

OUTSOURCING ACTIVITY AND ITS CURRENT DEVELOPMENT



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Abstract:

This article analyzes the development stages of outsourcing activities and their role in a market economy. As a result of our scientific research, it has become clear that the economies of many developed countries today cannot be imagined without this system. Even in the rapidly developing Uzbekistan, various outsourcing services are gradually being used in every field. Today, the provision and use of outsourcing services in our country is even specified in the legislation.

Key words:

Contractor; subcontract; trademark; cost optimization; outsourcing statistics; international trade.

The word "outsourcing" is derived from the English language and means the use of external sources, the services of outsourcing companies, on a contractual basis. It refers to the business practice used by companies to reduce costs or increase efficiency by modifying tasks, operations, works or processes to an external contract to a third party over a period of time. The functions can be performed by a third party either in the workplace or outside.

Outsourcing production activities is the transfer of all or part of the production process to a third party. The contractor may outsource the production of individual units or parts, or the entire process may be outsourced.

However, it should not be confused with a subcontract, which means a slightly different activity. A subcontract includes a short-term relationship, such as the production of certain products under a specific contract. Let's say a customer has signed a contract to supply 10,000 bikes, but the production capacity allows them to make only 2,000 units of products a month. In this case, he can find a contractor and order him to produce 8,000 units of products, or 10,000 units in total, in which case long-term cooperation is not envisaged, but only within the framework of fulfillment of obligations under a particular contract.

In some cases, outsourcing production can damage an enterprise. If its services affect the price of the finished product, it is inappropriate to engage a contractor. There is a great risk that the quality of parts or assemblies from external sources will be very low. In this case, it is better to refuse the services of such a contractor, even if his price offer leaves the whole market. In any case, to ensure quality, it is always recommended to order a test batch and carry out continuous quality control throughout the contract. If a contractor's efficiency is significantly reduced and this slows down the entire production process, outsourcing production activities can become completely inefficient. Due to the small number of "players", monopolizing the outsourcing market plays an important role. In such a situation, it is possible to attract foreign partners. Although the cost of their services is high, the rejection rate is minimal and the performance is likely to be high.

Outsourcing production staff brings many benefits to the enterprise. This is especially true when production is seasonal. There is no need to keep a lot of staff throughout the year and there is

no need to spend extra. Outsourcing helps here. The contractor provides the customer with the necessary personnel within the period specified in the contract and with the required qualifications. The company owner doesn't have to worry about sick leave and holidays. The contractor assists the staff when needed for a specific project, such as the production of new products. An outsourcing company eliminates the need for client training because employees are selected according to specific criteria and certain qualifications. And most importantly, the company gets rid of the burden of paying payroll taxes.

Today, there are a number of businesses that value the benefits of manufacturing outsourcing. These are enterprises of the chemical and metallurgical industries engaged in the supply of electricity and heat, oil and gas production facilities. However, third-party organizations are not always involved in the process. For example, for Lukoil, it was more cost-effective to separate the well drilling division from the corporation and transfer these functions to its own company. However, third-party organizations are not always involved in the process. For example, for Lukoil, it was more cost-effective to separate the well drilling division from the corporation and transfer these functions to its own company. In a number of cases, manufacturers refuse to produce specific components using outdated technology and outsource the manufacturing process to a contractor who already manufactures these products using innovative technology. For example, the tractor plant closed down the production of its own machinery, which operates on the basis of old technologies and cannot be loaded even by 10 percent. The tractor plant already buys hardware products from third-party organizations. Outsourcing of production processes in the light industry has been used for a long time. For example, the owners of the OGGI trademark are only engaged in the development and implementation of clothing models, and everything is sewn on a contract basis.¹ However, it is still not possible to meet the demand of all businesses that want to switch to outsourcing. This is due to the fact that small business is not developed in our country. It makes no sense to separate workshops with outdated equipment and facilities into a separate enterprise. The need to attract foreign workers and specialists to the enterprise to perform certain production functions is explained by a number of factors. These include:

- technological complexity of production processes;
- high cost of modernization of production in order to perform certain functions;
- increased competition in the markets;
- increased demand for quality products;
- processes of globalization of the economy.

Outsourcing as a form of employment is associated with the development of information systems and technologies. This is evidenced by the fact that outsourcing took place in the 1960s. At the same time, specialized centers for electronic information processing were established in large foreign corporations. They then began to provide their services to small and medium-sized businesses that did not have the necessary technical capacity. This is evidenced by the fact that there were about 400 specialized computer centers in this field in the mid-1970s in Germany.² Since the 1980s, information technology outsourcing has become a major area of activity for large corporations. This includes IBM Global Services. It currently has 110,000 outsourced employees in 160 countries. It currently has 110,000 outsourced employees in 160 countries.³

Outsourcing has the following advantages:

- the tasks assigned to outsourcers require high quality, efficiency and low cost, as entrepreneurs are free from taxes such as salaries, office equipment, logistics, rent, communication and internet, as outsiders are not in their staff. This allows to improve financial results by 20-30% by optimizing costs.

