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DEPARTMENT OF ECONOMICS, ENTREPRENEURSHIP  
AND BUSINESS ADMINISTRATION

MASTER THESIS

*Topic: Management strategies for the implementation of global business outsourcing trends*

*Specialty 073 “Management”*  
*Study program 8.073.00.09 “Business Administration”*

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**“03” November 2022**

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for the Master Thesis**

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Initial data for research: scientific publications, statistical information,

Content of computational and clarification summary (list of questions to be considered) Literature review, the concept of outsourcing, outsourcing trends, critical success factors for outsourcing, global outsourcing management trends.

List of illustrations

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Student signature

**Notes:**

1. This Assignment is to be attached to the clarification summary of Master Thesis.
2. Apart from Assignment, student is expected to receive from the supervisor the time schedule on preparing Master Thesis during project period with indication of terms of accomplishment and workload for each stage.

## **Abstract**

The Master Thesis consists of 63 pages of the main text, three chapters, 2 figures, reference list of 48 sources.

The purpose of this article is to analyse the outsourcing development prospects in the protective clothing market.

The methods used: analysis, synthesis, comparison analysis, factor analysis, graphical.

The first chapter “Analytical literature review” give the idea of outsourcing as a very successful and growing popular business strategy. The authors seek to present outsourcing as a highly successful competitive tool and as a way to strengthen their position in the protective clothing market, especially in the face of increasing competitive pressures and ongoing globalization. This white paper the main purpose of is to analyse outsourcing trends over the past decade and to predict the future based on previous research. This white paper has described the concepts and trends of outsourcing based on previous research. An extensive literature search was performed to achieve this goal. This article presents previous literature and findings.”.

The second chapter “Problem definition, Methodology and Methods” defines business problem and methodology. Outsourcing has become inevitable, and virtually many multinational companies outsource to take advantage of scarce internal resources. The study observes that company owners are the main winners in outsourcing and offshoring situations. Moreover, a detailed review of the literature shows that, among many other motivations, cost factors play a significant role in outsourcing decisions. There are ultimate protests about jobs going abroad from developed countries such as the US, UK and the Western World. However, the net economic benefits of these countries are increasing and outsourcing to offshore destinations is expected to increase for the foreseeable future. The emergence of new players will challenge India's position in IT services and multinationals will take full advantage of new low-cost destinations.

The third chapter “Suggestions and key findings”. Outsourcing is a convenient way for companies to maximize the benefits of their global supply chain. An agreement between a company and a domestic or foreign third party to outsource certain operational parts of the company is called outsourcing. The paper also looks at current outsourcing trends, especially how robots are starting to get involved in outsourcing due to technological advances. The global pandemic has affected all industries, disrupting supply chains and having specific impacts across various product and service sectors. Outsourcing is used to adapt to changes in the business environment and considered an additional part of the manufacturing process.

*Keywords:* outsourcing, efficiency, outsourcing decisions, strategies, supply chain management

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## **Chapter 1. Analytical literature review**

### **1.1. Background of the study**

Outsourcing can be traced back to Rome for tax collection. However, the concept of outsourcing was first proposed by Adam Smith in his book *The Wealth of Nations*. The book postulates that division of labor and specialization are key factors in optimizing productivity. In the 1830s, innovations in the railroad network and the telegraph reduced the amount of time it took to exchange information and products. has been shortened. The development of manufacturing has allowed companies to take advantage of economies of scale to expand their business (Zhang Y. E., 2018). Then, after the war, companies were asked for horizontal and vertical acquisitions. At the time, proponents believed that the strategy of conglomerate mergers would help firms better manage production and market share. However, throughout the 1970s and 1980s, researchers consistently I noticed that conglomerate companies were underperforming in the market. Later, in 1985, Williamson proposed a new concept called asset specificity. Williamson explained that companies need to consider both production costs and transaction costs in order to optimize their business. Williamson identified these two cost differences as a function of asset idiosyncrasies. Furthermore, Williamson's transaction cost theory posits that the most profitable economic organizational structure is one that minimizes transaction costs while maximizing profits. Williamson defined transaction cost as the sum of all costs of a transaction, excluding production costs. Williams (2016), proposed that economic institutions exhibit two characteristics, he said: limited rationality and opportunism. In exclusive contract situations, plant specificity becomes an additional important factor. If the situation consists of all three elements, economic institutions coordinate transactions to maintain limited rationality while protecting both sides from opportunistic attacks. This concept differs from the traditional concept of profit maximization. The concept of asset specificity helped explain the phenomenon in which conglomerate companies



underperform in the market, even though they should be highly profitable for the company. In a conglomerate merger, two or more economic institutions enter into an exclusive agreement with each other. Compared to private companies, the main concept of conglomerate companies is already shifting from profit maximization to cooperative trading. Conglomerate mergers reduce a company's production costs, but increase transaction costs as the company grows in size. Despite Williamson's great efforts to explain outsourcing through transaction cost theory, Tom Peter was the man who helped the company refocus on its core business. Many companies are inspired by the concept of core competencies. Core competencies are the unique assets that make a company stand out in the market by leveraging available resources and knowledge. However, companies rely on this concept to focus more on the core when reengineering. Public sector outsourcing, on the other hand, is helping business institutions to strengthen their outsourcing mindset. In the 1980s and 1990s, especially in the UK, governments used privatization and outsourcing to reform the public sector. Public sector reforms have provided companies with examples of the strengths of outsourcing. This reform has also facilitated the development of outsourcing in both areas of public and private sectors. In the UK for example, many companies have reframed their organizations to outsource unnecessary tasks and focus on core activities and the increase in service sector indicators in recent years and survey data provided by various international organizations (WT, 2021)

## **1.2. Literature Review**

Business must meet global social, economic and environmental(Karintseva,2021; Karintseva,2020; Melnyk,2020; Melnyk,2021 Melnyk,2019; Melnyk,2017; Tu,2022; The effects, 2017; Veklych,2020) trends to be competitive and efficient(Disruptive,2021; Kubatko,2019).

Empowering agents of outsourcing in medium-sized and little firms were dissected by analysts Wallo and Kock (2018), Moon *et al.* (2014), Grama and Păvăloaia (2014), Hassanain (2015), Ferruzzi *et al.* (2011), Roza *et al.* (2011) and Varajão *et al.* (2017) supplementing their work by digging into the instances of huge firms. The purposes behind outsourcing have been examined in different areas of the world. Some studies have been directed in Asian nations, for example Malaysia Chen and Voon (2016), China Sarbu (2016), Zhang and Hailin (2018), and Aitken (2019). In Europe, scientists have concentrated on the reasons for outsourcing in Poland Bagien'ska (2016), Italy Amendolagine (2014), Germany Kinkel and Moon (2014), and Finland, KaivoOja *et al.* (2018). In the Scandinavian nations, several studies have been introduced by Johansson *et al.* (2018) and in Denmark, Borodako (2015). There have been concentrations on outsourcing by several companies in Canada, Babin (2016), Analysts have broken down the explanations behind utilizing reevaluating for different administrations, for example business administrations (Espino-Rodríguez T. F., 2017), innovation and administration (Williams, 2016), and faculty the board administrations (Kinkel, 2019), or just underway (Yildiz S., 2014). Administration and evaluation on outsourcing show up just as advantageous administrations engaged with the creation cycle, while re-appropriating and its patterns in help area organizations have not been featured. There is undeniably less exploration on re-appropriating in assistance organizations than in the assembling area. The evaluation and correlation of exploration on reevaluating are convoluted by the way that analysts underscore various outcomes, for example, the benefits of studies by Espino Rodríguez and Ramírez Fierro (2017), (Grama, 2014), the propelling elements of Borodako (2015), and the reasons of (Aitken, 2019). In any case, after examining the creators' works, one might say that they feature the activities and choices of organizations that empower the utilization of resources for the arrangement of proper production; subsequently it is proper to call every one of the reasons, elements, and thought processes that empower outsourcing drivers, no matter what their tendency. To uncover the drivers

of outsourcing and the characteristics of administrations, concentration on core activities got dissected, and it was seen that the evaluations completed during the period from 2009 to 2018 covered six gatherings not entirely set in stone by the WTO (2020). Several researchers carried out studies on banks, colleges, clinics, stores, and the transportation industry organizations in light of the evaluations looking at the drivers of out obtaining in help organizations, the exploration can be isolated into two gatherings. The first includes exploration of Zhang *et al.* (2018), (Borodako, 2015), Johansson *et al.* (2018), (Amendolagine, 2014), (Appelbaum, 2018), Ikediashi D and Okwuasi O. ( 2015) (Jacques, 2016) (Babin, 2016), (Sani A., 2018), (Adler, 2015), (Kambara, 2013), (Sigala, 2019), (Violetta, 2016) (Wickramasinghe, 2015), (Vaxevanou A., 2015), and Lam and Han (2005), Gbadegesin J. T. and Babatunde T. O. (2015), (Grama, 2014), (Wright, 2015) that tried to recognize drivers for re-appropriating to help firms. Other studies include that of evaluation by (Bravard, 2019), (Trushchenko, 2021), (Domberger, 2015), and (Adler, 2015) that broke down the scientific writing in additional detail and organized and assembled the drivers tracked down in it. It was seen that analysts framed various gatherings of drivers covering their assorted spectra. It ought to be noticed that the classification of outsourcing drivers has been generally utilized in assistance research. Specialists considering outsourcing in colleges have played out an evaluation of the scientific writing and have identified management strategies on outsourcing, that are back office outsourcing, outbound sales for growth, catalogue management outsourcing, finance and accounting outsourcing, and customer service outsourcing, and drivers outsourcing which have been isolated into six; monetary, key, mechanical, quality, administrative, and utilitarian. The identified drivers' gatherings have additionally been involved by additional scientists in ensuing evaluations Gbadegesin and Babin (2016), and Hassanain *et al.* (2015). Suweero *et al* (2017), have utilized the six drivers of outsourcing, enhancing them with the main drivers for building support administrations, in this way ordering a rundown of 56 drivers. Nonetheless, the evaluation uncovered that

the exploration had not been completed in some studies, and likewise, the drivers for outsourcing contracts. Here are a few instances of organizations that outsource: Google, WhatsApp, Skype, Slack, Alibaba, and Basecamp (Kinkel, 2019).

## **1.2. Theoretical Perspective on Outsourcing Trends**

According to Johansson *et al.* (2018), the following flood of outsourcing will be to a great extent impacted by low production cost and global talent in order to focus on the business core competencies. Organizations can focus on core competencies by outsourcing non-core, non-strategic operations to an outside supplier.

### **1.2.1. Transaction -Cost View**

This view upholds the production cost factors of outsourcing strategies in companies. The administrations or creation must be re-appropriated on the off chance that the technique achieves money saving advantages for the association. Cost decrease is the main driver of reevaluating. Since the distinctions in wage level in various nations can use the above cost of the organization and the organization can likewise profit from the aptitude accessible across the globe. For instance, large numbers of the US based organizations have re-appropriated their IT activities to India to reduce the costs incurred.

### **1.2.2. Competence - Based View**

At the starting phase of Business Cycle Re-appropriating (BPO), the organizations re-appropriated their non-center business exercises to zero in on the business core competence. As indicated by Amendolagine (2014) core competence of re-appropriating empowers organizations to focus on their abilities and afterward the organizations can rethink their non-core competence. During the development and improvement of BPO industry, organizations additionally began to re-appropriate their human asset and money works separated from customary contact community outsourcing. The overall propensity was to outsource just non-core business cycles to an external seller however this

peculiarity has been changed and presently organizations are additionally outsourcing their center business cycles to acquire and keep up with upper hand.

### **1.2.3. Relational View**

The progress of the reevaluating lies in bliss of both client-merchant connections. The relationship and the terms of agreement ought to be commonly perceived and acknowledged by both client and seller. Both, client and seller need to distinguish the areas of struggles before an undertaking and an agreement can be reported and the relationship ought to be an empowering influence to accomplish shared benefits by setting out a synergistic freedom that can endure longer. In spite of the quantity of examples of overcoming adversity of outsourcing, there are an astounding number of agreements bombed throughout recent years. (Chen, 2016) portray that around 78% of the Client-Seller relationship arrives at the weak spot in the drawn out passing on client to bear the cost.

### **1.3. What to Outsource? Offshore Outsourcing: A Changing Scenario**

Chen, Sim Siew, and Yee Seow Voon, (2016) portray that organizations typically rethink front-office center office handling, and administrative center handling. It is trusted that in the cutthroat worldwide monetary, reactions to the financial circumstances as far as outsourcing is a significant system. In outsourcing choice, the basic and point of convergence is what to re-appropriate and the degree to which the re-appropriating could be done to oversee the seller and business exercises. Organizations are outsourcing contact focuses, information section, money and bookkeeping, human asset administrations and all the other things that includes little consideration and the board inclusion.

