

IRSTI 06.39

A. Tiyes<sup>1</sup>

<sup>1</sup>Suleyman Demirel University  
Kaskelen, Kazakhstan

## DEVELOPMENT OF OUTSOURCING AND ITS IMPLEMENTATION INTO ENTERPRISES OF KAZAKHSTAN

**Abstract.** In this article we will consider what is outsourcing, and types of outsourcing, also we show BCG matrix. We analyzed how outsourcing is being developed. Increasingly, in today's business world, single-profile companies concentrate their activities on specific activities, and other functions are outsourced. The nature of the organization's activities depends entirely on the choice between production and acquisition, vital for productivity and competitiveness. Recently, the views of managers on the problem of choice have undergone significant changes. The course is taken for outsourcing, or the search for external suppliers of those goods or services that were previously produced by the firm. Now, outsourcing is one of the most modern and successful business models that make it possible to achieve real competitive advantages, since outsourcing is a practical realization of the principle of division of labor and cooperation.

**Keywords:** outsourcing, Kazakhstan, enterprise, BCG matrix, business, contract, entrepreneurship, executor, outsourcer, management.

\*\*\*

**Аннотация.** В данной статье рассмотрены такие понятия как аутсорсинг и типы аутсорсинга, также представлена матрица BCG. Автор проанализировал, как разрабатывается аутсорсинг. Все чаще в сегодняшнем деловом мире однопрофильные компании концентрируют свою деятельность на конкретных мероприятиях, а другие функции передаются на аутсорсинг. Характер деятельности организации полностью зависит от выбора между производством и приобретением, жизненно важным для производительности и конкурентоспособности. В последнее время мнения менеджеров по проблеме выбора претерпели значительные изменения. Исследование проводится для аутсорсинга или поиска внешних поставщиков этих товаров или услуг, которые ранее производились фирмой. Теперь аутсорсинг является одной из самых

современных и успешных бизнес-моделей, которые позволяют достичь реальных конкурентных преимуществ, поскольку аутсорсинг является практической реализацией принципа разделения труда и сотрудничества.

**Ключевые слова:** аутсорсинг, Казахстан, предприятие, матрица BCG, бизнес, контракт, предпринимательство, исполнитель, аутсорсер, менеджмент.

\*\*\*

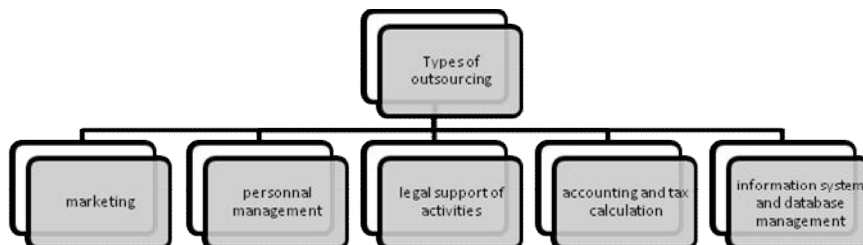
**Аңдатпа.** Бұл мақалада аутсорсинг негізін, оның түрлерін қарастырамыз және BCG матрицасын көрсетеміз. Сонымен қатар біз аутсорсинг қалай дамып келе жатқанын талдадық. Бүгінгі іскерлік әлемде біртұтас кәсіпорындар көбінесе нақты әрекеттерге шоғырлануда, ал басқа қызметтер сыртқы көздерден алынады. Ұйым қызметінің сипаты, өнімділігі мен бәсекеге қабілеттілігі үшін өмірлік маңызы бар өндіріс пен сатып алудың таңдауына байланысты. Жақында таңдау туралы мәселе бойынша менеджерлердің пікірлері елеулі өзгерістерге ұшырады. Зерттеу фирмадан бұрын шығарылған осы тауарларды немесе қызметтерді сыртқы жеткізушілерге немесе аутсорсингке арналған. Қазіргі уақытта аутсорсинг - бәсекеге қабілетті артықшылықтарға қол жеткізуге мүмкіндік беретін ең заманауи және сәтті бизнес-модельдердің бірі, себебі аутсорсинг еңбек пен ынтымақтастықты бөлу қағидатын іс жүзінде жүзеге асыру болып табылады.

