



## OUTSOURCING AS A FORM OF PARTNERSHIP RELATIONS

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**ABSTRACT.** Modern economy forces business entities to enter into different types of agreements (relations), which on one hand enable to meet growing customer needs and on the other hand - to produce goods or provide services on a high level and with low costs. An example of such a relation is outsourcing. It enables to achieve the abovementioned goals thanks to offering a well-tailored and competent products or services to institutional customers. The authors of the article consider outsourcing as a form of a partnership relation, indicate its features and describe a model of a relation as well as the directions of adjusting entities' organizational structures to effective cooperation within outsourcing.

**Key words:** outsourcing, Supply Chain Management, partnership.

Irrespective of the line of business, companies' business activities are based on realization of particular goals. It is possible thanks to various forms of cooperation that may be established. Nowadays, companies' activities are based on two types of relations: competition and cooperation.

Competition results from the essence of the market economy. It is a process that helps market participants makes better offers (in terms of price and other attributes) than their competition's.

Relations based on cooperation occur when partners can offer each other the resources and skills they seek for. Cooperation agreement is always preceded by negotiations [Marek 1999]. Cooperation between companies may be realized through:

- full cooperation,
- limited cooperation.

Full cooperation is connected with serious costs incurred by the companies. Each company must teach their partner, thus possibly strengthening their potential competition. However, the advantages of such a form of exchange make full cooperation much more desirable than the one that limits cooperation.

Limited cooperation occurs when the cooperation may be imposed by means of a legal agreement or under a threat of sanctions. In full cooperation both sides cooperate in order to achieve their common goal, reacting flexibly and sharing their skills and information.

Another type of partnership relations is being a customer of third-party providers, which is called outsourcing.

Outsourcing, also known as "subcontracting", "make or buy", "externalization" or "partenariat", derives from the English language and is a neologism of the words "outsider-resource-using", which means that the responsibility for the resources is shifted to third-parties. Such a form of cooperation

may occur at every company level, state level or within international relations. It may take a traditional form, a form of simple cooperation between companies or a form of a partnership which may lead to "joint ventures" that require direct investments of the partner (subcontractor).

Outsourcing is above all a concept of reducing costs of goods and services offered to customers. It consists in using the services and/or half-finished goods offered by an external provider. It is a form of cooperation which is characterized by strong cooperative relations between the deliverer and the customer - exchange of information on technology and IT. There is no competition between the companies. Outsourcing may have various forms depending on the circumstances and the situation of the customer:

- the activity may be structural or depend on an economic situation (temporary use of free productive powers),
- the customer does not have means or intentions to buy certain equipment or technology (know-how) and looks for external partners [Nalepka 1999].

However, in all cases, the customer orders realization of certain tasks accordingly to certain directives. The act of ordering services or products causes a translocation of the executive processes of certain functions outside the company into the partner's structures. It makes its activity more cost-effective [Demińska-Cyran 1996].

Neither new nor rare is the cooperation between companies in business practice. For many years companies have been cooperating with each other in different ways. However, in the last few years a tendency for partnership may be observed.

Partnership should be understood as formation of business relationships between all links of the supply chain, which are based on trust, sharing of risks and benefits and which lead to synergy effects and competitive advantage [Kotarbiński 1972].

Partnership is also:

- a necessity of good communication between the partners. It is connected with reliable information exchange and openness in sharing information, which results in understanding of the partner and their current situation,
- meetings for information exchange - what should be improved, what should be changed etc.
- awareness of having the same goals, bilateral willingness to improve the processes,
- equality of treatment of all partners,
- readiness for changes,
- openness of customers of logistics providers in the field of costs - understanding the need of costly development (for example investments in IT), which leads to higher service level,
- creation of common teams that search for ways of cost reduction, just distribution of profits [Konecka 2000].

When taking time into consideration, we have short-term partnerships (operational) and long-term partnerships (strategic).