### **1.3.1. Geographic Importance of Outsourcing**

Any global organization can begin its tasks overall by making a solitary vital unit or by re-appropriating its sure business activities to outside specialist co-ops. The developing worry of geologies as far as controlling and security issues has additionally been in banter among the business educational programs and analysts and creators have much of the time been checking out at the blended feelings about this issue. According to Adler, T. R. (2015) on a few seaward areas, cost has been rising and the distinctions of cost would be less huge in scarcely any year times since compensation in emerging nations would rise.

### **1.3.2. Outsourcing: Controlling and Security Issues**

According to Grama (2014) security and protection risk is more prominent while off shoring happens and organizations send most delicate client data to the seller. The provider's failure to keep up with secrecy is a question mark for re-appropriating especially to a seaward objective. Re-appropriated projects represent a serious security danger particularly in the event of clients' information assurance and firms other classified matters. For instance, Satyam bookkeeping outrage in India left future financial backers scratching their heads for now.

### **1.3.3. Cultural Problems**

Nearly million bucks contract have been fizzled in light of the social issues when the administration purposely stayed silent on the continuous issues or wouldn't even play with the possibility of talking about the issues and the social distinctions among Asia and the West could bear extreme results. Social contrasts have been warmed discussion in the business world; the writing is loaded with diverse administration issues and vital administration choices. Bagien'ska (2016) portrays culture as aggregate programming of psyche and he recognizes five social aspects which are profoundly invited in the business world. As indicated by Babin (2016) individuals from various regions of the planet run

over to cooperate because of seaward outsourcing and bring significant individual and social contrasts into the executive's situation.

#### **1.3.4. Dynamics of Outsourcing Trends**

According to Moon (2014) from service industry to manufacturing offshore outsourcing is growing rapidly. Outsourcing becomes the new normal, and it reshapes the whole global industry. As the IT organizations turn into more strategic and influential institutions, so do their needs for partnerships with outsourcing providers. Digital and data revolution, automation and personalization along with many other worldwide transformations are shaking the way IT business operates: both the kinds of services and the quality. Therefore, we have collected the hottest future trends of outsourcing which may definitely be taken into account to rock in 2023.

#### **1.3.5. Business Process Outsourcing (BPO)**

Business process reevaluating (BPO) alludes to the assignment of at least one data innovation empowered business cycles to an outside specialist organization. Then again, Data innovation outsourcing and information technology outsourcing (ITO), which as a rule happens to reduce IT expense and company's system to zero in on essential center capabilities (Appelbaum, 2018). Notwithstanding the monetary slump which impacted gravely the world economy and particularly the industrialized countries, the outsourcing is supposed to develop. A positive development can be noticed all through 2011-2019 as the income of \$14.7 billion bucks has been kept in 2019 against the monetary year 2001 which produced \$ 1.6 billion bucks of income and furthermore during 2015-2016 just India traded services worth \$6.3 billion also in first 50% of 2017, in spite of the analysis, outsourcing has expanded 6% (Suweero K., 2017).

## **14.6. Knowledge Process Outsourcing (KPO)**

KPO includes high-end procedures like clinical trials, legal and insurance claim processing, patent filing, valuation research, investment research, and processing of legal and insurance claims (Babin, 2016). In a highly competitive climate, the necessity of knowledge Process Outsourcing is overwhelming, and businesses might look for specialized services from outside providers to achieve and preserve a competitive advantage. Because a vendor's performance will affect the client's performance and capacity to gain a competitive edge, it is important to deal carefully with the vendor's performance skills in outsourcing deals. The significance of knowledge process outsourcing is overwhelming in highly competitive environment and companies can seek the niche of services from outside providers to gain and maintain competitive advantage. Therefore, the vendor's capabilities to perform well in outsourcing deal should be dealt mindfully because vendor's inability to perform will affect client's performance to achieve competitive advantage (Elizabeth, 2017). Regardless of many benefits, protected innovation of the firm can be available to merchant that can be a rival in the business in future, it tends to be spilled to the competitors.

## **1.4.7. Multi Sourcing**

Multi-sourcing is a relatively new idea that seeks to increase potential advantages from sourcing while reducing risk. An effective multi-sourcing strategy can reduce, if not eliminate, the danger of losing corporate control in an outsourcing contract. Contracts with a single vendor are frequently drawn out and risky. For instance, the client would be at danger if the vendor failed or declared bankruptcy. Due to the client company's multi-sourcing policy, it can fire any underperforming vendors. Sigala (2019) says that the multi-sourcing permits organizations to benefit from various providers, for instance ABN Amro chose five merchants for its \$2.24 billion help outsourcing contracts.



### **1.4.8. Outsourcing Problems and solutions**

Lack of prior outsourcing experience: beginning a new project or dealing with someone for the first time can be stressful. Best practices, popular concepts, and the workflow are unfamiliar to you. It is a challenging undertaking that shouldn't be underrated to communicate your vision to another group of people, especially someone you have never worked with before. Solution: pick a seasoned vendor. A knowledgeable vendor will guide you through the procedure, assist you in avoiding bottlenecks, and help you minimize any dangers.

Lack of Expertise in the Outsourced Task: Lack of competence is another issue with outsourcing. You run the danger of making poor recruiting or evaluating decisions if you don't have a comprehensive understanding of the variations in technology and solutions. Fill the knowledge gap is the solution.

Lack of prior outsourcing experience: beginning a new project or dealing with someone for the first time can be stressful (Bagien'ska, 2016). You are not accustomed to The most crucial step in avoiding this trap is establishing precise performance criteria for the project. You might wish to bring on board someone who can set task criteria and more precisely track the vendor's performance.

Poor Cost Estimation: While it's true that outsourcing can help you save money; it can also go wrong if it's not carefully planned. To accurately estimate prices, you must first create clear criteria, timetables, and resources. This brings us to one of the most difficult problems with outsourcing: estimating costs precisely. Solution: Establish precise project specifications.

Difficulty in finding the appropriate Vendor: In addition to other outsourcing issues, you can have trouble finding a vendor of the proper size. You won't have opportunity for expansion with a tiny outsourcing company because it will be difficult to scale up or down. A larger outsourcing company might treat you less kindly and overcharge you for your assignment. The solution is to compromise. Take a step back and evaluate your business honestly. Consider its size, personnel count, growth potential, revenue, and brand recognition. If you are just starting out, avoid using a big

outsourcing firm. You could pay an internal specialist's salary with the money you would spend on it.

#### **1.4.9. Outsourcing: Operational and Strategic Risks**

Researchers have noted the potential risks that should be taken into account while outsourcing in addition to the benefits (Babin, 2016). Operational hazards including diminishing quality and rising costs, choosing the incorrect vendor, and inadequately defining the projects' information technology requirements (Amendolagine, 2014). Strategic risks are defined by Adler (2015) as vendor's purposeful activities toward client, and the potential of intellectual property theft in a vendor's hands is the highest concern, because a vendor may one day work in the same business. There are also potential long-term dangers for the businesses, such as the possibility that outsourcing will result in a shortage of the necessary knowledge (Adler, 2015). There are long-term dangers for the businesses as well, for instance, outsourcing could result in a shortage of the skills needed to carry out the role internally in the future (Gbadegesin J. T., 2015). Additionally, Ikediashi D ( 2015) notes several possible dangers include a loss of control and privacy, as well as cultural differences between clients and vendors. It is more difficult to secure and preserve intellectual property when it is outsourced to another vendor Sarbu *et al.* (2016). While Yildiz S (2014) feels that there is a risk associated with outsourcing, he also believes that if the terms and circumstances of the contract are poorly specified and performance measurement is not created against predetermined standards, the cost of the contract may increase. Alongside advantages of outsourcing, scientists have likewise referenced the potential dangers which ought to be considered while reevaluating. As indicated by (Grama, 2014) and (Adler, 2015), functional dangers are declining quality and inflating cost, determination of wrong seller and wastefully characterized Data Innovation needs for the undertakings. Adler (2015) portrays vital dangers as merchant's intentional activities towards client. Aitken (2019) noticed that the danger of protected

innovation robbery in seller's grasp is a greatest gamble in light of the fact that in future merchant might be in a similar industry.

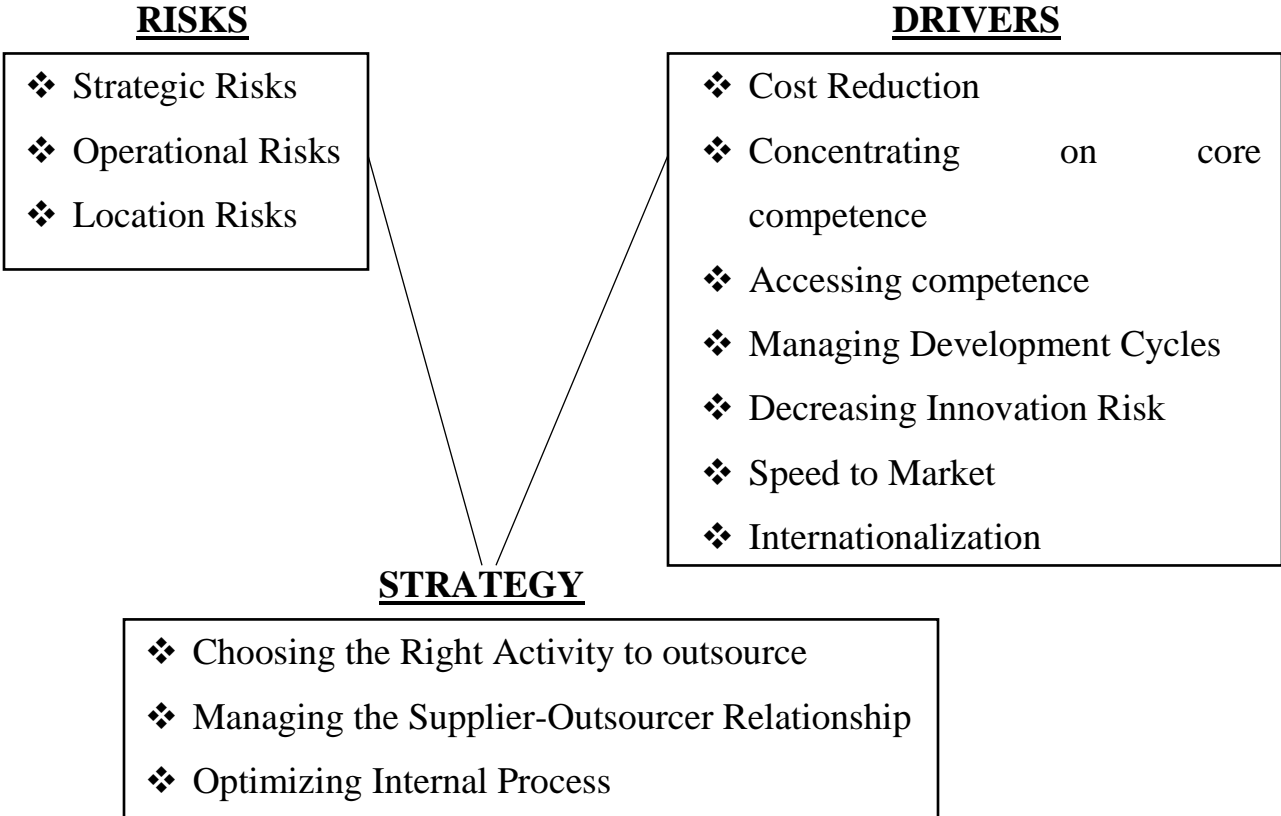


Figure 1. Analysing model

**Chapter 2. Problem definition, Methodology and Methods**

**2.1. Research Method and Design**

The section on research methods and designs contains an analysis of the many approaches and designs employed by researchers. In the methodology subsection, which includes examines qualitative, quantitative, and mixed approaches, is a discussion of the optimal approach for this investigation. In the design section, the case study, phenomenology, ethnography, and narrative inquiry designs are all assessed along with an analysis of the best design (Kambara, 2016).

### **2.1.1. Research Method**

Mixed, qualitative, and quantitative research approaches are used, Qualitative researchers use a range of data collection strategies to examine concepts, themes, and complex phenomena (Adler, 2015). A qualitative technique, according to Starr (2014), was acceptable when the subject of the study was already complex and the researcher desired to understand the phenomenon better through adaptable, open-ended inquiry. When conducting qualitative research, data is obtained through a number of techniques before being coded, categorized, and themed to generate conclusive results on the problem being investigated (Amendolagine, 2014). The study's goals and level of complexity called for a qualitative research approach. Quantitative researchers conduct an objective analysis of a preset collection of data that can be generalized (Grama, 2014). (Trushchenko, 2021) pointed out that while quantitative research made it easier to evaluate the parts or variables of a problem, qualitative research evaluated rich, flexible data for understanding the overall drivers of a phenomenon. Instead of examining statistical data, measuring variables to test hypotheses, or evaluating associations, which was more in accordance with a qualitative research technique, I studied concepts, complex experiences, perspectives, and themes for my thesis. Mixed-method researchers strive to combine qualitative and quantitative components in order to completely understand a research subject (Pauceanu, 2016). Data from both quantitative and qualitative sources are used in mixed-method research to validate and corroborate conclusions. (Moon, 2014). Using a combination of methods, mixed-method research assesses information, resources, and data (Lahiri, 2011). Vaxevanou A (2015) assisted in producing conclusions that could be defended by analyzing facts, resources, and data. I considered the approach to be improper because it did not incorporate the statistical data analysis needed for this inquiry.

