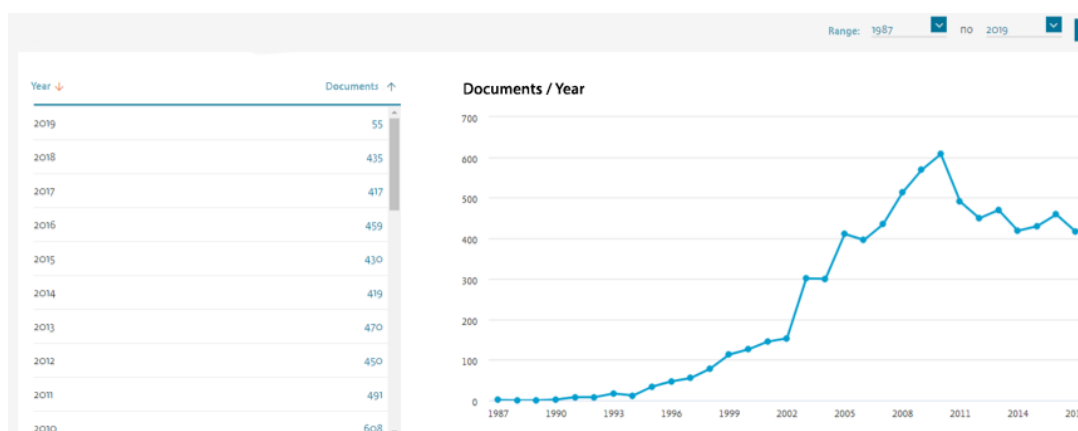

Figure 2. Analysis of foreign authors publications on outsourcing (by year).

Authors from the USA have published a large proportion of the work. In addition, this issue was also interesting to authors from the UK, China, Germany, India, Australia, Italy, Canada, and other countries (Fig. 3).
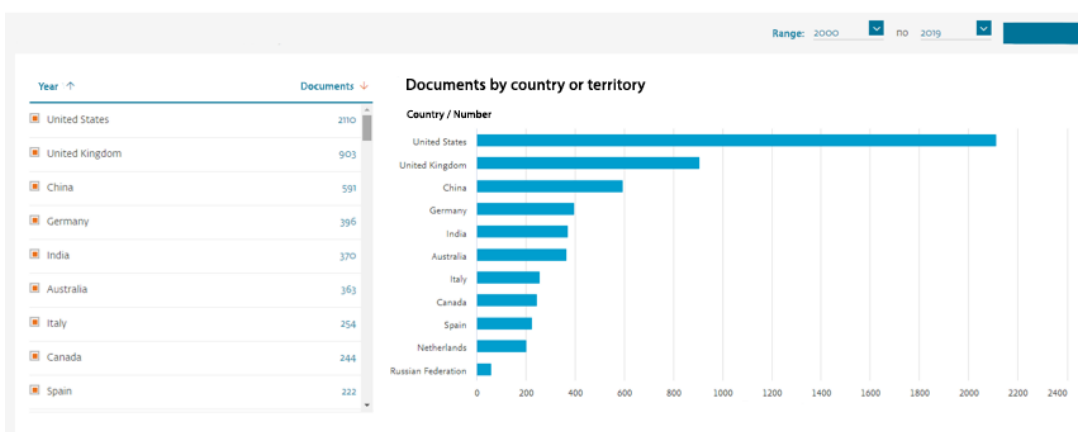

Figure 3. Analysis of foreign authors publications on outsourcing (by countries).

