OUTSOURCING IN CONDITIONS OF SLOVAK REPUBLIC

Veronika Kormaňáková, Martina Rypáková, Petra Gavlaková

INTRODUCTION

In a current economic situation the companies have already known that it is not useful to carry out all business activities on their own. Sometimes it is more profitable to ensure some not core activities by a provider. This process is called outsourcing. Outsourcing is made up of two words – “out/outside” and “sourcing. To define outsourcing we must first be clear on the meaning of “sourcing”. Sourcing refers to the act of transferring work, responsibilities and decision rights to someone else. The whole outsourcing process is act of transferring the work to an external party. It is a tool of strategic business management and optimization of enterprise resources consumption oriented to basic strategic goals. Outsourcing is a long term process. There is no one - word translation of this term in slovak language. Literature review showed that there are many of definitions explaining what outsourcing is. Etymologically, the term outsourcing originated from the english acronym outside resource using. This term comes from american business english. Lednický defines outsourcing as “a system of deliberate and purposeful allocation and transfer (delegation) activities to external partner, resulting in the purchase of goods or services from foreign firms instead of carrying out these activities in-house. Outsourcing is selection of functions which have additional character, does not create added value but they are still not necessary. Outsourcing is the situation in which the input (which would otherwise be obtained from the company's own resources) is bought from another business entity as a service or product. [4]. "Outsourcing is a long-term contractual relationship with someone from outside environment to provide services in one or more areas of its activities.” [5]

1 OUTSOURCING IN THE WORLD

Implementation of outsourcing process brings advantages as well as disadvantages. Its defaults are most often low operability, unavailability in the required time, the loss of control over the process, dependence on suppliers, higher costs in case of change, risk of failure of the provider, the possibility of legal and social issues, failure of expectations of cost reduction (customer incorrectly estimate all the original internal costs) and risk arising from the weak position of the supply services contract. Outsourcing is very popular despite of many risks arising from its implementation. More and more companies all around the world are engaged into this process. This fact is confirmed by the results of various international studies and analyzes dealing with outsourcing. The country which the most implements outsourcing process and thanks it also generate the highest returns is the USA. The statistic survey focused on offshore outsourcing performed as at 1.1. 2014 by Sourcing Line Computer Economics showed that the United States in 2013 to outsource abroad to 2 637 239 jobs. The most often outsourced activities involved production, help and call centres were outsourced at least. Source Line Computer Economics made up a scale with the most appropriate countries for outsourcing. The first place takes India followed by Indonesia and China. From nearby countries there is Czech Republic (16th place) and Poland (15th place). Hungary is located at the 14th position. Slovak Republic is not situated in this scale.

As was mentioned the process of outsourcing is very popular in the world. The graph shows the growth of total global revenue from outsourcing implementation from 2000 to 2013. Even the global economic crisis could not affect its growth. Compared to year 2000 the revenues in 2013 were almost doubled.
2 TYPES OF OUTSOURCING

There is a wide assortment of outsourcing categories and models, each with its own strengths and weaknesses, and management concerns. Outsourcing efforts can be segmented by location, where the work is done: on-site or off-site. On-site work involves having members of the vendor’s team conduct work within the premises of the client organization. Off-site work is where the vendor conducts work at its location. Within off-site work arrangements work can be onshore, nearshore and offshore outsourcing.

Onshore is where a vendor conducts work within the same country as the client. One of the advantages of this type of outsourcing is that there are no big cultural differences between the partners and language barriers. Using the onshore vendors is appropriate especially if outsourced services are sensitive, for example field of medicine or finance. Near-shore arrangements involve moving work outside the country to neighbour locations. For example, a lot of US companies have begun to use Canadian companies as business partners in call centres and software development projects. It is a term that defines the cooperation between offshoring and onshoring. Offshore outsourcing is the process of transfer activities to countries which are in a long distance from the client [6, 7].

Outsourcing can be applied into several departments of the company. Most often outsourced are facility management, accounting, logistics, information systems, human resource management, environmental management and science and research.

Based on the survey made by PricewaterhouseCoopers it could be said that the mostly outsourced area are information technology services. This research was made in 2010 for a sample of 226 clients of this company. On the graph below there are other results of the survey.
3 USING OF OUTSOURCING IN THE SLOVAK REPUBLIC

Outsourcing becomes very popular not only in the world but also in Slovak Republic. The situation related to this process was mapped by questionnaire survey made by Badáňová. The sample consists of 100 organizations.

These companies were focused on trade area (22%), on production area (33%) and on the services (45%).