### **2.1.2. Research Design**

Qualitative research designs include case studies, phenomenology, ethnography, and narrative inquiry (Jacques, 2016). Research design applies empirical investigation to make complex subjects, ideas, and things more understandable by using at least two qualitative data-gathering techniques, such as observation, interviews, and document reviews (Krishna, 2017). One or more instances can provide a complete and in-depth insight of a complicated real-world business issue (Wallo, 2018). A case study is ideal, when the researcher wants to look into a variety of components or points of interest rather than looking at factors (Wickramasinghe, 2015). A bounded system or a specified project, such a study uses data collection, sampling, and analysis procedures and is completed over a predetermined period of time (Chen, 2016).

(Kaivo-Oja, 2018) asserts that an exploratory qualitative case study was acceptable when the researcher sought to completely understand a complex event and offer detailed how-and why-answers. Murakami claimed that these studies usually used small sample sizes rather than drawing generalizations through statistical analysis. I used the case study research design to investigate how corporate executives manage ITO through document analysis and open-ended interview questions. Researchers may conduct phenomenology studies to better understand people's lived experiences. These studies often involve lengthy interviews. The purpose of a phenomenological study is to use participant views to illustrate the essential components of experience (Trushchenko, 2021).

According to knjiga (2014) a phenomenology study is a first-person account of a particular situation that is mostly recorded through interviews. I did not use this methodology because the objective of the study was not to gain a deeper understanding of the participants' actual experiences. Ethnography is a tool that researchers can use to investigate societal and cultural concerns (Bravard, 2019)., According to Varajão (2017) ethnographic study supported evaluating cultural norms, values, beliefs, and behaviors within groups by ongoing data collection throughout time. Ethnography aids in

evaluating a person's, an organization's, or a group's characteristics to gain a deeper understanding of the pertinent circumstances (Zhang Y. E., 2018). Because the goal of this study was not to analyze management strategies in implementing outsourcing trends, I decided against employing an anthropological technique.

Aitken, P. and Higgs, M (2019) claim that researchers have gathered data using an interview-based narrative design with the intention of increasing public awareness of a problem. To elicit narratives, the researcher poses broad, open-ended questions (Domberger, 2015). I did not use a narrative design in this study because the main objective was not to concentrate on storytelling. Babin, R. and Nicholson, B. (2016) recommended researchers to continue interviewing subjects to the point of diminishing returns until no new information or concepts were disclosed. Data saturation guarantees that a study can be reproduced because these are all used up. The data demonstrate dependability, thoroughness, comprehension, and accuracy (knjiga, 2014). According to (Vaxevanou A., 2015), when data collecting becomes pointless and interviews start to be of little to no use, the research field has achieved data saturation. To achieve data saturation in the study, I questioned individuals until there were no more recognizable themes or categories.

## **2.2. Operational Definitions**

- ❖ **Back sourcing.** Back-office operations that were previously managed by a third-party vendor are being transferred through this approach. It is opposed to outsourcing (Lahiri, 2011).
- ❖ **Business process outsourcing (BPO).** This is the phrase used when management outsources all of a company's internal activities to a third-party service provider or only a portion of them (Amendolagine, 2014).

- ❖ **Contract manufacturing (CM).** A product or a component of a product is produced on behalf of the original equipment manufacturer (OEM) under this type of outsourcing (Narayanan, 2013)
- ❖ **Information technology outsourcing (ITO).** In an effort to improve efficiency and/or reduce costs, this approach entails handing over IT operations, infrastructure, application development, and maintenance to a third-party provider of IT services. The practice of service providers providing goods or services of equivalent quality (or superior) outside the client's domicile is known as outsourcing (Violetta, 2016)
- ❖ **Outsourcing:** The conventional make-or-buy decision of outsourcing allows for the redeployment of internal resources to carry out value-added activities while a third party can produce specific items or services at a competitive price (Zhang M. P., 2013)
- ❖ **Reshoring.** Bringing internal processes or services that vendors had previously delivered outside of the outsourcing client's home country constitutes this, which is the antithesis of offshore (Wright, 2015). The ability to outsource products or processes in order to achieve these goals is known as sustainable outsourcing and is also referred to as social, environmental, and economic business objectives. the advantageous triple bottom line (Yildiz S., 2014).

### **2.3. Critical Success Factors of Outsourcing**

One of the most important success factors in outsourcing is the ability to conduct enough due diligence when selecting a reliable business partner who is committed to and trustworthy in offering exceptional services (Bagien´ska, 2016). According to Jacques (2016), there has been a disconnect between customer expectations and vendor capacity in a number of high-profile manufacturing contracts, which has led to contract cancellations. Low cost locations are desirable for offshore outsourcing, however risk mitigation is usually misunderstood (Ferruzzi, 2011). Therefore, a manager's expertise is absolutely necessary for the success of outsourcing to decrease risks and create a strategic match between organizational requirements, even if CEOs make decisions about offshore outsourcing (Elizabeth, 2017). Projects are more likely to fail due to miscommunications, a lack of user contact, and other problems, as well as the offshore team's ignorance of the business context (Appelbaum, 2018). Globalization has given many firms a difficult task by pitting domestic enterprises against those from emerging economies. Management gurus and business experts always adhere to the best business practices to lower expenses, increase profitability, and maintain competitiveness. Outsourcing is becoming a more strategic choice for companies. Businesses are currently moving away from business process outsourcing and toward more complex tasks that require a certain level of expertise to do. Low-paying locales continue to be desirable for outsourcing. But whether or not BPO is successful depends on how well internal and external operations are integrated. Better selection of vendors as one of the key success factors in outsourcing is very important, as well as identifying cultural intelligence of vendors' strengths and limitations, recognizing significant project implementation challenges, addressing legal issues, and managing the client-vendor relationship.



### **2.3.1. Outsourcing: Who is Benefiting?**

Even the most ardent opponents of outsourcing admit that it occasionally benefits the business as a whole. After all, if it weren't more economical to buy than to create, the corporation wouldn't do it (Bravard, 2019). Cost-cutting has been and will continue to be the main objective in many businesses. According to Aitken (2019) a number of companies have been examined with positive operating cash flow as a result of outsourcing, which is increasingly tied to the companies' outsourcing contracts with an external service provider based overseas. Narayanan (2013) contends that outsourcing can increase a company's cash flow. Maintaining regular connection with the clients is a critical concern when it comes to account receivables. The business cannot benefit from the lower labor expenses if it performs the service internally. The company cannot benefit from the lower labor expenses if it chooses to keep the function in-house, and even if it does, it must make sure that a significant workforce is available on schedule in order to maintain frequent client interaction. According to Narayanan (2013), businesses can increase their ratios for collecting overdue debts by outsourcing these operations, and maintaining regular touch with their present client banks could strengthen those connections. Mr. Permji, Chairman of Wipro, claims that outsourcing is the most effective approach for American businesses to save expenses because it takes use of the amount of talent that is widely accessible abroad at a price that is significantly lower than in America. According to Jacques (2016) a client's main benefit is not always low labor costs; rather, a balance must be established between the risk of project failure, the length of time needed, and the dissatisfaction of the end users. According to Wallo (2018), German and American companies benefit from low-cost areas like India as a result of offshore outsourcing. Because so many outsourcing companies are wholly or partially owned by the US and because the percentage of employment lost as a result of offshore outsourcing is so small, Adler (2015) believes that the US benefits from offshore outsourcing.

### **2.3.2. Outsourcing: Winners and Losers**

Even while there have been many outsourcing success stories in recent years, a staggering number of contracts have fallen through. Ikediashi (2015) estimates that 78% of client-vendor (C-V) interactions end in failure, leaving the client to foot the bill. Whalen (2005), however, finds that offshoring has both winners and losers, with investors and consumers enjoying the greatest gains and workers who lose their jobs to offshoring experiencing some of the worst losses. Aitken, P. and Higgs, M. (2019) identify the key victims of outsourcing as the employees who lose their jobs, whereas the primary winners are the owners of the companies. There are other winners and losers besides investors. If a company generates good earnings, shareholders will receive increased dividends.

### **2.3.3. Both Client and Vendor as Winners**

According to (Appelbaum, 2018) relationship approach to outsourcing, the value proposition, as mentioned by (Kaivo-Oja, 2018) may result in a win-win situation where both the client and the vendor want the value of services to the customer satisfaction and the vendor sees the contribution of such values in its own business. This might not, however, be a long-term strategic advantage that can assist the client business. However, outsourcing IT services will benefit the client and increase business competitiveness (Aitken, 2019). A client succeeds when it can benefit from reduced costs, happy clients, and a competitive advantage. However, if the vendor can possibly renew the contract prior to the expiration date and does so while doing so while saving time and money, then the vendor wins. Who wins and who loses is a critical question, but maximizing the benefits of an international outsourcing agreement depends significantly on the advantages and disadvantages of the vendors, particularly in developing countries. Unemployment in the developed economy actually rises as a result of outsourcing to an offshore location. Kambara (2016) estimates that 33% of the profits from outsourcing

have gone to India. Additionally, overseas outsourcing has saved American businesses 58 cents for every dollar in wage expenditures since it began, creating more jobs than it has eliminated. Furthermore, since it was implemented, overseas outsourcing has saved American businesses 58 cents for every dollar in wage expenditures, adding more jobs than it has taken away. It may be argued that as a result, India sees an increase in profit and employment, while US companies benefit from lower labor costs and consumers pay less for equivalent goods and services. In spite of the expansion, the economy as a whole had a net gain in IT jobs. According to Hassanain (2015), who estimates that many businesses would save \$30 million in the future as a result of outsourcing to other nations. According to reports, 20% to 40% of operating costs were saved by the 70% to 80% of enterprises who outsourced as a result of the cheap rates. Therefore, in the context of global commerce and also taking into account business economic theories, cost savings benefit the client company in the home country, and on the potential side for the vendor (host) country, there will be an increase in exports, jobs, and economic activities that will contribute to the country's overall GDP. According to Espino-Rodríguez T. F (2017), multinational firms consciously decide between conducting business internally and utilizing readily available resources and facilities. multinational companies consciously decide between conducting business internally and utilizing readily available resources and facilities. Gbadegesin J. T (2015) claims that multinational companies make strategic decisions on whether to outsource activities to other countries or to keep operations in-house. The direct lower labor cost in foreign areas benefits a lot of clothing industry businesses. Businesses continue to outsource despite the multiple challenges and hazards involved, such as the potential to lose control or receive inferior service (Kinkel, 2019). On the one hand, the client business can suffer if the vendor's dependence increases because the vendor will then be in a better position to bargain for a cheaper price for the services. However, the client company will also lose money if the vendor fails. Multinational corporations deliberately decide to keep their activities in-house or

utilize the outside facilities offered by offshore outsourcing for financial reasons (Kaivo-Oja, 2018). Many companies in the apparel sector also directly benefit from lower labor costs in other countries. Despite the numerous challenges and potential risks connected with contract outsourcing. Firms outsource at risk of losing control or receiving subpar service. On the one hand, as customers depend more on their providers, they risk losing out. This is done by giving the service provider a greater negotiating position when it comes to service pricing refusal. However, the client company also loses if the provider doesn't offer the agreed-upon and anticipated service (Bagien'ska, 2016).

#### **2.3.4. Winners and Losers**

Poor service quality from offshore call centers is a big worry, according to Wickramasinghe (2015), with almost 82% of UK customers are not even comfortable talking to someone in an offshore call center. One of the winners and losers in her scheme is the client. Customers benefit when cost savings translate into cheaper pricing with the same level of quality, but they lose out when lower costs translate into inferior quality. Customers also run the danger of their data being moved to nations with lax data protection regulations (Moon, 2014).

#### **2.3.5. Client as a Loser**

By stating that if the project fails, the client company must lose money, tacit knowledge, competitive advantage, and long-term profitability (Zhang Y. E., 2018). Sigala (2019) defines the customer as a loser. Following this, Babin (2016) discovered that a failed outsourcing project would result in a significant rise in expenses for the client and that even back shoring would result in a greater cost burden than the savings from the prior offshore. From this, it can be concluded that a failed offshore contract may result in the client paying more, while supplier delays and issues would raise the project's cost and eliminate the long-term cost benefit. If so, the choice to ship would be one that was made logically.