Studies of international authors on outsourcing are reflected in various branches of economics. Outsourcing problems are manifested in such areas as management, accounting, finance, and others (Fig. 4).
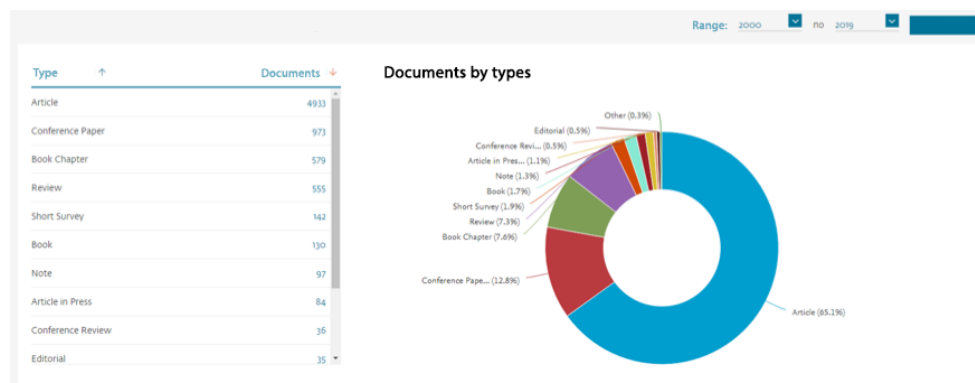
Figure 4. Analysis of the publications of world authors on outsourcing (by knowledge industries).

The main problems of outsourcing, addressed by scientists in their research, include the following:

- Concern about the loss of jobs with intensively developing outsourcing in the service sector;
- Process of deciding on the transfer of individual business processes and (or) functions to outsourcing;
- Outsourcing management process;
- Risks of human resources outsourcing;
- Problems associated with the definition of functions and (or) business processes for outsourcing;
- Choosing an outsourcing company and evaluating the right decision;
- The problem of assessing the quality of partnership;
- and others.

According to the latest ISG industry report, the global outsourcing market generates more than $100 billion of the total value of contracts per year.

Of course, a business that makes so much money should be considered as strategic. However, despite such high demand, over the past decade, the overall outsourcing industry has grown insignificantly. Money moved from west to east and from north to south, as service outsourcing providers in India received a share from western service providers, and new names appeared in Latin America and Eastern Europe.

These changes were mainly due to labor migration i.e. moving work to places with lower labor costs. Now there are new changes, and they have nothing to do with labor resources. Today, the outsourcing market is completely transformed "as a service." Although global outsourcing contracts still generate about $40 billion a year, the service outsourcing market, which includes infrastructure as a service (IaaS) and software as a service (SaaS), makes up more than 40% of these dollars at present.

A recent study by the ISG Index provides insight into these significant changes in IT service outsourcing. In the first half of 2018, the signed supply contracts amounted to 19.8 billion dollars, which was expected by experts. But in the same period, the cost of contracts for traditional types of outsourcing (for example, outsourcing IT and business processes supported by traditional service providers) decreased by 2%, while the "as a service" market (for example, cloud service platforms) increased by 36%. In particular, the cost of contracts for IaaS solutions (Infrastructure as a Service) increased by 62%, which clearly demonstrates the interest of customers in relation to cloud servers.

These indicators point to changes in the market for suppliers and give us an idea of future trends in global outsourcing. Over the years, outsourcing has led to the creation of highly efficient, process-oriented organizations. Now it's time to use these advances for the next stage of growth and productivity.

There is no doubt that the demand for traditional outsourcing will continue to decline. As companies join the digital revolution, they need new skills, tools, processes, and ways of thinking. Service providers that evolve and meet today's customer needs will succeed in the long run.

4. Discussion

Amiti M. and Wey S. touched upon the problem of the relationship of workplaces in enterprises and outsourcing in the service sector. The authors show that employees of enterprises are concerned about the possible loss of jobs due to the rapid development of outsourcing, and companies that provide outsourcing services are concerned that an increase in the number of jobs in enterprises may adversely affect the implementation of outsourcing. In their study, Amiti, M. and Wey, S., after analyzing data from the UK, found and substantiated that the growth in the number of jobs in certain industries did not negatively affect service outsourcing [1]. The author agrees with the conclusions and does not question them.

According to the author, one of the problems of concern to companies all over the world is the decision-making process on the transfer of individual business processes and (or) functions to outsourcing, as well as managing outsourcing. Based on a survey of 51 Slovak companies, as well as interviews with managers and employees of these companies, Milecova, M., Grznar, M., and Szabo, L. revealed several weaknesses in the decision-making process on the implementation of outsourcing in the company. First of all, these weaknesses are associated with an insufficient assessment of risks arising from the use of outsourcing, and management of these risks, and not with insufficient monitoring of outsourcing companies or insufficient determination of the effectiveness of the implementation of outsourcing.

