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**Article**

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# OUTSOURCING OF SERVICE AREAS AS A METHOD OF INCREASING THE EFFECTIVENESS OF A COMPANY

*Marek Ziółkiewicz<sup>1</sup>*

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## Abstract

*An increasing number of companies, in order to improve their competitive stance on the market, decide to outsource some of their service functions to external subjects. Outsourcing of this type of activity is frequently regarded as a strategic decision. A properly conducted outsourcing project may considerably improve the operational effectiveness of an enterprise by allowing it to focus on its core competencies. Cooperation with external service providers also enables the enterprise to access professional and often unique knowledge and technology as well as a broad pool of talents. In spite of unquestionable benefits resulting from outsourcing service areas, we should be careful and analyze thoroughly all aspects of the SLA (Service Level Agreement) Contract in order to avoid the pitfalls awaiting inexperienced managers.*

**JEL classification:** M10, M14, M20

**Key words:** outsourcing, BPO, strategic management, SSC

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## Introduction

In such volatile business environment, as we can encounter nowadays, many business leaders and high executives are trying to find out way to create sustain competitive advantage. Companies' strategies must be constantly revised and adopted to quickly changing conditions. One method, allowing enterprises to enhance their value and improve overall operational effectiveness is outsourcing of services areas, not related directly to its core activities. Below article describing major points of attention concerning relations between companies and third party vendors as well as benefits from such relationships supported by several case studies. Conclusions presented in this paper were built basing on extended study performed amongst managers and executives, of outsourcing companies and firms which decide to depute some of their services areas outside. Research consists of interviews, surveys, case studies and report analysis.

According to Holmstrom and Roberts some companies trying to build long-term relations with their business partners like for instance suppliers, vendors or services providers. Such approach was spread mostly by Japanese car manufacturers but this trend was adopted by other industries and sectors too. Such approach was substitute for specific assets possession. None company can possess all assets, technologies, knowledge or staff which can guarantee it full autonomy and independency on the market. In order to conduct business fluently every company must cooperate with other entities, suppliers, customers, vendors, local governments

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etc. To secure its interests companies started to create close long-term business relations with third parties. Some of them only cooperate but another part decide to one step further and outsource some their activities, mainly not related to core business, and get access to unique and scarce resources like technologies, knowledge or know-how creating very close partnership. Doing this they afforded themselves semi-ownership of missing tangible or intangible assets they needed (Homlstrom and Roberts, 1998).

The term outsourcing, meaning the use of external sources and resources or the allocation, was coined in 1979. It refers to the allocation of certain functions from a parent enterprise and ordering other economic entities to perform them. The main objectives of outsourcing are:

- 1) lowering costs, which is directly reflected in increased effectiveness of a company through improved competitiveness,
- 2) concentrating on core activities,
- 3) obtaining access to highly qualified staff and production capacity,
- 4) freeing one's own resources, such as people, fixed and financial assets and allocating them to pursue other objectives,
- 5) obtaining the resources the parent enterprise does not possess,
- 6) accelerating the benefits resulting from the restructuring of an enterprise,
- 7) coping with the functions which are difficult or impossible to perform,
- 8) obtaining capital,
- 9) sharing risk (Szukalski, 2009).

Initially, the term was applied mainly to the production industry, especially to automotive branch. The outsourcing strategy referred mainly to the procurement of elements necessary for the car production from external suppliers. Resignation from the production of the above-mentioned parts brought about a considerable amount of saved time and material which could then be invested in the main activity of an enterprise. This method led to the direct drop in production costs, improving the market competitiveness of enterprises which used it. The concept itself, constituting the foundations of outsourcing, dates back to as early as 1923. Its creation is attributed to Henry Ford, who claimed that 'if there is something we cannot do more efficiently, cheaper and better than our competitors, there is no point in doing it and we should hire for this job someone who will do it better than us' ([http://mfiles.pl/pl/index.php/Outsourcing\\_marketingu](http://mfiles.pl/pl/index.php/Outsourcing_marketingu)).

Ford's concept gained new significance in the 1980s when more companies were inclined to allocating some areas of their activities to external firms which specialized in them. The implementation of outsourcing as a company development strategy supported directly the main activity of an enterprise and allowed it to focus their resources and material means on the area in which the company had a competitive advantage. Together with progressing globalization and internationalization of economies, enterprises were gaining access to a wider range of potential providers of allocated services. At the beginning companies were looking for the contractors of allocated services relatively near their headquarters, usually within a given country. However, with the progressing process of service flow, the location of a service provider was no longer significant. An important step in liberalization of service flow and trade was the Uruguay Round, which took place in November 1985, during the 41<sup>st</sup> session of GATT. The resolutions passed during that meeting liberalized international trade considerably, including the rules of service trade ([http://www.wto.org/english/docs\\_e/legal\\_e/legal\\_e.htm](http://www.wto.org/english/docs_e/legal_e/legal_e.htm)).



