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A. Sainchuk

HOW TO MANAGE OUTSOURCING PROJECTS

The article describes how to manage outsourcing projects. The methodology for managing of outsourcing projects is shown in the article.

Keywords: *outsourcing project.*

1. Introduction

The financial crisis pummeled many economies in Europe, and fiscal woes in Greece, Ireland and elsewhere have raised the specter that the euro could fail.

Estonia, Latvia and Lithuania are examples of countries that have climbed in the Index™ rankings as a direct consequence of the economic crisis. Strong people skills have allowed these countries to develop small but strong outsourcing business processes (BPO) and voice markets. The global financial crisis hit all three (Latvia in particular) harder than most countries, propelling them into a dire situation with rapidly expanding current account deficits. Instead of devaluing their currencies, Latvia, Lithuania and Estonia pursued what they called «internal devaluation». Their governments and private sectors cut wages by an average of 35 percent and slashed expenditures. As a result of these painful adjustments, cost levels became more competitive. Increased cost-competitiveness has propelled these countries to the higher echelons of the Index and has already yielded new investments in the IT/BPO sector. U.K.-based Barclays opened an IT center in Vilnius in 2009, and U.S. financial services company Western Union has also announced plans to establish a regional service center in Lithuania. Significant growth is still needed, however, to get the Baltic states on the same turf as the more traditional European outsourcing locations.

The United Kingdom is a demand market for outsourcing. On a recent visit to India, however, British Prime Minister David Cameron tried to put to rest the notion that the United Kingdom would prevent IT outsourcing.

However, he bundled his somewhat reassuring message with a plea to Indian firms that they find a way to invest in job growth in the United Kingdom. Trade relations between the two countries have indeed become quite symbiotic, with jobs in the United Kingdom being created by Indian firms and vice versa.

In addition to the United Kingdom includes two other main customer markets for IT/BPO services in Europe: Germany and France. The tier two cities were used (cities in areas of the country that have a lower relative income level) in these countries as a benchmark to compare them to the offshore competition. For the United Kingdom, the cities were used in Northeast England, Wales and Northern Ireland as benchmarks. For Germany, it was used Saxony in the former East Germany, and for France, the region of Languedoc-Roussillon [1].

Ukraine felt the crisis too. In 2008 Ukrainian companies survived terrible days.

In such circumstances the companies need to focus their strategic forces on their core competencies, to minimize costs, to upgrade their products and competitive recovery. So the companies have to find new instruments to do it. Outsourcing is a great instrument for these purposes. Besides, outsourcing is often required when internal risks are too high. If a company wants to use outsourcing, it will have to implement an outsourcing project.

2. Formulation of the problem

The number of outsourcing projects worldwide grows every year. The problems are to gather all the members of a project team and to allocate responsibilities between them. Another important problem is management of outsourcing projects.

3. Main part

3.1. Analysis of the publications. Michael D. Taylor considered how to manage outsourced projects. The author described project procurement management process. Project Procurement Management involves engaging in a systematic process to purchase or acquire the needed products, services, or results from an outside source which will perform the work [2]. But an outsourcing projects is not a systematic process. The subject is sufficiently relevant for future scientific investigation in Ukraine.

Terms «outsourcing project», «participants» and «environments» of this project has been investigated in the article. This article also describes three situations in the project where outsourcing can be used [3].

The author has analyzed the members of an outsourcing project team [4].

3.2. Findings of the investigation. An outsourcing project is transferring of functions, a part of the functions, business processes, a part of the business

process from a customer to outsourcer with a possibility to involve sub-outsourcing to perform the functions in order to achieve the goal of the project.

An outsourcing project has the following characteristics: it is unique, technically and resource complicated, innovative, long-term, has limited resources and can require investment or be implemented using own funds.

Customer, outsourcer, sub-outsourcer, consultant, bank can take part in the outsourcing project (F.1).
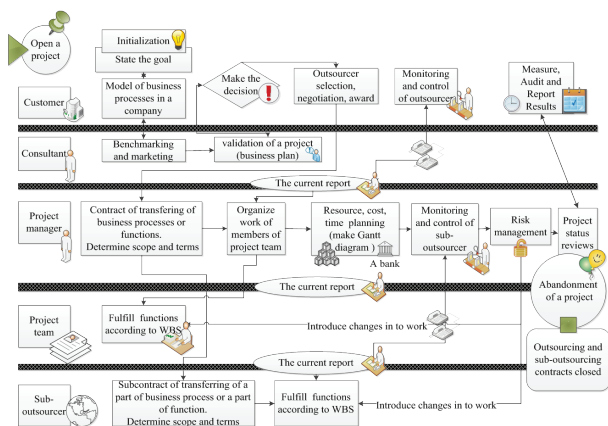

Figure 1. The methodology for managing outsourcing projects

The customer is the key stakeholder. The key stakeholder will not only evaluate the benefits of outsourcing but will be very protective against giving away too many proprietary processes or any intellectual property. Control of information and documents exchanged by a customer and an outsourcer is to be protected and managed efficiently by the project team. If communication is configured, a project will be successful.

An outsourcer does not always attract a suboutsourcer.

One of the main functions of a costumer is to select an outsourcer. The outsourcer has to have a lot of characteristics to implement an outsourcing project (Tabl. 1). If a state company wants to implement an outsourcing project, it will have to conduct a tender for selection of an outsourcer.

$$d = \{d_1, d_2, d_3, d_4, d_5, d_6, d_7, d_8, d_9, d_{10}, d_{11}, d_{12}\},$$

d — it is a planned characteristic that an outsourcer has to have.

Sometimes an outsourcer does not have all characteristics needed for implementation of an outsourcing project. If a customer selects a good outsourcer, the project will be successful. An outsourcer has project managers and their project teams who manage risks, plan costs, resources, time, monitoring etc.

As a result, all responsibility should be divided between the members of the project team. The project team will be monitored by a project manager in order to simplify management of an outsourcing project. This will be the subject of future researches.

Table 1

Complex selection of an outsourcer by a customer on basis of characteristics in outsourcing projects

Symbols (d)	Characteristics
d_1	Experience in a certain segment of the market
d_2	Reputation of an outsourcer in a certain segment of the market
d_3	Flexibility of an outsourcer in a certain segment of the market
d_4	Cost of an outsourcer's services
d_5	An outsourcer's resources
d_6	Compatibility with corporate culture
d_7	Knowledge of several foreign languages
d_8	Availability of modern communication and information technology
d_9	The number of employers working in an outsourcing company
d_{10}	Availability of an outsourcer's branches or representative offices abroad
d_{11}	Holding of international certificates and knowledge of project management (NCB, PMBoK, OMBOK)
d_{12}	Other criteria needed for project implementation

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ЯК УПРАВЛЯТИ АУТСОРСИНГОВИМИ ПРОЕКТАМИ

А. О. Саінчук

В статті описано, як управляти аутсорсинговими проектами. Зображена методологія управління аутсорсинговими проектами.

Ключові слова: аутсорсинговий проект.

*Аріадна Олександрівна Саінчук, аспірант кафедри системного аналізу та логістики, Одеський національний морський університет, **тел.: (066) 161-58-90, e-mail: Saintchouck_A@ukr.net**.*

КАК УПРАВЛЯТЬ АУТСОРСИНГОВЫМИ ПРОЕКТАМИ

А. А. Саинчук

В статье описано, как управлять аутсорсинговыми проектами. Отображена методология управления аутсорсинговыми проектами.

Ключевые слова: аутсорсинговый проект.

*Ариадна Александровна Саинчук, аспирант кафедры системного анализа и логистики, Одесский национальный морской университет, **тел.: (066) 161-58-90, e-mail: Saintchouck_A@ukr.net**.*