DEVELOPMENT OF OUTSOURCING:
INTERNATIONAL EXPERIENCE

The current state of the world economy characterized by a high degree of economic interdependence of countries, due to changes in the organizational structure of world production, the development of transnational trade and investment, the international division of labor, the presence of multinational companies, and close information ties. Traditional vertically integrated transnational corporations are becoming outdated, giving way to international horizontal network structures in which part of operations and business processes are outsourced.

Back in the 70s of the last century, the well-known marketer Philip Kotler emphasized, “Commit others to do what they do easier and cheaper” [1]. Since the 1980s, the global outsourcing market in the international market has developed into a stable and mature market. As the outsourcing market developed, so did the quality standards of services and processes. Outsourcing was the result of building an effective company development strategy based on industrial cooperation and long-term mutually beneficial partnership.

The world’s leading companies actively use the use of outsourcing as a fundamentally new management strategy. Today, it is the largest companies, such as Ford, British Petroleum, Procter & Gamble, Dell, Exel, BMW and others, who have achieved the most impressive economic results due to the use of outsourcing: almost doubling profits by reducing organizational and production costs, increasing the overall efficiency of their companies, reengineering. For example, two-thirds of the components and services used by Ford Corporation ordered from third parties (although Ford initially sought to be completely independent in all production cycles).

Not only industrial corporations demand outsourcing. So, the leader in the production of modern sportswear and shoes is the American multinational company Nike, which owns about 1,150 stores around the world, as well as NikeTown shopping centers. Nike, which develops and sells products through a network of its own stores, is currently a non-manufacturing company. Since its inception, Nike has gradually outsourced manufacturing functions to contractors in developing countries. These are more than 300 external independent suppliers in more than 35 countries such as Vietnam, China, Indonesia and Thailand. Nike has now completely abandoned the ownership of the means of production and is positioning itself in the global market as a research, design and marketing company [2].

According to the American Outsourcing Institute, 89% of US businesses outsource their business functions to external service providers. Leading the list are outsourcing of IT infrastructure, call centers and outsourcing of accounting services. The high cost-effectiveness of outsourcing operations has encouraged many US information technology companies with well-
known trademarks to establish product development centers in developing countries.

However, the US is not the only country that has valued outsourcing. It generally accepted that, on a par with the United States, UK law firms began to provide advice and services to their partners. A complex justice system based on precedents has allowed outsourcing to attract highly qualified professionals. A classic example can also be found in the automotive industry in Europe. The German manufacturer BMW to the English company Rolls Royce supplied about 30% of components. [3].

In the Land of the Rising Sun of Japan, outsourcing actively used for staff training, information systems management, accounting calculations, scientific research and many other areas. In Japan, outsourcing accounts for 30 to 40% of staff turnover [3].

According to a study by the international consulting company Deloitte, more than half (52%) of all companies use outsourcing for key business functions, such as legal, tax, HR or finance. More than three-quarters (76%) of all executives say they are outsourcing IT functions, primarily cybersecurity, followed by application and software development and IT infrastructure services. While 92% of businesses outsource IT, 37% of small companies outsource at least one business process [4].

Companies are also spending more and more money on outsourcing: In the 2022 Deloitte Global Outsourcing Survey, 67% of executives reported increasing their budget for operations services, 57% said they were spending more money on managed services, and 32% increased their budget for traditional outsourcing. In the US alone, about 300,000 jobs are outsourced each year [4].

Today, during the period of global transformations and the global economic crisis, the outsourcing services market is growing. Over the past 40 years, this marketplace around the world has completely changed and improved the way companies operate. From leveraging economies of scale to pooling resources and expertise, businesses and governments can now deliver services that were not possible before much faster, more cost-effectively and with the help of IT. Thus, according to Grand View Research, the total value of the outsourcing industry worldwide will reach $405.6 billion by 2027. This forecast for the growth of the outsourcing services market is quite reliable, taking into account the performance of the largest outsourcing companies in the world [5].

The most demanded is contract manufacturing (manufacturing outsourcing), which is one of the types of outsourcing, which involves the transfer of all production functions or part of the tasks associated with the production of products to a third-party company. For example, the pharmaceutical industry is one of the most innovative sectors in Canada. The pharmaceutical contract manufacturing market in North America is valued at $45.13 billion and is expected to reach $62.04 billion at a CAGR of 5.2% over the forecast period 2021 to 2026 [6].

Industry Report 2022 Research & Markets Values Global Contract Manufacturing Market at $246.51 billion in 2022, Projected to Grow to $512.74 billion by 2030 at a CAGR of 9.58% from 2023 to 2030.

50% of companies surveyed by the Deloitte Global Outsourcing Survey said they are outsourcing model manufacturing and purchasing. So the fastest way to outsource an iPhone maker to Apple is a consequence in the world of contract manufacturing with a market cap of $48.5 (as of June 2023) [4].

According to experts, IBM is the largest outsourcing company in the world (with revenue of $76.5 billion and a market capitalization of $105.66 billion, the company employs 383,800 employees) in 2020. Deloitte follows with revenue of 47.6 billion dollars, in third place Accenture with revenue of 44.7 billion dollars [7].

Thus, the market for outsourcing services associated with the involvement of developing countries in the field of active scientific and technological development, which leads to fiercer global competition. On the one hand, outsourcing stimulates the development of competition,
undermining the oligopolistic and monopolistic structures of the world economy, providing an opportunity for new entities to enter the markets, eliminating the dominant position of individual companies in the market. On the other hand, large companies, possessing powerful resources, are constantly increasing their share of their presence in international markets, expanding geographical boundaries, putting more and more industries under control, that is, strengthening the function of control over the economies of countries. All this contributes to the transition of international companies to the "international network model of organizing activities", which helps to increase efficiency, reduce financial, production, technological, and political risks.

References: