

INSTITUTIONAL LIMITATIONS OF OUTSOURCING DEVELOPMENT UNDER THE CONDITIONS OF THE INFORMATION ECONOMY FORMATION

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Abstract. *The article analyzes the institutional and evolutionary constraints of outsourcing development and substantiates the directions for institutional regulation of outsourcing activities in the national economy. The theoretical and methodological basis of the study is a systematic approach to the study of institutional constraints on the development of outsourcing under the conditions of the information economy formation. The article states that the development of the domestic market of outsourcing and related services lags behind European practice, which imposes additional evolutionary constraints and requires the creation of favorable conditions to ensure the economic efficiency of outsourcing activities and the appropriate quality of services. The article determines the key principles of outsourcing activities. The article proves that outsourcing can be regarded as one of the organizational innovations, as this involves the formation of new economic and legal relationships between economic entities, as well as the usage of special management technologies. The article establishes the existence of institutional and evolutionary constraints for the development of outsourcing in the national economy. Lack of stability in the functioning of institutions and institutions of the basic level, limited credit and investment resources did not contribute to the implementation of outsourcing and overall innovative development of the national economy. The evolutionary limitations of outsourcing are related to the ontology of the process, technological backwardness, the significant impact of the shadow segment of the economy, the crisis in it. Institutional constraints were formed due to the inefficiency of basic institutions of the economy, unregulated legislation, lack of favorable fiscal and credit regulation, the presence of institutional dysfunctions. The article emphasizes that the institutional support of outsourcing requires the regulation of legal, economic, organizational, informational norms. It is significant to ensure a clear delineation of contractual relations and responsibilities of the parties, conditions, and legal aspects of information protection; definition and achievement of criteria of economic efficiency; introduction of fiscal and credit incentives for its implementation. Theoretical and methodological provisions deepen the practical principles of institutional support for the new forms of outsourcing relations development in the national economy.*

Keywords: *outsourcing, evolutionary constraints, institutional constraints, institutions, institutional support, information economy, formal norms.*

JEL Classification: *D89, L26*

Formulas: *0; fig.: 1; tabl.: 0; bibl. 8*

Introduction. Outsourcing is a specific form of a business relationship that creates a new class of business systems focused on improving operational efficiency by minimizing administrative and transaction costs, increasing productivity, gaining access to market assets, and reducing the cost of supply. The volume and variety of specialized services being in demand in today's market are growing steadily, which demonstrates a tendency to expand the practice of outsourcing in all areas of activity. In the dissemination of outsourcing methodology, the development of the market of intellectual and information services in the late XX - early XXI century becomes of particular importance.

At the moment, the problems of improving the ways of solving economic tasks with the help of outsourcing tools remain understudied. Among the factors that influence its development are legislative irregularities, inconsistencies in regulation, and fiscal administration. Due to disregard for institutional and evolutionary constraints on the outsourcing relations development and regulation, this form of business organization has not yet become widespread in Ukraine.

Literature review. Studies on the outsourcing impact on the development of socio-economic relations mostly view it through the lens of conceptual foundations of the new management methodology, which is based on authority and responsibility delegation to external contractors, as well as developing practical aspects of outsourcing. These processes were studied by B. Anikin, I. Boychuk, J. Brian Heywood, A. Zagorodniy, J. Cross, O. Mykalo. A practical approach to outsourcing realization and its methodical grounds were studied by R. Aalders, A. Sloan, H. Sparrow, G. Mins, and D. Schneider.

Structural transformations in the national economy have led to the spread and diversification of research of the practical aspects and tools of outsourcing in the management of enterprises and organizations, which are different in scale and specialization. One of the obstacles to the development of scientific research in this direction is the controversy of the conceptual apparatus, the lack of a single methodological tool to determine the forms and types of this activity [see 1; 2; 5; 6; 7; 8].

Aims. The purpose of this article is to determine the institutional constraints on the development of outsourcing activities in the national economy.

Methods. The theoretical and methodological basis of the study is the institutional-evolutionary approach to the study of problems of institutional support for the development of outsourcing in the national economy. We apply structural and functional analysis to identify institutional and evolutionary constraints on the development of outsourcing activities under the formation of the creative industry.

Results. Outsourcing as a methodology for managing economic processes can contribute to the structural transformation of the scientific and production base and the activation of the innovation process in the economy. Thus, the first stage of the innovation process is impossible without basic and applied research bringing the country closer to the world innovation market leaders. The existing management system of the innovation process in the national economy does not create a proper organizational and economic basis for the commercialization of scientific achievements and their diffusion in the market. System integration based on tools and methodology of outsourcing can be considered as a prerequisite for the development of information and telecommunications technologies, micro- and nanoelectronics, nanotechnologies, nanomaterial, space technologies, energy and transport.