### **2.3.6. Vendor as a Loser**

The client may terminate the contract and require the provider to bear the costs if the project fails because the provider was unable to deliver the agreed-upon services. For instance, according to Roza (2011), two parties had a £48 million contract for the outsourcing of customer service. However, Knjiga (2014) claimed that a company had to pay £200 million in damages since the company had not provided sufficient service. If the court rejects the customer's request for compensation under these circumstances, the seller will ultimately suffer financial loss and damage to their good name and brand in the market. Future contracts are also affected by this.

### **2.4. Future Direction of Outsourcing**

(Trushchenko, 2021) claims that a quarter of these services were outsourced in 2019, contributing \$172 billion to the growth of business services outsourcing. Some academics think that India may lose its leading position in the world of IT services despite future expansion. As cost reduction becomes a primary motivation, new aims are revealed. For instance, Mexico, Egypt, Romania, Bulgaria, Poland, Slovakia, Czech Republic, Belarus, Morocco, Tunisia, Costa Rica, Venezuela, Vietnam, and the Philippines are among the important locations, and destinations for goods.

#### **2.4.1. High Competition**

According to Adler (2019), multinational organizations are searching for global delivery models, and competition between enterprises and regions will undoubtedly rise. According to Zhang Y. E (2018), European companies from France, Germany, Spain, as well as companies from other continents including Australia, Canada, and Japan, engage in offshore outsourcing to compete with US and UK companies. (Hassanain, 2015) projects that by 2024, there will be 2.3 million workers in India's outsourcing sector. (Kinkel, 2019) claims that Indian service providers maximize profits; one example is TCS, whose net profit rose 42%. Between 2010 and 2017, there was a growth in

employment as well. TCS had 17,000 employees in 2010 and 100,000 in 2017, while Wipro and Infosys each had 10,000 employees in 2010 and 10,000 in 2017. up from 75,000 to 81,000 apiece. More than ever before, there is a stiff competition in the BPO sector.

As Knowledge Process Outsourcing (KPO) develops into a lucrative industry, outsourcing service providers are now expanding their presence in India's BPO market. KPO growth is anticipated to climb from \$1.2 billion in 2003 to \$14-16 billion by 2010, with Indian service providers likely accounting for 65-70% of the market. Financial services, administrative services, and research and development are examples of such activities. Research and development (R&D), administrative services, financial services, medical report analytics, and other market analytics are all accelerating (Espino-Rodríguez T. F., 2017).

The growth of BPO is attributed to low labor costs and the availability of many service providers in offshore locations, according to the literature, while the growth of KPO is attributed to high-tech industry expertise, geographic location, and market-related factors that are taken into account based on the issue of In order to reduce their customers' hidden costs, providers are increasingly reaching out to onshore clients, while clients are strengthening their ties with suppliers in order to maximize long-term profits and develop strategies that center on their core skills. A number of People work for Wipro, an Indian BPO company with a new facility in Australia that launched in late March 2010. But pricing competition will get fiercer. Some contact center operations had already relocated from India to the Philippines, Vietnam, and Malaysia till recently (Kinkel, 2019).

#### **2.4.2. Building Relationships**

In order to cut operating costs, firms use to outsource (Qu, 2013). However, (Adler, 2015) contend that businesses seek to hire outside service providers to handle non-core tasks in order to concentrate on their core strengths and benefit from less expensive

offshore locations. According to (Sarbu, 2016), value-added services, particularly in the field of information and communication technology (ICT), or outsourcing, would take center stage in the future as opposed to cost reduction. Future contracts will likely put value creation, rather than just cost considerations, in the forefront. According to the International Association of Outsourcing Professionals (IAOP, 2019), businesses will undoubtedly prioritize vendor relationships over cost savings in the coming years.

### **2.4.3. More Outsourcing**

As suggested by IAOP President Michael Corbett in 2015, there will be more outsourcing in the future. Due to competition and consumer demand for cheaper products, it will rise in the future. Outsourcing in manufacturing has a promising future (Zhang Y. E., 2018). According to Kinkel (2019), outsourcing enables manufacturers to concentrate on their core capabilities and removes the need for businesses to lay off employees in order to maintain balance during periods of declining demand. Additionally, a possible skills gap encourages outsourcing when economies in rich nations like the US and Western Europe are strong. As a result of a skills gap, Adler (2015) predicts that between 2020 and 2025, 12 to 24 million suitable jobs would go vacant. This is because the outsourcing sector is expanding favorably, particularly in offshore nations like India China, Russia, and other outsource industry start-ups, with annually graduate 200,000 students. translates to the fact that 50% of US corporations engaged offshore outsourcing in 2012, from 22% in 2012 (Kambara, 2013), 60 percent of them declared they will proactively expand abroad in the future (Kambara, 2013). Kambala also claims that the global talent gap and the lack of skilled labor in the home market will be the main forces behind future offshore outsourcing. This indicates that there will be another round of outsourcing, with the possibility of outsourcing essential business functions to any location on the planet. Varajão (2017) predicts that there would be intense competition in the next years. However, knowledge process outsourcing (KPO) has a wide range of applications in the financial, healthcare, pharmaceutical, and R&D sectors (Bagien'ska, 2016). As a result,

his KPO is used by numerous outsourcing service providers globally, and the pace of business is accelerating. According to Elizabeth (Elizabeth, 2017), cost pressures on businesses would lead to a rise in outsourcing, although this could certainly continue until pay levels in both the locations of the customer and the supplier are equal. outsourcing on the nearshore Future outsourcing trends also point to nearshore locations. Poland, Hungary, and other Eastern European states will attract travelers from Western Europe.

However, knowledge process outsourcing (KPO) has a wide range of applications in the financial, healthcare, pharmaceutical, and in terms of geography, cultural similarities, education, and developed infrastructure. Aitken (2019) asserts that Central and Eastern Europe has an edge over India, however, compared to India, Central Europe has fewer and less seasoned graduates. Based on Bravard, L and Morgan, R. (2019), US multinationals contribute 70% of the worldwide offshore outsourcing, and they make up approximately 80% of the customers for India-based service provider. In addition to the operating cost aspect of outsourcing, businesses may seek to cut back on unavoidable expenses in the future, such as travel and administrative fees. Kinkel (2019) asserts that supply chain is greatly impacted by strategic decisions to outsource manufacturing to a nearshore location. Having suppliers close by reducing lead times and shipping costs, but whether to contemplate going nearshore or offshore depends on additional considerations including government backing. Infrastructure (roads and communications), tax advantages, cultural parallels and divergences, time zone, and prospective employment skills. Many businesses have entered the race to outsource to offshore firms since technology has made it possible for businesses to outsource work connected to computers and software (Bravard, 2019).

## **2.5. Limitations and Future Studies**

This study contains limitations, just like every other piece of research does. This study's reliance on secondary data is one of its primary drawbacks. Theoretical debates and



researcher attendance centered on future growth, winners and losers in outsourcing, and reasons for outsourcing. Until recently, outsourcing was a common practice among businesses. To stop offshore outsourcing, there may be more research done on outsourcing policy matters and government laws. If a customer's government forbids them from leaving the country, it has effects for low-income countries. It is also important to look into how a customer's marketing plan affects a salesperson's company. Another intriguing topic that needs more research is security issues related to outsourcing and offshoring of services (Appelbaum, 2018).

Among other significant concerns, taxation and auditing of outsourcing, offshore services, and production outsourcing date back to the 1970s. It was initially solely focused on IT-related topics, but over time, many businesses recognized they couldn't be experts in just one or two fields. This realization inspired her to engage in a variety of endeavors while delegating others to experts. According to a Fortune magazine research, more than 90% of businesses employ third-party service providers, with the estimated value of such services in the European market alone reaching \$27 billion in 2001. Outsourcing was once reserved for major corporations, but small firms are now increasingly using it. Outsourcing is widely used in the industrial business. The industrial market's broad usage of outsourcing is a result of escalating competition and ongoing globalization (Amendolagine, 2014). The pace of technological innovation is accelerating as the environment grows more complicated, and the resulting changes in the operating environment for some firms need the search for novel strategies to stay ahead of the competition. The value of superior quality is growing today. The secret to success in the past was quantity, but today quality is more crucial. Companies need to identify where their greatest competitive advantage is and how to best leverage it as the management paradigm moves from "larger is better" to "lean average" and from high volume to high value. In order for Outsourcing to take off as a popular method for businesses to boost flexibility and generate more value, organizations have been compelled to outsource their

organizational structures (Babin, 2016). To maintain a competitive advantage in such a scenario, it is essential to explicitly identify the industry you wish to follow and carefully assess both its advantages and disadvantages. The identification and reevaluation of non-core tasks is a crucial result of this procedure. Determine in particular if these non-core tasks will be carried out by the business itself (make) or contracted out to knowledgeable outside parties (buy). The aim of this paper was to discover trends in outsourcing and its different subfields in the global corporate environment. In order to address the issues currently connected with outsourcing, identify outsourcing strengths, and assist organizations in identifying how they are leveraging those strengths, this longitudinal study examines prior research on this complex topic and combines it with current academic and expert opinion. No of the size or location of the organization, outsourcing is essential. Now that outsourcing is recognized across all continents, it is obvious that this is a dependable and established component of many businesses' strategic goals. Although fresh developments indicate a continuation and deepening, the pressures pushing organizations toward global integration remain constant (Elizabeth, 2017).

## **2.6. Utilizing modern technology and Comparative Advantage**

### **2.6.1. Utilizing modern technology**

One of the most crucial conditions for producing high-caliber work is the use of cutting-edge technologies. Therefore, in order to offer the finest service possible, BPO and outsourcing organizations use cutting-edge technology. Many organizations are unable to keep up with the cost of ongoing renovations and the rapid progress of technology. As a result, we depend on outsourcing. Contract out difficult commercial tasks. A cost-effective strategy to stay current with trends and guarantee first-rate service is through software development and other contemporary technology. At Mango, we take pleasure in offering BPO outsourcing services managed by knowledgeable people who have

outstanding time management skills and produce high-quality products (Suweero K., 2017).

### **2.6.2. Comparative Advantage**

There is a trade comparative advantage that is frequently missed in addition to the absolute advantages of cost reductions from outsourcing business tasks to contractors, namely overall cost savings for outsourcing organizations. According to the concept of comparative advantage, trade can benefit both parties even though one party can produce all the items with fewer resources than the other. The Pure Theory of International Trade's central idea is this. According to comparative advantage, a country may be able to produce goods most effectively and inexpensively, but that does not mean it must use all of its resources to do so. In this sense, competitive advantage is analogous to outsourcing. Although businesses might be able to produce their goods at prices that are competitive on a global scale, they might not desire to reduce their opportunity costs. Resources could be spent in business operations that offer higher marginal utility rather than being diverted to product manufacturing. They might be skilled in design and marketing, and other tasks can be delegated to the vendor, allowing the outsourcing organization to cut down on lost opportunities. This is his second explanation of the two ways outsourcing can save you money. Offshoring skeptics frequently ignore this point. Instead of internalizing the absolute and relative cost-saving benefits that outsourcing offers to the corporate sector and the global economy, they frequently concentrate on unemployment (Trushchenko, 2021).

### **2.7. Management**

Executives who use a multi-vendor approach reduce the dangers of relying on a single source. As a result, switching and transaction costs are considerable (Amendolagine, 2014), advises an outsourcing customer to employ a multi-vendor strategy in addition to maintaining some activities in-house to lessen reliance on his partners for certain strategic

business. The trend among business executives to outsource smaller projects to various vendors has increased the complexity of outsourcing agreements, making it extremely difficult to create a governance infrastructure that would simplify the process (Elizabeth, 2017). In their longitudinal case studies on maintaining innovation when several technical system components are outsourced. Kambala (2013) discovered that multivendor outsourcing encouraged innovation. The authors specifically showed how one may accomplish innovation through competitive diversity, reduce prices through supply fragmentation-related bargaining power, and reduce the danger of components becoming obsolete. Similar to this, Adler (2015) said that employing effective outsourcing tactics, such as using many vendors and short-term contracts, might increase transaction costs but would also enable outsourcing clients to:

- ❖ effectively mitigate vendor opportunism,
- ❖ promote competition among third-party providers, and
- ❖ lower switching costs.