**Түйін сөздер:** аутсорсинг, Қазақстан, кәсіпорын, BCG матрицасы, бизнес, шарт, кәсіпкерлік, орындаушы, аутсорсер, менеджмент.

In today's world, companies face unprecedented pressure from the market. Only organizations that do business in the most efficient way survive and succeed only in achieving a reduction in transaction costs while maintaining high quality goods and services. Outsourcing is one of the most modern and successful business models that make it possible to achieve real competitive advantages, since outsourcing is a practical realization of the principle of division of labor and cooperation. Outsourcing is literally translated from English "external resources". The basis of this management method is precisely the attraction of external resources. There are many definitions of outsourcing, but the essence is simple - it is the transfer of an external organization of a number of non-core functions necessary for the full functioning of the business. The difference of outsourcing is that the customer

puts ultimate goals before the outsourcer, and the methods, means and ways to achieve these goals depend solely on the performer. At the same time, the outsourcer is also responsible for obtaining the required results, which is always clearly stated in the contract. / 1, p. 142/

It is believed that almost any functions of the enterprise can be transferred to the external executor. In practice, the most common types of outsourcing are the transfer of the following functions.



Pic.1. The main types of outsourcing

Becoming a consumer of outsourcing services, the contracting authority gets the opportunity to focus on the core business, as the outsourcing contract, as we noted, is precisely the non-core activities of the organization. A civil law agreement is concluded between the contracting authority and the outsourcing organization, the subject of which is the provision of services or the performance

The conceptual basis of quality management is based on the principles that were formulated by the philosophy of universal quality management (TQM) and in the ISO 9000 series. The main principles of outsourcing:

- «I leave to myself only what I can do better than others, I pass on to the external performer what he does best of all»;
- To make the organization more competitive by keeping focus on the key competency;
- To achieve a cost savings and efficiency;
- To get access to special resources or opportunities;
- To stimulate entrepreneurship in small organizations.

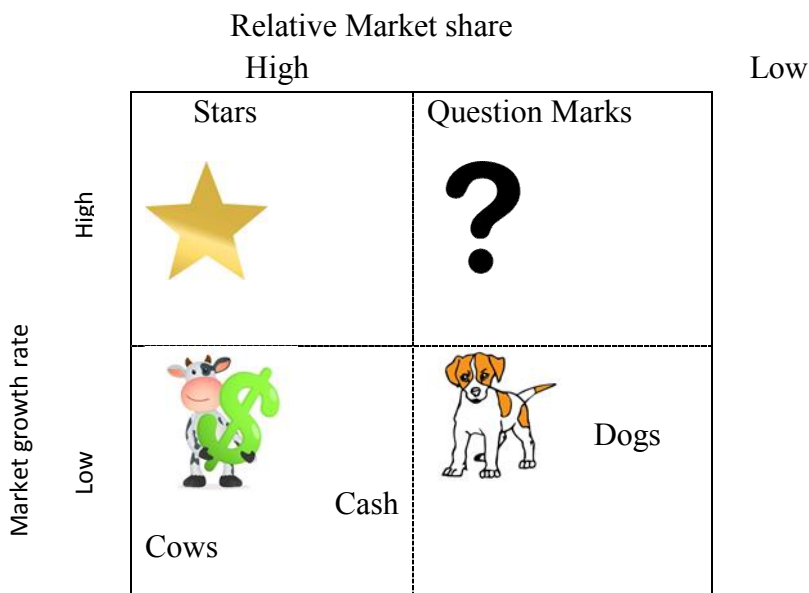
Practice has developed a number of methods that allow us to conclude: whether to develop this line of business within the company or it makes sense to outsource. Most often, matrix analysis is used for this. The matrix can be constructed on the basis of any pair of indicators that characterize strategic positions. The most significant are the growth rates of the industry, market

share, long-term attractiveness of the industry, competitiveness; they are reflected in the construction of the matrix «growth /share» and «matrix outsourcing» [2].