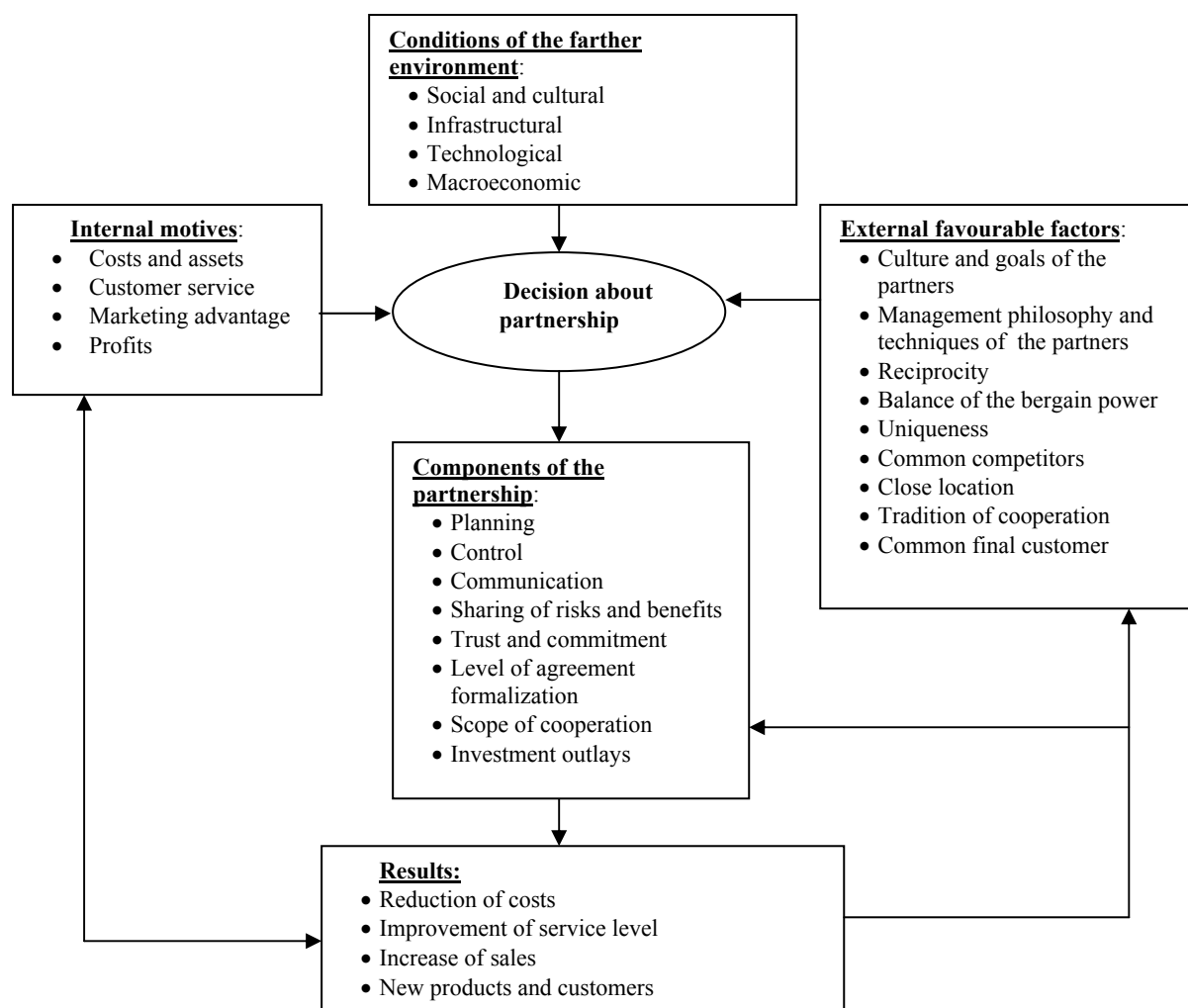
Repeated transactions favour strengthening of short-term contacts between the companies' employees who are responsible for different functional areas. Frequent contacts and understanding of problems of different functional areas of the partners are the basis of time and space integration of the processes inside and between the cooperating companies.

Positive effects of short-term functional cooperation and integration of processes result in prolongation of cooperation. If the long-term partnership (many years') has an essential influence on the goals and the way of their realization, it is correct to call it strategic partnership [Witkowski 2003].

Strategic partnership consists in wide and long cooperation based on trust, sharing of risks and benefits. It means undertaking common investment and organizational enterprises which help achieve different individual goals. The goals are minor to the common goals which are supposed to help achieve competitive advantage and create value [Witkowski 2003].

Outsourcing is a classical example of a partnership relation. They (partnership relations) are characterized by:

- engagement of top management of both sides,
- long-term agreements,
- free flow of information on product development plans, marketing strategy, planned delivery schedules, production capacities and technology (agreements and contracts must be entered into exceptionally precisely, particularly in case of making advanced technology available to the partners) etc.,
- coordinated planning systems of deliverers and customers,
- continuous monitoring of the cooperation's results,
- implementation of new technologies that help maintain and improve the relations - such as certification of deliverers, implementation of electronic data interchange, including deliverers in the designing process [Monczka and Morgan, 1994].



Source: Witkowski 2003.

Fig. 1. A model of partnership relations  
Rys. 1. Model układów partnerskich

While taking a decision about partnership, companies must evaluate the strength of internal and external factors that have an influence on future cooperation. A model and procedures created by D.M. Lambert, M.A. Emmelhainz and J.T. Gardner (Fig. 1) is a tool that helps to decide.