To successfully manage outsourcing, leaders must strike the right balance between cost, risk, and strategy. A multi-vendor strategy reduces a range of outsourcing risks for clients, but effective outsourcing depends heavily on the quality of relationships. The success of outsourcing is influenced by the nature of the business relationship and the degree of service. Building strong relationships between customers and suppliers in the early stages of outsourcing is crucial for success (Amendolagine, 2014). According to (Ikediashi D., 2015) service providers who made sure that their business skills and client needs were culturally compatible often had a lower chance of failure when outsourcing. The following 10-step methodology was created by Violetta (2016) to manage the outsourcing process. It starts with problem identification and ends with operationalizing vendor governance. Business leaders might use the framework, namely, to: pinpoint the issue at hand to establish possibilities for outsourcing or offshore; assess internal and external capabilities; and select the most affordable solution; Gather business needs,

choose suitable vendors, prepare contract terms and conditions, choose suitable Service Level Agreements (SLAs), and carry out vendor governance. Develop the business case for the chosen choices for example outsource, offshore, or maintain in-house. In order to manage outsourcing effectively, Bagien´ska (2016) created a conceptual framework that included flexibility, absorptive ability, relationship, and monitoring. It is advised that business executives:

- ❖ build organizations that are flexible and agile to changes in the marketplace,
- ❖ establish trust and promote knowledge sharing with preferred suppliers, and
- ❖ monitor performance via Service Level Agreements.

Separately, Babin (2016) established a model for BPO that involved four steps:

- ❖ organizing a BPO team,
- ❖ performing a business process analysis to determine areas to maintain in-house and areas to outsource,
- ❖ evaluating the identified options for BPO, and
- ❖ presenting the proposed BPO plan to senior leaders for review and approval.

An IT outsourcing framework offers full insight into important outsourced procedures, but does not specify how activities are carried out. Executives must focus on the results while comparing various frameworks and models in order to achieve company objectives. (Espino-Rodríguez T. F., 2017) conducted a case study with executives from Jordanian airlines that had outsourced their information systems for a number of years and highlighted pertinent principles to help with outsourcing and reversibility decisions.

## **2.8. Advantages and disadvantages of Outsourcing**

According to Borodako (2015) the majority of businesses do not view IT as a core competency. Therefore, it may be cost-effective to outsource IT procedures to experts who can boost revenue and operational effectiveness. In order to stay competitive,

develop their IT capabilities, and decrease expenses, the authors advise leaders of major, information-intensive businesses, such as financial services corporations, to improve at least some of their IT processes. are contracted out. According to Bagien'ska (2016) the primary motivations for financial services IT outsourcing include updating the financial system, cost control, compliance with regulations, concentrating on core capabilities, and preserving a competitive advantage. In order to do this, Bank of America outsourced its IT processes in order to get knowledge from its vendor and to cut costs and time and to create higher-caliber programs (Amendolagine, 2014). According to Babin (2016) corporate executives in the financial services sector have adopted offshoring and outsourcing tactics to save costs and improve operational effectiveness. To ascertain if offshore knowledge-intensive services generated direct and/or indirect value for the client and service provider, Elizabeth (2017) conducted a case study with one conglomerate. The study found that both clients and service providers gain both direct, for example expected value, such as reduced cost, higher quality, and new capabilities and indirect, for instance client improved understanding of their own problems and operations; service provider improved international team coordination and communication; client increased knowledge about the service provider; improved problem-solving strategies; better understanding of perceived quality and enhanced team coordination benefits from working together. Business leaders, did not exclusively offshore and outsource real resources like goods and IT software, but also obtained intangible resources like goodwill, technical expertise, consulting services, and intellectual property. According to Domberger (2015) business leaders possess skills that are not internal to the company. They consequently train internally to preserve intellectual property. In order to identify the highest success criterion for ITO, Borodako (2015) performed an empirical investigation with practitioners and academic experts. Schwarz says his achievement:

- ❖ improved business capabilities,
- ❖ timely achievement of business goals and objectives,

- ❖ improved quality, and
- ❖ flexibility in the face of market changes. and agility;
- ❖ mutually beneficial business partnership;
- ❖ mutual satisfaction.

According to Handley and Benton's analysis, the following significant factors contributed to outsourcing projects failing:

- ❖ lack of understanding of complex customer needs;
- ❖ inadequate communication;
- ❖ inadequate contractual terms; and
- ❖ inadequate supervision by providers.

## **Chapter 3. Suggestions and key findings**

### **3.1. Suggestions for Effective Outsourcing**

Suggestions for Effective Outsourcing, a WPI undergraduate study by Kevin Barrett and Scott Misiaszek, revealed a pattern in the decision-making process for outsourcing. In focusing on the decision to outsource, they focused on two main factors that influence a company's choice to do so. The main factor influencing their decision to outsource and the strategy they use to do so. Despite the fact that their research was completed in 2017, many of its findings are still current and applicable in the frantic global economy because it offers a snapshot of the sector. We can draw some conclusions about the outsourcing tendencies of the future by looking at this past work and comparing it to current trends. This effort presented their arguments and identified the patterns they discovered in some researches. This enables us to revise, confirm, or modify their trend model to reflect what we observe at this time in order to more precisely predict outsourcing in the future (Appelbaum, 2018). Cost savings are the main issue the research highlights, which makes sense. Additionally, profits enable businesses to expand, and profits may be raised by cutting costs. The authors contend that, regardless of the size of the business, cutting costs was the key driver behind the decision to outsource, but there were also other supporting factors. Concentrating on what one is good at is one of the important things of a successful business (Aitken, 2019). It is known as a core competency. In their writings, experts contend that one reason for outsourcing is to enable businesses to concentrate personnel and resources on their most lucrative business operations when faced with resource constraints (Adler, 2019). A good example of this would be a manufacturer of



circuit boards, who has the technical know-how and trained labor to create circuit boards efficiently, but may lack the experience and expertise to deal with end-user support. They gain further advantages from outsourcing end-user assistance to a business whose employees are prepared to deal with customers who lack technical expertise. This is due to the fact that they won't need to hire or train additional support workers to use telecommunications equipment or correct etiquette while dealing with irate or emotionally charged end-users. By allowing a company's labor force to concentrate on their core competencies whether they be manufacturing, design, or consulting and outsourcing those functions that are not to another company that has already established itself as an industry leader, such as information technology, end-user support, accounting, or data management, a company will be able to more effectively utilize its assets. This leads to another finding of their research, which is that there are many acceptable and sensible options for outsourcing. While outsourcing is a common choice for industries like information technology and fabrication (Kinkel, 2019).

Any company which holds a core competency in a particular type of work may be a potential candidate for outsourcing to a company which excels in any of the other non-critical areas. A company that has many design strengths may benefit from outsourcing to a company that is proficient in cost-effective manufacture. In addition to the cost-savings motive that the authors identified, they also found that outsourcing companies contract trial periods with outsourcers in order to identify whether or not a company is proficient, that is, holds a core competency. This can be seen as risk management. Similarly, to investors, who diversify their portfolios to reduce their risk exposure, outsourcers identified in their surveys said that they only send a small portion of work to a potential outsourcer at first. This reduces their risk exposure by committing an initial small outlay of resources, and waiting to see if their actual returns on investment are near their initial projected return (Trushchenko, 2021). If the outsourcer delivers a satisfactory product, both in terms of the cost effectiveness and in the quality of the work, then the outsourcer

will most likely increase its investment into more outsourcing activities once the risk is determined to be outweighed by the benefit. These benefits are not wholly gained by signing an agreement or contract and sending money to the outside party. While outsourcing on paper may sound simple, having a third party takeover an aspect of your business that they are proficient in, requires some adjustments to the business model and management style of the outsourcer to be effective. Some of the largest problems with outsourcing practices identified by the report stem from the inherent nature of the process. They stated that companies who choose to outsource may not realize their anticipated or promised gains because of the loss of oversight and control of an outsourced project or business function. Many of the interviewees in their study said that lack of proper feedback loops can result in the delivery of an actual product that deviates from the anticipated product (Johansson, 2018). This stems from the basic nature of outsourcing, the removal of a business function to a third party, which typically results in a conflict of interest. This culture difference derives from the loss of control since operations are now far away and rely heavily on the vendor. Complete trust in the vendor's abilities is necessary but risky. Companies that choose to outsource and their chosen outsourcing vendors see outsourcing from two extremely different philosophies and if they fail to integrate each other's parameters of the relationship then that relationship may fail. Outsourcers biggest mistake, is that they expect vendors to behave in a manner similar to their own employees. This irrational thought process leads outsourcers to believe the vendor has their interests as their primary goal, which is obviously not true, while an outsourcer asks that its employees put in the extra effort to produce a polished and refined product, the outsourced vendor sees the contract's boundaries as the extent of their work (Wallo, 2018). If additional work is discovered to be needed, then the vendor views that as additional work and will most likely require additional payment. The researchers argue that it all comes down to incentives. A vendor will not be paid to go above and beyond the necessary work needed to complete the

project and produce an exceptional product. Additionally, if the vendor determines that a project will not be as profitable or beneficial as another project, it will focus on the more profitable project. Companies will usually focus their attention to aspects of their business that give the highest return on their investment. These different priorities between the vendor and the outsourcing company can lead to different expectations. Failure to properly outline a project's goals and specifics can lead to a poor business relationship. Any business that possesses a core expertise in a certain line of work could be a candidate for outsourcing to a business that excels in any of the other non-critical areas (Wallo, 2018). A business that excels at design can gain by outsourcing to a firm with experience in efficient manufacturing. The authors discovered that outsourcing organizations engage in trial periods with outsourcers in addition to the cost-savings incentive they identified, in order to determine whether or not a company is proficient, that is, holds a core competency. You may think of this as risk management. According to outsourcers surveyed, they first only send a tiny portion of work to possible outsourcers, much like investors who diversify their portfolios to lower their risk exposure. By making a limited initial commitment of resources and waiting to see if their actual returns on investment are close to their initial expected returns, this lowers their risk exposure. When it is found that the risk is overcome by the gain and the outsourcer produces a product that is adequate in terms of both cost effectiveness and work quality, the outsourcer is likely to raise its investment in more outsourcing activities (Suweero K., 2017). By agreeing to a contract and paying the other party, you do not entirely obtain these benefits. Despite the fact that outsourcing may appear straightforward on paper, it actually involves some modifications to the outsourcer's business model and management style in order to be successful. The report's findings about outsourcing procedures indicate that some of the biggest issues are caused by the process itself. They said that due to the lack of management and control over an outsourced project or business function, organizations that choose to outsource may not realize the anticipated or

promised profits. Many of the people they spoke with for their study claimed that improper feedback loops can lead to the delivery of a product that differs from what was intended. This derives from outsourcing's fundamental essence, which is the transfer of a corporate function to a third party and consequent conflict of interest. This cultural disparity results from the loss of control brought on by operations being carried out far away and significantly dependent on the vendor. Complete confidence in the vendor's skills is vital but dangerous (Sani A., 2018). Companies that seek to outsource and the outsourcing suppliers they select approach outsourcing from two very distinct viewpoints, and if they do not take into account each other's relationship parameters, the connection may not succeed. The largest error made by outsourcers is expecting contractors to act like their own staff. While an outsourcer asks its employees to put forth the extra effort to produce a polished and refined product, the outsourced vendor sees the contract's boundaries as the extent of their work, leading outsourcers to believe the vendor has their interests as their primary goal, which is obviously untrue. If it turns out that further work is required, the vendor will likely see this as more effort and demand additional payment. The researchers contend that incentives are the key to everything. A vendor will not be compensated for performing additional tasks beyond those required to finish the project. A vendor will not be compensated for performing additional tasks beyond what is required to finish the project and deliver a superior product (Bravard, 2019). In addition, the vendor will concentrate on the more lucrative project if it determines that one will not be as profitable or advantageous as another. Typically, businesses will concentrate their efforts on areas of their operations that provide the greatest return on investment. Varied expectations may result from the vendor's and the outsourced firm's different priorities. An unsatisfactory business relationship might result from failing to clearly define the objectives and details of a project (Sigala, 2019). A vendor will not be compensated for performing additional tasks beyond what is required to finish the project and deliver a superior product. In addition, the vendor will

concentrate on the more lucrative project if it determines that one will not be as profitable or advantageous as another. Typically, businesses will concentrate their efforts on areas of their operations that provide the greatest return on investment. Varied expectations may result from the vendor's and the outsourced firm's different priorities. An unsatisfactory business relationship might result from failing to clearly define the objectives and details of a project (Zhang Y. E., 2018).