The main advantage of the matrix "growth / share" of BKG is that it focuses on cash flow and the investment characteristics of each business and answers the question of how the company's financial resources are distributed among its divisions (types of business) in order to optimize the entire portfolio of business activity company.

The axes of the matrix record the growth rates of the industry and the relative market shares with an assessment: "high", "low". The whole matrix is divided into 4 squares.

The relative market share is defined as the ratio of own share (in%) to the share of the largest competitor (in%). For example, if business A occupies 15% of the total market capacity, and the share of the largest competitor is 30%, then the relative market share for A will be 0.5. If business B has the largest market share - 40%, and the main competitor - 30%, then the relative market share for B will be 1.33. /3, p.65/



Pic.2. BCG Matrix

In a long-term strategy, the company should use additional funds from "cash cows" to finance the increase in the market shares of resource invaders-young "stars" who can not yet manage with their own resources for growth,

and "difficult children" who have a good chance of overgrowing in "stars". If successful, resource invaders become "stars", fully covering their financing needs. We note that when the growth rates of the "stars" markets slow down and the markets pass to the stage of maturity, the «stars» become «cash cows».

Thus, successful is the consistent movement of the business along the way: «difficult child /question mark» - a new «star» (which is still an invader of resources) - a «star» that provides its own needs - a «cash cow». To strategic mistakes of the company can be attributed: - over- investment in stable “cash cows”;

-non-investment in "question marks" (may lead to the fact that "question marks" instead of becoming "stars" fall into the category of "dogs");

-dispersal of resources on all "question marks", instead of focusing on the most promising, promising to turn into "stars." /4, p. 78/

The "outsourcing matrix" is built on the basis of assessments of the analyzed business elements. Estimates (high, medium and low) are presented on two scales: the strategic importance for the company of this element of business and the assessment of the element of business in relation to the external market ( how well the company performs, compared to the market, department, how skilled employees are, etc.).

		Strategic importance		
		Low	Medium	High
		Division level with compare to the market		
High	field 1 and join the alliance	field 2 develop and protect	field 3 protect and highlight	
Medium	field 4 the alliance	field 5 do and protect yourself	field 6 do and sell yourself	
Low	field 7 te and buy on ...e market	field 8 liquidate and buy on the market	field 9 highlight and sell	

Pic.3. Matrix of outsourcing

The resulting matrix consists of nine fields, corresponding to possible combinations of business estimates for the two selected scales. Consider the most frequently recommended solutions for each of the fields. /5/

Field 1. High strategic importance for the company of this element of business and its low level. Since the strategic importance of the element is high, the company's dependence on the results of its activities is also high. The obvious solution is the development of this unit within the company. Due to the fact that it is dangerous to buy products of this unit on the open market (the company is dependent on suppliers), at the first stage it is expedient to organize an alliance - to establish long-term relations with those whose work level is higher than the average for the market. When a division of the company reaches an average level of development, the firm falls into a situation described by field 2.

Field 2. High strategic importance of the element of business and the average level of its development. In this case it is necessary to raise the potential of the unit, i.e. invest in educating employees and gaining experience. It is necessary to attract and retain highly qualified specialists.

Field 3. The high strategic importance of the unit and the high level of its work. In this version, it is proposed to make the maximum emphasis on the protection and preservation of the achieved (first of all, on maintaining the human potential).

Field 4. The average strategic importance of the element of business and the low level of competence of its employees. Since the dependence of the company on the work of the unit is quite high, it is worth either to review the company's strategy, or to establish long-term partnerships with leading manufacturers in this sector of the business. At the same time, your own specialists can be reduced to a minimum and leave the necessary staff to monitor and coordinate the relationship with a third-party organization. A typical example is the company's transition to service in the business center. In this case, the company's computer network is serviced by IT specialists of the center under the control of the IT manager of the company that leased this center.