Deciding on outsourcing is mainly on the top management - up to 85% of businesses stated that whether or not to use outsourcing decision is on top management. 12% of respondents said that outsourcing decided by mid manager, and 3% of companies involved in decisions on outsourcing regular employee. When asked whether they use outsourcing, almost half said they do. More than a
third of companies outsourcing does not practise. Routinely process of outsourcing is common in companies with more than 250 employees.

**Fig. 4- Use of outsourcing in Slovak Republic**

![Use of outsourcing](image1)

*Source: self process according to [2]*

The main part of companies, have outsourcing contracts for a period more than three years. About quarter of asked companies outsource less than three years but more than one year. The survey also had questions about the areas which they outsourced the most. The trend is to outsourced not just one but several business areas. The research showed that the most common area to outsource is IT services.

**Fig. 5- Outsourced areas in Slovak Republic**

![The areas of outsourcing used in Slovakia](image2)

*Source: self process according to [2]*

Usually the firms realize outsourcing mostly because of cost reductions. Also they outsource thanks specialization, flexibility and efficiency which outsourcing brings. It is an opportunity how to innovate and make better processes in companies. In process of outsourcing it is important to plan this process. 68 % of respondents claimed that they do not plane this process, only a third of respondents plane this [11].
Firms are faced with failures as a not responsible outsourcing provider, loss of control of outsourced activity, leak of confidential information, cultural differences, loss of contact with customer or inadequate qualification of service provider. In general, among 96% of asked respondents took outsourcing without complications.

As was mentioned and surveyed, the most outsourced is IT area. More intensively discussions have started about five years ago. Nowadays IT outsourcing is a common practice for both providers and customers. In Slovak Republic, there are two trends noticed. The first is innovation of existing contracts aimed to affording IT services. Customers have the opportunity to review the contracts and the prices of a guaranteed level of service by provider. It is a customer opportunity to make use of competitions among companies, for provider it is a treatment. The exchange trend has established also on the Slovak IT outsourcing market. The second trend is the increase of customer experience, concrete the training of staff, the real requirements on the level of service, knowledge of direct and indirect costs or pricing models. On the side of providers the situation is similar, concrete the implementation of methodologies for service management, labour productivity growth, raising the educational qualifications of workers, transparent cost management [1].

The customers have usually their own model of services management which including more than provider. The relationships with only one provider are rather rare than reality. Slovak IT providers have currently available more capacity than the market demands. This will lead to market competition and falling prices for services. This fact can be a positive for customers.

The position of client is changing. Vision of the future is a company whose infrastructure and applications are in the cloud part of the business hub, its employees use private PCs which are connected to the corporate network, and interaction with suppliers and third parties is significantly automated. In such a scenario should be space for some providers declined significantly, for others it could represent a significant shift in innovation and maybe it will bring new models in outsourcing [1].

CONCLUSION

The process of outsourcing of activities is not easy. There are still areas in which the companies have defects. Experiences of businesses that use outsourcing should be an incentive for other companies to use outsourcing providers.

In Slovakia, companies outsource mainly because of cost savings. In Slovakia, however, the development of outsourcing is accompanied by specific barriers as a defective legislation, impeachment of contracts, taking advantages of information, financial insolvency and poor law enforcement. Companies operating in Slovakia are in turbulent conditions too, such as other companies operating in other countries. In Slovak practice, outsourcing is still the way to decrease costs instead of opportunity how to increase competition advantages. This point of view should change in the future.

LITERATURE

Authors' address:
Ing. Veronika Kormaňáková
Žilinská univerzita v Žiline, Fakulta PEDAS, Katedra ekonomiky, veronika.kormanakova@fpedas.uniza.sk

Ing. Martina Rypáková
Žilinská univerzita v Žiline, Fakulta PEDAS, Katedra ekonomiky martina.rypakova@fpedas.uniza.sk

Ing. Petra Gavlaková
Žilinská univerzita v Žiline, Fakulta PEDAS, Katedra ekonomiky petra.gavlakova@fpedas.uniza.sk

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Abstract
Current economic situation is very difficult for many companies all around the world. One of the possibilities how to help companies to keep their activities is solution called outsourcing. It could be applied into many economic areas. This article deals about using of outsourcing in conditions of Slovak Republic. In the first part there are same meanings of what outsourcing is and what types of outsourcing are used. Then there are some statistics data about using of outsourcing in the world and global revenues from outsourcing. Of course data about outsourcing in Slovak Republic are in this paper mentioned. They are also shown on graphs.

Key words
Outsourcing, provider, outsourcer area, revenue

JEL Classification
M55