### **3.2. Reasons for Outsourcing**

According to a Bajpai and Nirupam poll for the Earth Institute at Columbia, about 70% of businesses outsource to save costs (Wickramasinghe, 2015). Other important factors for offshore outsourcing include access to a worldwide talent pool, a focus on core competencies and global markets, an improvement in service quality, a component of a plan for global expansion, and the desire to take advantage of unique advantages of the chosen country (Wright, 2015). According to Chen *et al.* (2016) outsourcing helps a company's financial key performance indicators (FKPIs). For instance, Dell gained \$28 for every dollar invested despite not owning any manufacturing facilities. The main justifications for why organizations choose an outsourcing partner as we examine global outsourcing trends:

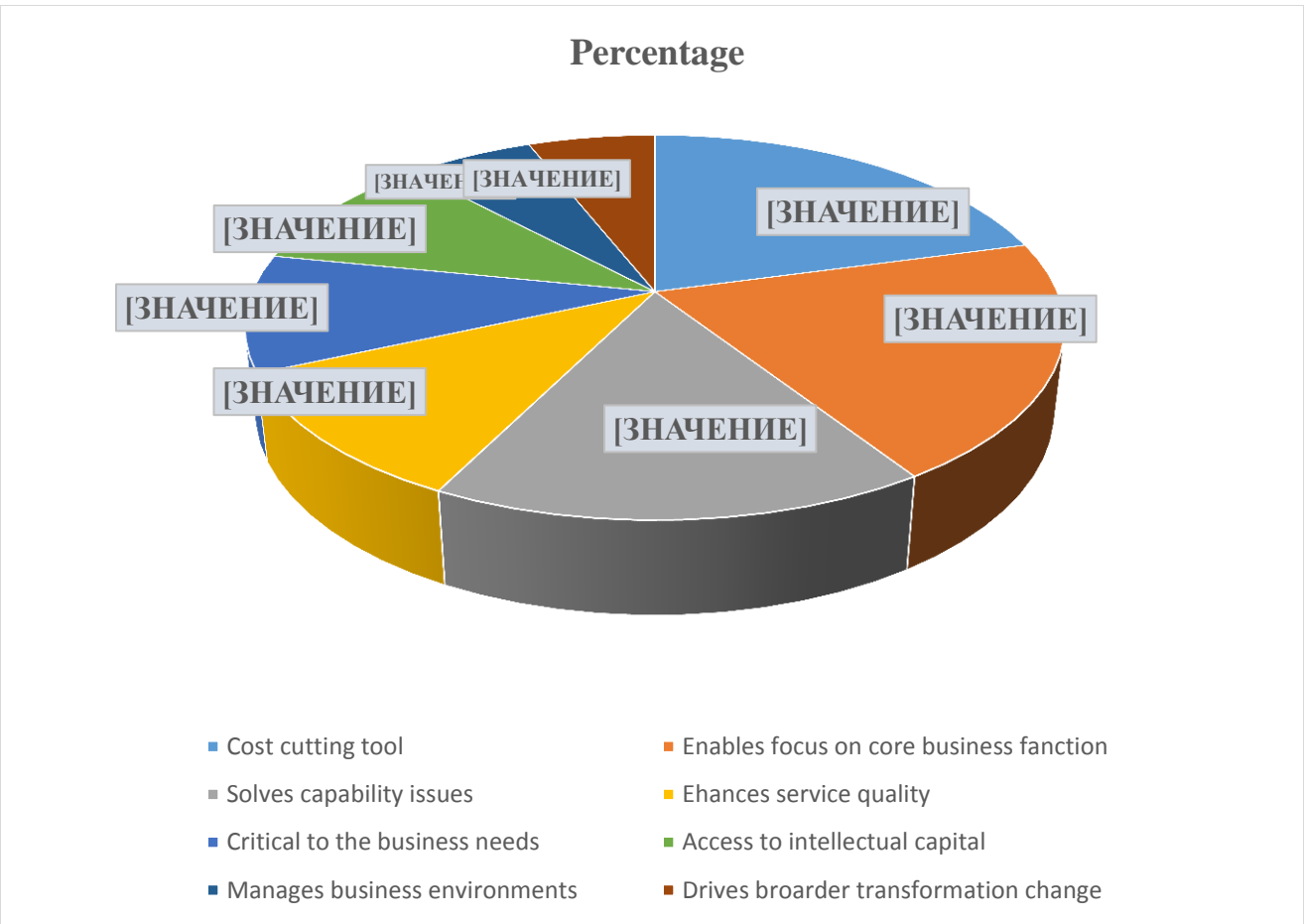


Figure 2. Reasons for Outsourcing

**3.3. Key findings: global outsourcing management strategies**

**3.3.1. Customer Service Outsourcing**

Customer service outsourcing is the practice of giving a portion of your customer service operations to an outside partner or service provider. A contact center managed by a business process outsourcer (BPO) is made up of a team of contracted employees that become familiar with your offerings in order to respond to client requests via a variety of channels on your behalf. The flexibility, agility, and cost-effectiveness of this outsourcing technique are its top three advantages. BPOs seem to be a cost-effective solution that may provide after-hours expert assistance in crucial customer service-related areas during the busiest of seasons (Zhang Y. E., 2018).

### **3.3.2. Finance & Accounting Outsourcing**

The most recent compliance requirements, financial regulations, and accounting laws will always be known to a company that specializes in finance and accounting outsourcing. As part of their duties, they routinely follow and put into practice the most recent regulations and modifications, so your business won't have to worry about staying current. Your financial information is even safer than before because to the strict quality, security, and confidentiality criteria that are met by reputable outsourcing companies. When you outsource, your accounting and financial solutions can be scaled up or down based on your unique business needs. This flexibility will eventually translate into even more cost effectiveness (Wallo, 2018).

### **3.3.3. Catalogue Management Outsourcing**

A well-organized e-commerce catalog influences the customer's decision to buy in addition to assisting in the delivery of a comprehensive client experience. Well-written, detailed, and accurate product descriptions make it easy for customers to compare products, decide which ones to buy, and do so promptly. People can distribute and maintain product information across all platforms and channels with the use of outsourcing. An efficient catalog makes for a rich and seamless client experience (Aitken, 2019).

### **3.3.4. Outbound Sales for Growth**

Sales outsourcing is the practice of delegating a piece of your sales process to a contractor or agency. Market analysis, lead generation, and even routine sales tasks like making outbound calls and taking incoming calls can all be contracted out. The majority of the sales procedure can also be delegated to a third party. Actively searching out and bringing the perfect customer closer to you is known as outbound sales. It requires you to reach out to those who have not yet engaged with you, in contrast to inbound sales, which

targets prospects after they have linked with you through one or more channels (Kambara, 2016).

### **3.3.5. Back Office Outsourcing**

The term "back office" was created when businesses specified office duties. The front office sector includes the resources used in fundamental company operations. On the other hand, the back-office department performs tasks that are not directly related to the organization's core business but are required to keep things operating smoothly. This department effectively serves as the underlying support function. Back-office outsourcing is the practice of contracting out a company's back-office operations to a third-party provider who has experience running these kinds of operations. Since no business wants the integrity of its operations to be jeopardized, it is viewed as crucial. Regardless of size, back-office outsourcing is a blessing for businesses when they start to grow their operations in the market. It is now more crucial than ever to outsource back-office tasks, regardless of the size of the enterprise (Espino-Rodríguez T. F., 2017).

### **3.4. Trends in Outsourcing**

Best practices for businesses choosing to outsource were covered in this thesis, including identifying the company's core competencies and non-essential business functions for outsourcing, finding potential outsourcers and starting trial contracts, evaluating vendors' performance, continuing the partnership with close oversight, and providing feedback channels. It hasn't, however, addressed developments that are taking place on a worldwide level. When businesses offshored or outsourced to a foreign country at the turn of the century, there were only two main destinations: China and India. In the past ten years, a number of new competitors have emerged as prominent players on the international stage, including the Philippines, Malaysia, Columbia, Poland, Malaysia, and Costa Rica. These three new markets for outsourcing activity are business process



outsourcing, outsourcing for research and development, and outsourcing for production (Kaivo-Oja, 2018).

### **3.4.1. Trends in Business Process Outsourcing**

Business process outsourcing is described as operations that are crucial to a successful business model but frequently serve as a supplementary function to the company's core competencies. Human resource administration, payroll, general accounting, as well as standard IT and customer support tasks performed by call centers, are a few examples. The similarity between Filipino and Western cultures may have had an impact on the shift in business process outsourcing, or non-manufacturing or R&D positions, from India to the Philippines. It would be premature and inaccurate to infer that this is the only factor causing the enormous change in jobs and resources. Business process outsourcing has flooded India, which has advanced economically as its labor market has done so. The Indian labor force has evolved into a competitive workforce that can do increasingly demanding, crucial tasks that pay more. While India and the Philippines both provide an alluring business environment for business support operations, the Philippines has not experienced the same increases in labor costs as other well-known outsourcing locations like India because of the recent entry of the Filipino labor force (Gbadegesin J. T., 2015). This maturing of the Indian labor force is evident in its firm hold on the top spot for research and development projects, which are often huge software development projects. India now receives almost twice as many outsourcing jobs as the United States, which came in second. India's labor force did not develop all by itself. China, which was long only referred to as "the world's factory," has seen its labor force evolve towards the services industry rather than Research & Development like India. China has improved from being ranked 13th in 2008 to becoming the fifth-ranked location for business support services, just behind Poland. Business process outsourcing from established nations like India is also being driven by maturing labor forces and a historical shift away from shared services. Business process outsourcing from established nations like India is

also being driven by maturing labor markets and a historical shift away from shared services centers in favor of more competitive and agile specialized centers. Previously, international outsourcing or offshoring businesses would house a variety of corporate tasks under one roof. This implies that the call center, accounting, and human resources departments would all be on the same campus. However, businesses are increasingly prepared to seize the chances presented by various locales to benefit from the costs and talents found in various labor markets (Suweero K., 2017).

### **3.4.2. Trends in R&D Outsourcing**

Due to the fundamental nature of R&D projects, the global trends in R&D outsourcing have decreased. Typically, R&D activities are investments with a protracted payback period. Due to this trait, businesses postpone making longer-term investments until they are certain that the economy will recover sustainably. 9 Companies have pulled back their international R&D projects in an effort to lower their uncertainty risk. Although the U.S. has risen from sixth place in 2008 to second place in 2009, India is still the top destination. In-house R&D to support local production was not taken into account; it is vital to stress that only stand-alone R&D activities were examined. Similar to the manufacturing sector tendency, businesses who outsource decide to do so closer to home or in more secure regions when the economy is shaky. This helped explain why the United States rose from sixth to second position in the list of the best countries for finding stand-alone R&D jobs. Any corporate operation that necessitates significant capital expenditures is subject to this risk aversion. This necessitates a substantial initial financial outlay for Research & Development initiatives, with a possible absence of a return. Similar to this, there was a pullback from international markets for production offshoring and occasionally outsourcing, which entail a substantial upfront investment in terms of physical capital (Kinkel, 2019).

### **3.4.3. Trends in Production Outsourcing**

Production outsourcing had significant declines in 2009 compared to 2008, in contrast to the business services outsourcing industry, which experienced very good growth. This was expected since anticipated market expansion usually precedes new manufacturing investment. What we observe is that the fall was most pronounced in the BRIC nations (Brazil, Russia, India, and China). In contrast, production investment increased in the United States and Mexico, creating more jobs. Mexico was a very alluring location in 2009, coming in second only to China and ahead of the top-ranked United States. This can be taken to mean that outsourcers turn away from developing/emerging markets like the BRIC countries and toward the Organization for Economic Co-operation and Development during uncertain times. Mexico, France, Germany, the United States, the United Kingdom, and Japan are among the nations that make up the OECD and are thought to be more stable for investments. These statistics provide credence to the idea that during hard economic times, money is invested in stable, safe markets like the United States and nations that are closely related to them, like Mexico. Fresh phenomena an emerging form of outsourcing is home shoring. Home sourcing, also known as home shoring, is best understood as a hybrid of telecommuting and outsourcing. Business process outsourcing is normally where home shoring activities are classified. Due to more advanced global communications networks, it provides many advantages over conventional business process outsourcing. Home-based workers reduce the carrying cost of office space because they work from their own homes and frequently provide their own telephone and computing networks. As a result, businesses can avoid a lot of the fixed costs that still plague offshoring and outsourcing when they outsource their work at home. According to Framingham, Massachusetts-based IDC telecommunications researcher Stephen Loynd, "the overall pie for outsourcing is rising, which means more work will be offshored, while at the same time there will be more work that's home shored." Companies are very interested in the virtual call centers that home shoring may

offer by connecting independent, geographically varied, low cost services. Home shoring is anticipated to experience substantial growth, with 300,000 jobs expected in 2025. It will become clear whether this new phenomenon is a passing fad or a more useful tool for organizations as more data is gathered and examined (Appelbaum, 2018).