Field 5. The average strategic importance of the unit and the average level of activity of its employees. It is advisable to attract more competent employees to work in the analyzed division of the company, while maintaining the same size of its staff. In this case, there is a possibility the transition of the

company to the situation of field 6, where it is already possible to raise the issue of diversifying the company's activities.

Field 6. The strategic importance of the business unit is average, but the level of its employees is higher than the market one. It would be wrong not to use the experience and knowledge of the department's specialists to expand its activities. It is advisable to try to sell the results of their activities in the market - perhaps the business direction of this unit will become the main one for the company in 5-10 years. With the success of this approach, the assessment of the unit's activities will move to fields 2 or 3, which will significantly change the approaches to managing the division. A vivid example of such an opportunity is the company "Nokia", which 20 years ago was a manufacturer of rubber products and wire braiding. From the "wired" business, which was of medium strategic importance for Nokia, a modern telecommunications giant has grown up.

Field 7. The low strategic importance of the unit and the low level of its activities. The optimal solution is: to eliminate non-core production, which is not directly related to the release of the main product, and to dismiss unskilled personnel. Products previously produced by the unit can be purchased on the market from specialized companies.

Field 8. The low strategic importance of the unit and the average level of its work. For the company's business, the division's activities are not a priority, therefore a decision similar to the previous one should be made (field 7).

Field 9. The low strategic importance of the business element, but the high level of skill of its employees. It is advisable to single out the division in a separate firm, invest certain funds in its development, and then sell it.

The only obstacle to large-scale use of outsourcing companies in Kazakhstan is the specificity of the domestic mentality, i.e. desire to concentrate the company on a certain management group or person, lack of trust in business partners. Gradually, these barriers are smoothed out, and now the absolute majority of entrepreneurs have estimated the benefits that are provided by specialists, even if they do not belong directly to the customer's company. /6, p.81/

In Kazakhstan outsourcing has not yet received such a powerful development, as in the rest of the world. Companies that provide outsourcing services, as a rule, have not yet singled out this business in a separate direction. But, nevertheless, the trend of increasing demand for outsourcing in Kazakhstan is similar to the world one. Gradually comes the understanding that

outsourcing is an effective way to reduce costs, access to the latest technologies and the opportunity to concentrate on the conduct of its core business, and the environment for its successful implementation begins to be created. Potential clients of outsourcing firms are small enterprises limited in resources, large companies and banks that have the opportunity to hold a competition to select the most suitable performers, representative offices of foreign companies and joint ventures that have experience in outsourcing, albeit under different conditions, and also state organizations interested in attracting qualified specialists.

### **References:**

1 Bravar, J.L., Morgan, R. Effective outsourcing. Understanding, planning and using successful outsourcing relationships / J.L. Bravar., R. Morgan. – Moscow: Balance Business Books, 2013. – 210 p.

2 Lei D., Hitt M.A. Strategic Restructuring and Outsourcing: the effect of mergers and acquisitions and LBOs on building firm skills and capabilities // Journal of Management.– 2005. – Vol. 21, № 5. – P. 835-859.

3 Egger H., Egger P. International Outsourcing And The Productivity of Low-Skilled Labor In The Eu // Economic Inquiry. – 2006. – Vol. 44. № 1. – P. 98-108.

4 Heywood, J.B. Outsourcing: in search of competitive advantages. - Outsourcing Dilemma, The: The Search for Competitiveness /J.B. Heywood. – Moscow: Williams, 2015. – 176 p.

5 Kuryanovich V. Firm restructuring and transition to outsourcing // Sales Business. – 2009. – № 4. – P. 124-130.

Mikhailov, D. Outsourcing. New System of Business Organization: Manual for Graduate Students / D. Mikhailov. – Moscow: KnoRus, 2010. – 245 p.