Outsourcing focuses on reducing resource constraints by expanding external relations, establishing relationships with organizations that have such factors, and, in particular, have the most important resource in the information world, which is

knowledge. Pursuing the goal of increasing the efficiency and competitiveness of production, outsourcing as a kind of management methodology is based on the use of resources of an external organization (partner) instead of involving internal resources in those activities that are not strategically important. This approach opens access to any technological, intellectual, information resource of the modern market.

The study of factors that underlie outsourcing implementation in world practice indicates some differences in approaches to this management methodology application. The development of the domestic market of outsourcing and related services has got significantly behind the European market, which imposes additional restrictions and requires favorable conditions to ensure the economic efficiency of outsourcing and the appropriate quality of services. The approach of Ukrainian companies' management to outsourcing is similar to the perception of the need to invest in innovation and low rates of innovation activity of producers in almost all industries affect organizational innovation. Outsourcing can be seen as an innovative process that determines the prospects of strategic development of the organization, its market position and changes the entire system of its internal and external communications, property structure, costs, and staff.

Outsourcing implementation requires a balanced approach and mandatory analysis of potential opportunities and risks. Experts usually attribute the reduction of costs as a result of outsourcing certain functions to a change in the cost structure (shifting the share of fixed costs to variables) and to a direct reduction in certain cost items, in particular, by reducing the staff of the organization. In turn, costs reduction should provide an increase in the economic efficiency of the producer. For the vast majority of structures in their transition to outsourcing, the criterion of economic efficiency (cost reduction) is decisive.

The key principles of outsourcing are the fundamental principles of management, which are the specialization of production and management processes, and integration within the economic mechanism of tangible and intangible results from the implementation of specific processes (cooperation). All abovementioned is caused by the fact that the origins of the practical implementation of outsourcing lie in management innovations, which were carried out in the thirties of the twentieth century by General Motors. Further practical application of outsourcing was carried out in the direction of improving relations with suppliers within the concept of value flow, the ontology of which was provided by Japanese managers. Integration of product development and production processes in a single stream of value creation, standardization of production processes and management processes, gradual transition to modular principles of product development and production have laid the foundation of modern high-performance production systems. The continuity of management innovations and the spread of outsourcing, technological integration, control over the processes of development and production have identified the main trends in the development of the science-intensive high-tech sector in the world economy. The high dynamics of changes in it indicates the relationship between the spread of

technological innovation and the development of outsourcing as organizational innovation.

Outsourcing can ensure the integration of results from innovation in the overall value creation, aimed at the consumer of an innovative product. The limits in the application of outsourcing in the innovative development of a certain structure are due to the need to attract external resources and the ability to create these resources independently.

Outsourcing as an organizational innovation can contribute to changes in the economy. Acceleration of changes in the information economy, expressed in the goods' life cycle reduction, is caused by the rapid changes in consumer preferences, increasing the pace of innovation and lowering market barriers to entry or exit. This requires achieving high adaptability (flexibility) of a company, which will be the key to achieving competitiveness. Flexibility or adaptability of the organization becomes the key task in changing circumstances. The degree of adaptability that reflects the speed of response to changes in the environment depends on two factors: the level of information support, and flexibility of a company's production and organizational structure.

Thus, a high-quality information system provides search and retrieval of information from the external environment, its analysis, high-quality management decisions based on it and their implementation. The adaptability of the structure causes a rapid restructuring of production processes while obtaining the necessary management impulses.

It is the outsourcing of business processes that contributes to the "relieving" of a company's structure in today's conditions, as the deepening and division of labor has reached its limits. The relationship between the customer and the contractor in outsourcing is more formal than within a company and requires virtually no significant investment in fixed assets. Therefore, a change in external relations can be done faster and at a lower cost than the renewal or liquidation of someone's unit or structure. From the point of view of legislative support, changes in relations with suppliers are more painless than with an employee, because the latter is much more protected. All this motivates the manufacturer to transfer ancillary business processes to the external environment and concentrate resources on key business processes on which competitiveness directly depends.

One of the trends in the information economy has been to increase the information "capacity" of goods and services. Goods are becoming increasingly intangible, which is a prerequisite for intensifying the development of outsourcing. So the purchase and consumption of information goods (services) do not depend on the geographical location of the producer and consumer. Instead, such benefits can be outsourced during production and not limit production to local performers and national borders. Such an expansion of the choice of contractors will increase competition between suppliers, and thus reduce their monopoly power.