The results achieved thanks to partnership relations are rarely the same for all partners. Moreover, a change of motives and external conditions of the partnership can make it ineffective for both sides. In many cases rational partnership may be constrained not only in respect of time but also in respect of the number of entities involved in the management systems. Establishment of a high-level partnership is often a multi-stage, long lasting and costly process. Additionally, it may be effectively developed only with limited number of key product and service providers [Witkowski 2003].

High level of interdependence of companies is particularly significant while establishing effective relations between partners. It may result from the market position of the partners, uniqueness of their products or services, high costs or lack of alternative purchasing sources or distribution channels. If only one of the partners is influenced by the abovementioned factors, they become a hostage who must take the advantage of their contractor's bargain power seriously.

In order to achieve expected results of cooperation some rules of the partnership philosophy must be complied with. The philosophy consists in accepting common challenges, searching for the lowest total costs, sharing common culture of permanent progress, taking long-term views, endeavouring to discover real, in-depth cause-effect relations, mutual trust, team work and exchanging technical and management knowledge and skills.

However, benefiting from partnership depends on the way of organization of mutual relations which consists in: accepting the fact that partnership relations sometimes require not complying with some norms and standard practices of the company, keeping in contact with the same people, sufficient validation of persons responsible for the contacts, respecting verbal agreements and creating an atmosphere of mutual trust, assuring formal and informal information flow, making the activities clear, establishing one authority for taking important decisions.

To sum up - partnership means building a relation between companies. The relation is built on mutual trust and the sides equally share the risks and benefits connected with the cooperation. When taking the exchange of goods into consideration, partnership may form relations with suppliers, agents, customers and relations inside a company. It requires continuous adjusting of organizational structures and changes in understanding of the role and scope of influence of each functional area: purchasing, research, technology department etc. The changes should encompass:

- creation of project structures,
- development of horizontal communication,
- elimination of the reasons for not being open to others' influence,
- creation of formalized information flow systems,
- creation of conditions for frequent and informal meetings for information exchange,
- sharing of information [Brilman 2002].

The experience of many companies which are taking advantage of outsourcing shows that partnership has a positive impact on logistics process effectiveness [Flejterski et al. 2005].

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## OUTSOURCING JAKO FORMA UKŁADÓW PARTNERSKICH

**STRESZCZENIE.** Współczesna gospodarka wymusza na podmiotach gospodarujących zawiązywanie różnego rodzaju porozumień (układów), umożliwiających z jednej strony zaspokojenie rosnących potrzeb odbiorców, zaś z drugiej strony - produkcji bądź świadczenia usług na wysokim poziomie i z niskimi kosztami. Jedną z form takich porozumień jest doskonale znany outsourcing. Umożliwia on osiągnięcie wymienionych uprzednio celów dzięki zaoferowaniu przez podmioty doskonale skrojonego zgodnie z kluczowymi kompetencjami produktu bądź usługi odbiorcom instytucjonalnym. W prezentowanym artykule autorzy prowadzą rozważania na temat outsourcingu jako formy układu partnerskiego, wskazując na jego cechy, opisując model układu oraz kierunki dostosowywania struktur organizacyjnych podmiotu do efektywnej współpracy w ramach outsourcingu.

**Słowa kluczowe:** outsourcing, zarządzanie łańcuchem dostaw, partnerstwo.

## OUTSOURCING ALS FORM DER PARTNERSCHAFTBEZIEHUNGEN

**ZUSAMMENFASSUNG.** Die gegenwärtige Wirtschaft erfordert von den Unternehmen die Bildung verschiedener Kooperationsvereinbarungen, die einerseits die Erfüllung der immer steigenden Kundenbedürfnisse, andererseits die Produktion oder Erbringung von Dienstleistungen auf hohem Niveau und zu geringen Kosten ermöglichen. Eine der Formen solcher Kooperationsvereinbarungen ist das Outsourcing. Dieses ermöglicht die Erzielung der vorgenannten Ziele, dadurch dass die Unternehmen massgeschneiderte Produkte oder Dienstleistungen gemäß ihren Kernkompetenzen anbieten können. Die Autoren erörtern das Outsourcing als Form der Partnerschaftsbeziehungen und weisen auf dessen Eigenschaften hin, beschreiben das Modell Beziehungen der sowie die Richtungen der Anpassung der Organisationsstrukturen des Unternehmens auf eine effektive Zusammenarbeit im Rahmen des Outsourcing.

**Codewörter:** Outsourcing, Lieferkettenmanagement, Partnerschaft.

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