Milecova, M., Grznar, M., and Szabo, L. developed a standardized methodology that can be used when making decisions, implementing and managing outsourcing. They focused on risk management in the case of outsourcing and on determining the effectiveness of outsourcing, which is justified, according to the author [7].

Also, Zhu W., Ng S. C. H., Wang Z., and Zhao X. emphasize the importance of the outsourcing management process in increasing the efficiency of outsourcing. The study of this issue led them to create a model for managing the outsourcing process and to highlight the following two types of outsourcing logistics services: basic outsourcing and advanced outsourcing. Subsequently, the analysis of surveys on the implementation of this model was carried out and the results showed that the process of managing outsourcing has a different impact on the effectiveness of the two types of logistics outsourcing. Basic logistics outsourcing directly affect costs and delivery, as well as advanced logistics outsourcing affects productivity through interaction with the outsourcing management process. Zhu W., Ng S. C. H., Wang Z., and Zhao X. were the first researchers to report these interactions. However, according to the author, this issue is worked out superficially and requires further research [10].

Special attention in the scientific literature is given to the study of the problems of IT outsourcing and human resources outsourcing, which is confirmed by studies of Lacita, M. Z., Khan, S. A., Willcotsks, L. P., Bi, X.-Q., Zhou, Q.-X., and Zhou, N.

Bi, X.-Q., Zhou, Q.-X., and Zhou, N. consider the risks of human resources outsourcing from the point of view of an outsourcing company and propose measures to reduce these risks in their works [2]. Zhang, J. and Zhang, Y. also pay attention in research on this issue [9].

The study by Wiesinger, A., Beimborn, D., and Weitzel, T. reflects the main issues related to outsourcing, one of which is also the following question: "What is the difference between the planned and actual structures of interaction in the global outsourcing agreements?" [8].

In addition, the author has found that scientists researching outsourcing issues are also concerned with other issues concerning the transfer of certain functions and business processes to outsourcing, choosing an outsourcing company and evaluating the results of choosing an outsourcing company.

Recently, more and more attention has been paid to building successful partnerships in the field of outsourcing, studying the impact of service quality and partnership on the outsourcing of information systems.

Thus, Lee, J.-N., and Kim, Ya.-G., analyzing 74 outsourcing partnerships between service recipients and outsourcing companies, find that the partnership quality is key to the success of outsourcing, confirming their hypothesis about the impact of partnership quality on outsourcing success [5]. Lee, J.-

N. considers the impact of partnership quality on the success of outsourcing and for public sector organizations in Korea [6].

Grover, V. also finds that the success of outsourcing depends on the quality of service by an outsourcing company. He also studies the elements of partnership, such as trust and cooperation. To confirm these results, top managers of 188 companies took part in the survey. The author shares the views of Grover V., considering that the quality of service directly affects the success of outsourcing [3].

A. Kakabadse and N. Kakabadse, having conducted an international review of outsourcing, compared the current practice between American and European companies. When introducing outsourcing, the US companies are more likely to attract additional resources, while the European companies are more focused on gaining economies of scale through outsourcing. However, both American and European companies agree that outsourcing is very important for building its organizational strategy. According to the results of the study, the American and European companies reported a higher level of satisfaction with outsourcing than expected [4].

5. Conclusion

In terms of optimizing business processes and secondary functions of the company, as well as the performance of the company, outsourcing has proven its value. But times are changing. New technologies are on the verge of the initial BPO offer, and customers demand more than just cheaper resources or tasks.

In partnership with Enlighten, the SSON conducted a survey of APAC and ANZ clients to find out how well the outsourcing is fulfilling their tasks today in their opinion. As it turned out, everything is not so good.

Customers have noted the following:

- They regret the lack of customer orientation;
- They want more transparency compared to the end-to-end performance of the process;
- They want to see alongside a partner who joins them in solving their problems.

All of the above prepares that, despite the ongoing research in the field of outsourcing, there are still quite a few problems and issues that need to be addressed.

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