¹ <https://www.extrememarket.ru/brands/oodji/>

² Abdurahmonov K, "Mehnat iqtisodiyoti"

³ <https://www.smallbizgenius.net/by-the-numbers/outsourcing-statistics/#gref>

- by using the service, you can have more than one team of highly qualified specialists;
- if the business documents are handled with errors and omissions without the use of special software, outsourcing companies make it accurate and clear by processing documents that do not meet such a requirement.
- Outsourcing services are now more widely used abroad than staffing. For example, in Belarus - 30%, in Europe - 86%, in the United States - 92%, and the highest rate is in Israel - 96%.⁴
- Current statistics of outsourcing activities:
- according to estimates, outsourcing services are used in an average of 300,000 contracts per year;
- in 2018, the global outsourcing market reached \$ 85.6 billion;
- currently, the Government and Defense sectors are the two largest organizations outsourcing in America;
- today, outsourcing entrepreneurs can reduce their costs by 59%;
- 78% of respondents to the Deloitte survey positively assessed outsourcing relationships with other companies.⁵

The digital revolution, which is emerging as a new stage of economic and technological development, has dramatically changed the lives of human beings and created a wide range of opportunities, as well as a period of further intensification of the international arena of competition. Today, as a result of the impact of this digital revolution in Uzbekistan, the demand for outsourcing in our country is growing. Professors and researchers of the University of Oldenburg, who visited from Germany in 2019, got acquainted with the activities and programs of the IT-Park in Tashkent and expressed interest in opening outsourcing centers in the Republic of Uzbekistan. It is easy to see that outsourcing is being introduced in many sectors of our economy today. An example of this is the report of the enlarged meeting of the Security Council under the President of the Republic of Uzbekistan Shavkat Mirziyoyev: "For the first time, an outsourcing system has been introduced to supply troops with food. Outsourcing means that the daily preparation of food for the military is now the responsibility of independent organizations, not the military itself. This work will be handed over to the local authorities. The introduction of such a system will free the personnel from non-specific tasks and allow the military to focus all their efforts on improving their professional skills. We will definitely continue to work in this direction."⁶

Among the many innovations and changes in education, the widespread use of outsourcing will ensure the development of the field. Currently, the organization of certain types of services for the infrastructure of higher education, including the use of buildings and structures, student housing, sports facilities, their cleaning, repair, maintenance of computer equipment and telecommunications networks and outsourcing of legal services was set up.⁷ Of course, many of these changes in education are the result of certain experiments. In accordance with paragraph 3 of the Decree of the President of the Republic of Uzbekistan dated September 9, 2017 No PP-3261 "On measures to radically improve the system of preschool education" an experiment was conducted on the supply of ready meals by businesses to public preschools in Tashkent.

The experiment involved 60 entrepreneurs and 266 preschools, outsourcing a total of 63,760 children (by providing ready-made meals to preschoolers). According to a survey of 3,358 parents who participated in the experiment, 2,921 (87%) of the parents rated the meals prepared by the outsourcing positively.⁸

⁴ <https://www.smallbizgenius.net/by-the-numbers/outsourcing-statistics/#gref>

⁵ <https://www.smallbizgenius.net/by-the-numbers/outsourcing-statistics/#gref>

⁶ <https://www.xabar.uz/uz/siyosat/prezident-qoshinlarni-oziq-ovqat-bilan-taminlashdagi-autsorsing>

⁷ <https://lex.uz/docs/-4415478>

⁸ <https://lex.uz/ru/docs/-4441105>

In Uzbekistan, which is developing rapidly, outsourcing not only creates many new industries and jobs, but also ensures the development of many lagging sectors in society. This field, which has now become a world experience, will serve as a basis for the promising future of New Uzbekistan.

Outsourcing is now a product of world experience, and we are now living in an era of outsourcing. Today, the entire process from product design to assembly, research and development to marketing, distribution and after-sales service is the result of this system. Though manufacturers produce their products under a certain name or design, they themselves are not almost involved in any production. Vertical fragmentation is particularly evident in international trade. In a recent 30-year report, the World Trade Organization provides the following information: "Advanced technologies of leading countries are widely used in the American car industry. At the same time, 30% of the car assembly is Korean, 17.5% Japanese technology, and in addition to components and advanced technology, 7.5% German and 4% Taiwanese industry are used for design. The UK accounts for 2.5% for advertising and marketing, 1.5% for services and data processing in Ireland and Barbados, and only 37% of production costs in the United States."⁹ Even with this data, it is easy to see that the role of outsourcing in the production phase of the global industry is significant.

Today's trends in the modern market are such that if it is more profitable for an enterprise to outsource the production of a piece of equipment to a third party organization, then it is necessary to choose a partnership with a contractor. This approach encourages the optimization of large and medium-sized enterprises.

⁹ See The Economist . p.36