The total cost of production of information services and products of each structure will be higher than the production of these products by one specialized company. Therefore, one of the most developed areas of outsourcing has become

the outsourcing of information systems or IT outsourcing.

The strategic evolutionary guideline of the world economy is the formation of the seventh technological class, where the main productive factor is creative intelligence. Innovation-oriented transformation of socio-economic systems is gradually manifesting itself in the growing number of integration associations of scientific, industrial, educational structures, infrastructure. This contributes to the systemic economic mechanism, the expansion of relationships, the increase of innovation structures, their interaction, the formation of new infrastructure. Integration processes contribute to the formation of new models of business processes and organization of production.

In contrast to the evolutionary constraints of world development, not the seventh, but the prospects of a slow transition to the sixth technological class is formed in the national economy; globalization, informatization, integration are carried out at a slow pace; the role and influence of the raw materials and energy sectors remains high, the resource- and import-intensive model of reproduction dominates; there are administrative and financial constraints for innovative development. We must state the existence of institutional and evolutionary constraints for the development of outsourcing in the national economy (Fig. 1).

Thus, evolutionary constraints are related to the ontology of the process, technological backwardness, significant influence of the shadow segment of the economy, crisis phenomena in it.

Thus, the lack of a stable basis for the functioning of the basic level institutions, a significant level of concentration of production, and opacity of existing sales flows, limited credit, and investment resources, in general, formed the main institutional constraints for outsourcing and innovation.

Institutional constraints are formed due to the inefficiency of basic economic institutions, unregulated legislation, lack of favorable fiscal and credit regulation, the presence of institutional dysfunctions or "institutional traps" [4, p. 17]. Such institutional traps were formed due to the inconsistency of the implemented measures with economic realities and initial conditions [3, 4].

Discussion. We regard outsourcing as a kind of organizational innovation. Outsourcing involves the establishment of special (new) economic and legal relations of economic entities, as well as the use of special management technologies.

In the formation of the information economy, outsourcing as an organizational innovation features the following specific characteristics:

1. Outsourcing provides the transfer of a business process, previously carried out independently, and responsibility for the result to the supplier.
2. Outsourcing involves the conclusion of a contract and necessitates investment in specific assets and the monopoly power in the seller. Outsourcing does not substitute the internal hierarchical relations with the horizontal market relations.
3. Outsourcing reduces transaction costs and requires mechanisms to limit the opportunism of performers.
4. The outsourcing process contributes to the standardization of business processes in the information economy.

5. The variability of the market environment and high competition leads to the development of adaptability of market participants (simplify their structure and get rid of ancillary business processes), which accelerates the development of outsourcing.

6. The growth of information capacity of goods and services contributes to the expansion of opportunities for outsourcing activities, while the acquisition and consumption of information goods cease to depend on the geographical location of producers and consumers.

7. The production of information-based goods and services involves economies of scale. It becomes more profitable for companies to buy them from a third-party supplier than to produce themselves.