### **3.5. Effects on Job Market**

While offshoring and outsourcing are significant issues for people all over the world and have been discussed in two earlier reports, it is necessary to consider the political repercussions of the choices taken by the public and private sectors. Examining public and private perceptions of outsourcing and offshoring which have undergone intriguing developments since the report's original publication enriches earlier research. Congress has changed into a battleground between proponents of free trade and protectionism. These legislative actions, which have implications for the people of America, were decided by narrow margins of votes. It has been established that the political effects of outsourcing extend beyond business, whether they be tax breaks or stringent immigration policies. The U.S.'s cultural makeup will alter as a result of restrictive immigration policies, and prices for goods and services would rise. In spite of evidence to the contrary, leaders like President Obama and the AFL-CIO leaders still have a negative attitude toward outsourcing and offshoring, even labeling it a "dirty word." 53% of Americans believe that free-trade deals have harmed the economy, according to a Wall Street Journal poll, and politicians are ready to support this view. The Senate voted 53-45 in favor of raising taxes on businesses who relocate operations abroad and lowering payroll taxes for those that stay domestic. The notion that offshoring and outsourcing are "zero sum" gains is widely held, although this is not the case. Although it is widely believed that offshoring and outsourcing are "zero sum" gains, this is not how the dynamic global economy operates. Whether you like it or not, there is a global economy and that is how it will remain. Despite academics' best efforts to discourage them, the politics surrounding outsourcing have been stigmatized by the public and toxic papers

citing the adverse impacts on the economy. A study of the employment procedures of more than 2,500 U.S.-based multinational corporations was published in 2007 by economist Matthew Slaughter from Dartmouth's Tuck School of Business. This study reveals the benefits of outsourcing and offshore that the American public is unaware of because of their political and emotional beliefs. On March 12, 2008, at the Canada Institute and the Program on Science, Technology, America, and the Global Economy (STAGE), two other academics, Pierre Martin of the Université de Montréal and J. Bradford Jensen of Georgetown University, gave talks outlining how the truth about outsourcing has been distorted to serve political interests. In their presentation, they cited studies showing that, between 1995 and 2002, an average annual rate of 220,000 jobs per year were sent abroad. While this represents a negligible portion of the 153.1 million Americans who were employed as of 2007, it will have a significant impact on our troublesome national debt if non-outsourcing businesses are given tax breaks. Business function outsourcing and offshore continues to receive a lot of attention in policy discussions. Although business function outsourcing and offshore continue to receive a lot of attention in policy discussions and the media here in the United States, the political economy of offshoring is still not fully understood. Academics are unsure of how offshore affects the labor market, although some politically driven groups contend otherwise. Offshoring practices, according to labor advocacy groups like the AFLCIO, harm the American economy. The Creating American Jobs and Ending Offshoring Act, which attempted to eliminate tax breaks and subsidies for American businesses "to move ahead to an economy that works for everyone," had the backing of AFLCIO President Richard Trumka. As candidates fought for votes in the 2004 election, the subject of offshore first gained popularity. As American corporations increasingly choose to outsource their operations, we observed how labor unions frequently oppose offshoring. According to earlier accounts, from the 20<sup>th</sup> century until recently, India was the obvious choice for outsourcing call centers. In terms of the number of people employed by each

nation, the Philippines has now surpassed India to claim the title of global capital of contact centers. According to Benigno Aquino, president of the Philippines, "the expansion of the country's industry during the previous ten years has been nothing short of spectacular." According to Ivan Uy, head of the Filipino information technology commission, the Philippines has transformed from a virtual nonentity in 2001 to the call center destination, not only in terms of employed personnel but also in terms of reported revenue. The Philippines, a former US colony, had an edge because its workforce was made up of English speakers with accents and a culture that is more similar to that of many Western callers, according to Benedict Hernandez, president of the Contact Center Association of the Philippines. It is understandable as to why a business would seek out an offshore call center. It is understandable why a corporation would wish to reduce accents and cultural differences with their target market when sourcing an overseas call center. While the Philippines is now the preferred location for business process outsourcing, according to IBM's 2010 annual study on "Global Location Trends." Offshoring: Does it actually hurt economies?

### **3.6. Significance of the Study**

#### **3.6.1. Contribution to Business Practice**

Due to the many unknowns surrounding the entire process, including vendor selection, contract negotiations, and vendor governance, outsourcing is quite complicated (Chen, 2016)). For many business owners, it can be difficult to determine the best management practices for outsourced IT activities that will maximize profitability and boost performance (Espino-Rodríguez T. F., 2017). As a result, this study has important business consequences since it equips leaders, such as IT specialists, project managers, and risk management specialists, with the knowledge and abilities needed to choose the best management approaches for IT outsourcing. Business executives looking to outsource IT tasks more economically may benefit from having a deeper understanding

of ITO. Giving management the tools to actively reduce outsourcing risks could boost profitability (Adler, 2015)The results of this study may provide academic academics and researchers with new knowledge and insight to improve existing relevant theories or create new models to simplify the administration of outsourcing (Amendolagine, 2014). In order to identify similarities and differences in managers' adoption of methods for ITO and enhance the understanding of this complex phenomenon, researchers may want to replicate the case-study research in other US industries and/or areas.

### **3.6.2. Implications for Social Change**

According to Jacques (2016), a good outsourcing strategy would eventually save costs and boost business performance while fostering global resource demand. The findings of this study may help corporate leaders identify efficient outsourcing tactics that could dramatically lower monetary losses and raise outsourcing's overall economic success rate. The study's findings may also help to improve the infrastructure for outsourcing, which could support job growth, raise living standards generally and in emerging markets in particular, and raise global awareness of diverse cultures, norms, and languages among locals in order to find commonalities and align with business practices.

## **3.7. Assumptions, Limitations, and Delimitations**

### **3.7.1. Assumptions**

Assumptions in the context of academic study refer to data that is taken as factual but has not been verified or validated (Amendolagine, 2014). I had three presumptions going into this study. The initial presumption was that the participating business executives would be familiar with the methods they employed to control ITO. The second was that the research participants were able to accurately recollect their ITO project experiences and significant lessons. The third was that all participants would answer the interview questions honestly.

### **3.7.2. Limitations**

Borodako (2015), characterized constraints as possible flaws that were outside the researcher's control. I noted two restrictions in this study. First off, adopting a single case study gave a constrained and slanted perspective that didn't accurately reflect the intended audience. Second, confidentiality concerns may have prevented research participants from responding to some interview questions, which could have lowered the study's quality and validity.

### **3.7.3. Delimitations**

Delimitations refer to the limits or scope of a research study; these are under the control of the researcher (Moon, 2014). Delimiting criteria could be the goal of the study, the research question, the kinds of variables used, the conceptual framework, and the population that was chosen (Domberger, 2015).

### **3.8. Contract and relationship management.**

This makes it possible for researchers to look at the governance and legal framework of outsourcing agreements, which can offer insights on tactics for managing IT outsourcing (Amendolagine, 2014). Regression analysis was carried out by Moon *et al.* (2014) utilizing the TCE and contract theories. According to Krishna (2017), in order to achieve success; risk, contract management, and governance management require a comprehensive approach. Instead, researchers have employed the psychological contract theory to emphasize the significance of a person's perspective in shaping the outcome of outsourcing (Vaxevanou A., 2015). According to Wright (2015), the client's impression of whether a vendor is capable of performing is what controls the effects of an express legal contract and the quality of the client-vendor partnership on outsourcing results. The contract theory has been utilized by researchers to examine governance and regulatory consequences, while the psychological contract theory has been used to include the human element of perception, which could lead to a skewed perception of outsourcing



results. Business leaders should therefore take into account not just the legal framework of an outsourcing deal but also the interpersonal and psychological factors that may have an impact on the outsourcing's outcomes. According to Gbadegesin J. T. and Babatunde T. O. (2015), the social exchange theory (SET) is a relationship management theory that primarily focuses on relationship equilibrium. It encourages both parties to trade equal benefits (for example, monetary compensation for high-quality service), presuming that both parties are trustworthy and honest with one another. The SET and TCE theories were used in an empirical study by Moon *et al.* (2014). In an empirical study by St. John *et al.* (2013), the SET and TCE theories were used to look at correlations between client and vendor partnerships in IT offshore. The results showed a strong association between the success of offshore and trust, which was a crucial driver of equilibrium in these relationships. The SET and TCE theories can be combined to better understand outsourcing choices (Grama, 2014). They claimed that the SET requires reciprocity between couples in order to keep the connection in a balanced condition. The SET demonstrated that in order to produce a mutual exchange of high-quality services and financial compensation, company executives must include the proper incentives in outsourcing contracts. Therefore, identifying outsourcing tactics that support solid, constructive client-vendor relationships built on trust and integrity may help outsourcing efforts succeed. Utilizing the SET, relational exchange theory, relational governance theory, and TCE theory. The framework especially includes the relational and contractual characteristics of trust, commitment, knowledge sharing, communication effectiveness, complexity of the contract, and administration of contracts. The paradigm was empirically examined by Ikediashi D (2015) who found that successful ITOs needed both strong contract and relationship management methods. In an empirical quantitative research of 143 enterprises in Hong Kong, Qu, Hailin (2013) used the SET and TCE theories to examine how trust affected knowledge sharing and client-vendor relationships. To identify the success determinants for outsourcing IT services or

processes, the authors examined intra- and inter-organizational trust. They claimed that interpersonal trust increased the longevity of client-vendor relationships and had a direct impact on information exchange, which contributed to the success of ITOs. Inter organizational trust, however, did not have the same impact on information sharing. Furthermore, Vaxevanou A (2015) reinforced the idea that the success of ITO in China was significantly influenced by communication quality and trust. The success of the outsourcing results, however, was not significantly impacted by knowledge sharing or cost cutting. A successful ITO program was largely driven by strategies for enhancing the caliber of outsourcing relationships, including communication that works and trust. As a result, academics have thoroughly assessed the dynamics between clients and vendors in outsourcing transactions (Amendolagine, 2014). The outsourcing client and the agent the third-party vendor in outsourcing transactions are analyzed using the agency theory (AT) (Gbadegesin J. T., 2015). The AT, TCE, and expectancy disconfirmation theories were employed by Bagien'ska (2016) to assess the findings of their quantitative research. Their findings supported the idea that there is a negative correlation between the extent of IT process outsourcing and customer service quality. In other words, a lack of sufficient vendor control and governance results in lower service quality the wider the scope of the outsourcing IT project. In contrast, their findings revealed a connection between user pleasure and service quality. When outsourcing information system development projects, used the AT to discover the best approaches for reducing knowledge asymmetry between a principal and an agent. Babin (2016) argued that opportunistic behaviors, which raised transaction costs, and information asymmetry had a statistically significant relationship. Even though knowledge asymmetry may encourage opportunistic actions, the vendor in an outsourcing relationship is required to behave in the client's best interest. To effectively manage the outsourcing process, business leaders must include the appropriate levers such as service level agreements and incentives in outsourcing contracts. In order to achieve successful outsourcing results, management should also

take into account the degrees of commitment and trust in business partnerships as well as achieve alignment with key business objectives. The capacity to undertake adequate due diligence when choosing a good business partner who is devoted and trustworthy in providing excellent services is a crucial success factor in outsourcing Adler (2015). Amendolagine *et al.* (2014) developed a multidimensional vendor selection model by combining the commitment trust theory, AT, and TCE. The model includes elements that can be used to analyze vendor and client commitment and trust levels and choose appropriate ITO partners, such as regulatory such as contract terms, pricing, and Service Level Agreements, normative such as contract laws, information exchange, and flexibility, and cognitive such as common language, metrics, and business requirements. Roses verified that the multidimensional model improved the vendor vetting and due diligence in choosing a viable ITO business partner by evaluating the model using a case study on a Brazilian international bank. The service-dominant logic approach, used by knjiga (2014) demonstrated that important stakeholders co-created corporate value when their wants, goals, and deliverables were adequately met throughout the entire process. The researchers came to a conclusion that successful client-vendor interactions were essential for generating business value in IT services such as innovation, cost reduction, process improvement, and/or higher productivity. Conflicts caused by irrational expectations, poor communication, and asymmetric information risk should be avoided by clear alignment of requirements, goals, and interests. Business leaders will successfully manage the various risks and are more likely to produce favorable business outcomes if they are able to identify solutions that satisfy the needs of all parties involved and cultivate trust with their business partners. Given the significance of vendor selection, numerous academics have developed suitable frameworks for relationship management (2013). According to Domberger (2015) evaluation of outsourcing frameworks, researchers should make use of or build upon current frameworks by changing a variety of elements to particularly meet their own research issues. The

majority of the existing outsourcing frameworks, according to these authors, addressed the scope and governance of outsourcing transactions. The operational performance and relationship management sides of the phenomena, however, have received very little attention from researchers. To assess client-vendor connections in ITO, Grama (2014) offered an improved social-capital framework based on a capital model analysed by Lahiri, Somnath and Ben L. Kedia (2011). The paradigm included relational, cognitive, and structural characteristics to evaluate the transaction and interaction aspects of commercial relationships. According to George et al., the proposed model would help bridge the understanding gap surrounding ITO. Successful ITO engagements are more likely to be led by business executives who are able to implement methods that benchmark and assess various aspects of the outsourcing process. Management must therefore constantly keep an eye on outsourcing procedures and make the required adjustments to ensure successful business outcomes. Researchers have stressed the significance of determining the underlying reasons for outsourcing failures and creating strong client-vendor relationships to create successful ITO initiatives (Amendolagine, 2014). Williams (2016) conducted a longitudinal, exploratory case study with a U.S.-based provider of global financial information products and services over the course of six years using the Archer morphogenetic framework and the adaption of morphogenesis theory. Over the course of a three-phase maturity cycle, Mirani studied and appraised the morphogenetic changes moving from failure to success of offshore outsourced IT applications. Mirani discovered that management had a weak vendor selection procedure that contributed to project failure, which they eventually fixed during their three-phase cycle, leading to a good outcome. Pauceanu (2016) used a multiple longitudinal case study involving Scandinavian software businesses to apply the idea of learning. These businesses changed from using Asian service providers to outsource their software development operations to either insourcing or changing their partnerships with other strategic vendors. According to their research, if done properly, reshoring or forming new

business alliances are feasible options for dealing with failing offshore ties. More particular, CEOs should exert more control over people and social capital to produce higher quality and enhanced performance through reshoring or creating new corporate alliances. Corporate leaders can reduce risk exposure and produce business value by putting strategies to work developing strong client-vendor relationships. Many scholars have also evaluated outsourcing decisions using competing theories related to the TCE theory (Yildiz S., 2014). According to researchers, the TCE theory by itself is insufficient for assessing complicated outsourcing decisions (Narayanan, 2013). In order to get comprehensive perspectives on this complicated issue, several researchers have combined ideas, created their own structures, or improved current theories (Ikediashi D., 2015). ITO is complicated to comprehend through a single theoretical lens, according to academics, who contend that the phenomena should need the creation of an endogenous ITO construct Chen (2016). Understanding a vendor's skills would help leaders choose the best outsourced management plan (Yildiz S., 2014). The notion of dynamic capability was used by Zhang M. P *et al.* (2013) to assess a multiple case study involving a European pharmaceutical business and four contract research and production organizations over the course of a year. Also, Zhang M. P *et al.* (2013) found that the outsourced client formed fully integrated strategic alliances with suppliers who possessed highly dynamic capabilities, such as great project management talents, exceptional intellectual property, and demonstrated track records. The outsourcing customer, on the other hand, carried out short-term, straightforward outsourcing contracts with suppliers who had strong operational capabilities, including carrying out important functional activities like R&D, production, marketing, and distribution. Overall, the vendors' roles in the outsourcing partnership varied based on their flexibility and efficiency (Williams, 2016). Therefore, developing effective techniques to manage outsourcing required a rigorous evaluation of vendor skills. Consequently, utilizing effective vendor selection methods would give some business executives a competitive edge. Numerous academics

have used fuzzy methodology to choose appropriate suppliers for the outsourcing engagement that is quantitative, statistical models to analyze many-valued reasoning to prioritize selections (Moon, 2014). According to Gbadegesin J. T. and Babatunde T. O. (2015), Two integrated theories were combined by using the fuzzy approach for order preference by similarity and by using both qualitative and quantitative multivendor selection criteria coupled two complementary theories: fuzzy technique for order preference by resemblance to ideal situation and multi-choice goal programming. Gbadegesin J. T., Babatunde T. O. (2015) stated that management might obtain a competitive edge by selecting appropriate, long-term business partnerships with vendors who delivered items in a timely manner while adhering to high-quality standards by using an effective, multi-criteria vendor selection tool. To address the shortcomings in current fuzzy models and improve vendor ranking by importance. Using this technique, one might choose the ideal third party, and performance criteria such as cost effectiveness, productivity, profitability, growth, cash management, and market ratio were utilized by Jacques (2016) to analyze business performance in ITO. The researchers carried out a quantitative empirical study comparing firms that outsource IT processes to comparable organizations that do not outsource activities, looking at before and post-financial data inside these enterprises. According to their study's findings, the treatment group frequently outperformed the control group in terms of efficiency, productivity, profitability, growth, market ratio, and firm value. In contrast, Moon *et al.* (2014) conducted a comparable empirical investigation within the industrial and service industries. In comparison to the treatment group, the manufacturing companies in the selected treatment group showed higher cost, productivity, and cash management efficiency. To ascertain when and why projects failed, as well as the contextual factors during the original decision-making process that can enhance the likelihood of project failure, the researcher examined client and third-party provider attributes about collaboration, satisfaction, and competence (Bagien'ska, 2016).

## Summary

The top outsourcing trends for 2022 are influenced by cost reduction and keeping up with modern technology. This should help you to understand the demand for advanced technology and how it can impact service quality. We recommend outsourcing in 2022 for top-quality customer service, payroll, accounting, call centre services, and more. Long-term relationships with fewer suppliers, the firms can better benefit from these suppliers' experience and product knowledge. In the automobile industry many manufacturers are relying on so-called first-tier suppliers such as Johnson Controls or Magna International to work with the automakers' engineers to design component systems, such as seating systems or dashboard assemblies, for new vehicles. Companies also are saving additional money by relying on first-tier suppliers to manage and monitor the acquisition of parts and subassemblies from second-tier suppliers. Growing trends show that businesses are seeking to be more agile to adjust to a more volatile global economy. This can be seen by the increased foreign direct investment in the form of outsourcing. Large static operations, like large shared service centers, lack the cost effectiveness and ability to rapidly redeploy as different markets mature. However, while outsourcing can be used to reduce overall costs and provide other benefits like 24-hour business uptime, oversight and feedback are paramount to a successful outsourcing operation. Therefore, it is critical that businesses involved in outsourcing activities maintain control and oversight over their activities and redeploy when necessary. Alarms for a change in strategy occur anytime a company and its outsourced vendor no longer have the same goals and expectations, or a labor market matures. Outsourcing remains an effective tool for businesses to focus on their strategic goals by reducing cost. A reduced cost of doing business for American companies is beneficial to all Americans. The initial reasons for outsourcing and its related activities, offshoring and home shoring, still hold

true. The primary directive for engaging in these activities is the cost savings they provide. Outsourcing and its related activities are just the latest tool that business leaders can call upon to achieve their strategic goals. The global

economy has reacted and assimilated this new process, and in doing so, has outlined specific advantages and critical pitfalls that must be avoided. Outsourcing saves money by allowing a company to focus its limited resources on its core competency. Companies that excel in design or research no longer have to blunder with inefficiencies as they enter marketing or production sectors. This makes outsourcing activities especially attractive for small and medium sized businesses that do not have the support and expertise in multiple sectors like large multinational corporations. By outsourcing business process functions, businesses maintain their comparative advantage in their core competency and reduce the opportunity costs associated with diverting resources into non-critical business functions. Initially at the onset of the popularity of outsourcing and offshoring, the types of business functions that were outsourced was limited. At the turn of the century there only existed two main activities that were outsourced. These were primarily information technology support services and high volume manufacturing contracts. However, we can see that the range of possible activities has increased dramatically. Production of all volumes in pharmaceutical, food, electronics, and the traditional heavy industries are now viable. These are joined by the traditional IT support as well as end-user support in call centers. More nontraditional activities have joined the list of potentially outsourced activities like accounting, human resource and data management. Surprisingly, research and development activities have become favorable business areas to outsource as U.S. companies seek to focus on marketing and production. What we learned now looking back at the types of activities outsourced, is that many more things can be outsourced than originally thought. This has especially become easier as global communication networks have advanced. The integration that information technology has provided allows virtually any task to be completed anywhere in the world because it allows project



managers to have oversight and feedback without red-eye overnight flights or having to wait for an update from an on-site manager. While we saw that nearly any activity can be outsourced, not all attempts to do so have been met with success. Vendor relationships have failed due to the

loss of adaptability and oversight. A common practice to avoid such failings is the use of introductory or trial contracts between the vendor and outsourcer. Many outsourcers admitted to testing the waters with a new vendor to see if the product delivered matches what was promised. Incentives to go above and beyond the contracted requirements are usually very limited, and, therefore, additional benefits aren't realized for a company that sends this to an outside vendor. Furthermore, as a relationship develops between an outsourcer and vendor, transparency in the vendor's activities falls down the outsourcer's priority list. The shift of outsourcing jobs destination countries from India to the Philippines, a similarly aligned culture, leads to a more inclusive set of assumptions and expectations of good business practices. While initially the driving force that led to the Philippines becoming the call center capital of world was undoubtedly the familiarity with Western cultures, culture differences are more important than just having a mastery of the English language. For companies that outsource consumable product manufacture, product integrity and quality is especially important. If the geographic corporate culture is one based upon productivity, cost and on-time delivery and not that of quality and integrity, the outsourcing company may face legal repercussions. While in these cases, the contaminated products all came from the same source country, China, outsourcing these activities to a more developed and regulated country like Japan may not alleviate these quality concerns due to the cultural differences between the U.S. FDA and the Japanese Ministry of Health for example. Outsourcing sector trends show that during times of economic uncertainty, high investment and long-term investment outsourcing activities such as R&D and Production outsourcing are returning to more mature markets because of the safety and experience these markets have. Conversely we see in the

business process outsourcing sector a trend away from more developed markets, like India, where labor markets demand higher wages compared to new emerging markets. This is a trend that will surely continue as new geographic locations like Costa Rica, Philippines, and Poland enter the global market.

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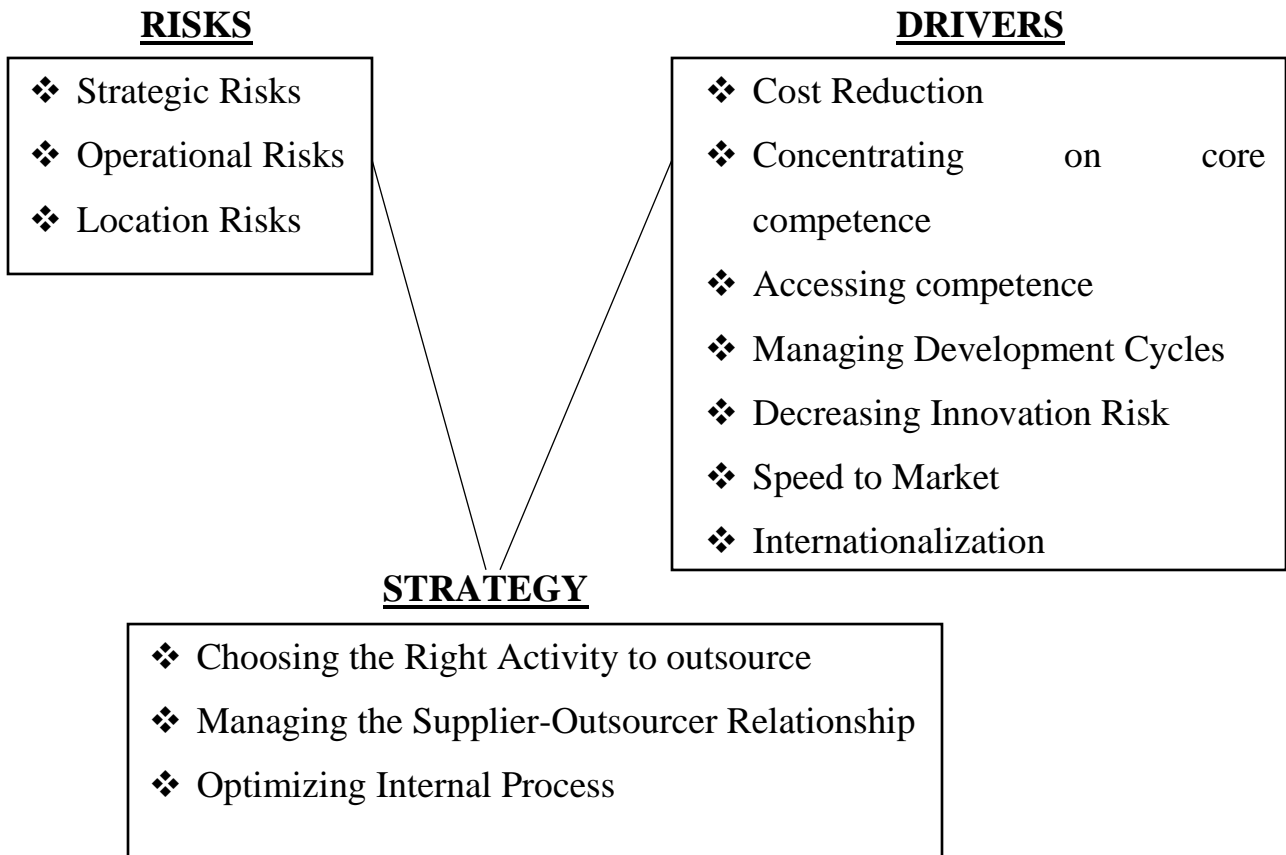


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## Appendices

### Appendix I. Analysing model



# Appendix II. Reasons for Outsourcing