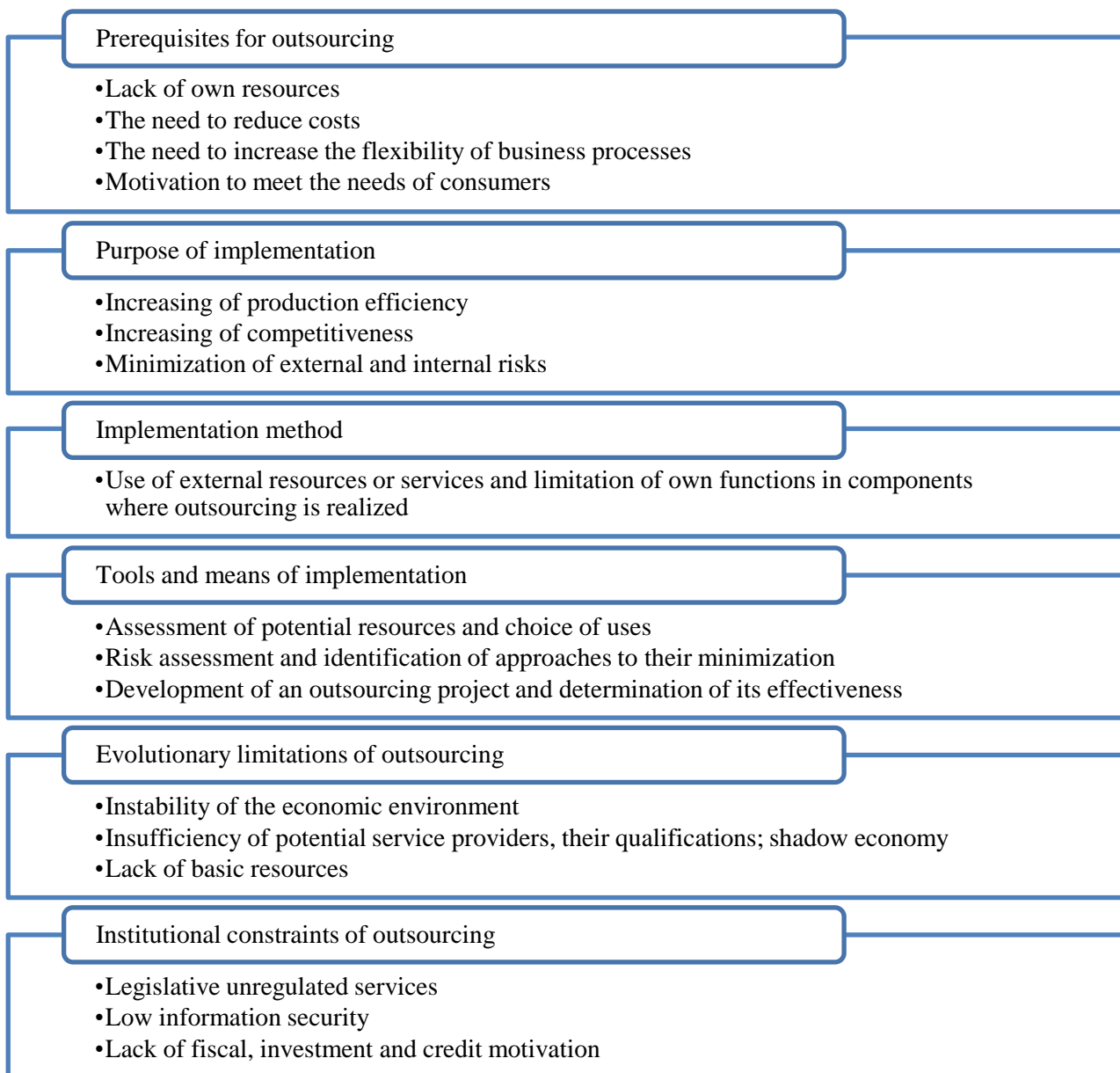


Fig. 1. Structural and logical scheme of outsourcing implementation and limitation

Source: proprietary solution

Conclusions. The problems of outsourcing development are mainly institutional ones. They are formed in the division between the objective need to form an innovation-oriented economy, taking into account global trends and a significant lag of the institutional environment in terms of development and quality of business processes while maintaining inefficient formal norms. Negative trends in the current economy, which affect the effectiveness of formal rules for the activation of modern business technologies, are the resource potential of producers; the existing forms and nature of the interaction between the governmental subjects of different levels; the existing forms of economic entities integration; the current system of motives and incentives (regulations; legal regimes; implementation of contracts; socio-cultural norms; institutional interaction and trust). The effectiveness of formal activation tools also depends on the internal macro-level conditions, the availability of alternative organizations, the existence of business infrastructure, and the development of domestic markets. The existing institutional constraints have led to the formation of a specific institutional environment of the national economy, the immanent characteristic of which was the ambiguous nature of the influence of formal norms on the motives of economic entities.

Undoubtedly, the general trend of development and transformation in the economy will be formed under the influence of globalization, competition, informatization of all spheres of the economy, and world trends; by limiting the influence of the raw materials and energy sectors, and by intensifying the exchange of technologies, which will largely motivate domestic producers to switch to innovative forms of business. To ensure the latter, an effective scientific and technological base that can perceive and generate innovations has been already formed on the world scale. An additional evolutionary constraint on development for domestic producers remains structural and transformational factors, such as the formation not of the seventh, but the transition to the fifth and sixth technological classes; the dominance of resource- and import-intensive model of reproduction; broken or weak economic, scientific ties between the regions of the country; administrative and financial constraints on development.

Institutional support of outsourcing requires regulation of legal, economic, organizational, informational norms. It is important to ensure a clear delineation of contractual relationships and responsibilities of the parties, conditions and legal aspects of information protection; definition and achievement of criteria of economic efficiency; introduction of fiscal and credit incentives for its implementation.

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