The dynamic development of globalization and outsourcing was greatly supported by the invention and development of the Internet and the possibilities of service processes digitization it offers. Thomas Friedman in his book “The World is Flat”, which is an original analysis of causes and effects of the globalization process, the possibilities which appeared with the development of the Internet and popularity of personal computers, played the key role in forming the outsourcing strategy. In the book Friedman describes the so-called 10 factors which contributed to the development of globalization. Among them he mentions for example the breakdown of the Soviet Union and the end of the Cold War, the invention of the Internet and the subsequent development of protocols, operation systems and widely understood software, and finally outsourcing, off-shoring and in-sourcing, which according to the author are an answer to the possibilities computerization offers. Undoubtedly, abolishing the barrier originating from location of the parent company and the service provider, dramatically changed the usefulness of outsourcing and made it available to a wider circle of potentially interested enterprises. Due to the development of the fiber-optic cable networks with high data transmission capacity and to other forms of contact attributed to the development of telecommunication, such as video-conferencing, an efficient and real cooperation between economic entities located in various parts of the globe, became possible (Friedman, 2006, pp. 50-59).

The interest in outsourcing as a strategy of the enterprise development has been shown by a considerable number of enterprises of various profiles and various industries. We can constantly observe situation in major global economies which can be described as deindustrialization. More and more economies account increasing incomes comes from services sectors which contribute to overall pool much more than manufacturing and production industries. Due to lower operational costs many manufacturing multinationals decided to move their factories to developing countries like India, Mexico, Brazil, China or Indonesia. This reallocation of resources created a niche, which was quickly adopted and filled by services industries like services outsourcing or BPO (Business Process Outsourcing). This can be attributed to the fact that making outsourcing an important element of development and competitiveness brings a range of benefits to both hosting countries and operating companies. The most important of them are:

- 1) significantly lower costs of obtaining a particular service,
- 2) lowering or even freeing the company resources allocated to perform a particular process,
- 3) more flexible conditions for providing services,
- 4) access to knowledge and technologies, sometimes costly or of unique kind,
- 5) improved quality of services,
- 6) focusing on the core activity of an enterprise,
- 7) lower demand for capital investment,
- 8) increased effectiveness, efficiency and competitiveness of activities resulting from adapting to the conditions prevailing on the market,
- 9) simplified organizational structure of an enterprise, harmonization of its processes.

Of course, each enterprise may view outsourcing differently and may have different expectations concerning it. The reasons why the company decides to outsource may be classified into: strategic, market, economic, organizational and motivational. Depending on which aspect the company is interested in, we can expect different results and benefits (Szukalski, 2009).



Polish enterprises have not been indifferent to such a dynamic and beneficial phenomenon of outsourcing, named by Harvard Business Review the greatest discovery in the past 75 years. As one of the examples of outsourcing activities belonging to the service sector we can quote the partnership between KGHM and Impel companies. In 1996 the Board of KGHM decided to commission the performance of maintenance work on the premises of Polkowice-Sieroszowice mine to an external company, signing the contract which stipulated that the current personnel was taken over by the new company. Some of the benefits that appeared in the first years of cooperation included a 72% increase on core activity, lowering operational costs by 63%, improved quality of services offered while shortening the time by 40%, or access to advanced knowledge and technologies (Dałkowska, 2009).

Another successful story of Polish companies outsourcing contracts concerns payroll activities done by ADP for Castorama DIY supermarkets. In 2005 both companies started negotiations concerning outsourcing payroll service area from Castorama by ADP. ADP company was proposed as potential vendor by another big Polish food manufacturer Bonduelle Polska cooperating with successes with ADP from few years. Because of the rapid growth, Castorama wasn't able to handle payroll services for 7800 employees and around 30 different cooperating entities in 40 different places anymore. After due diligence recognition sessions Castorama had two options: outsource payroll activities to third party vendor or invest heavily in new IT infrastructure and additional staff. After extended analysis company decide on outsourcing option and in 2006 project started for good. During it, Castorama together with ADP, created several process charters, computed all costs related to new way of dealing with payrolls and finally the Hosting Center model was proposed. Whole process of offer preparation took almost one year because of the complexity of the processes as well as of customer demands and expectations. Final agreement between both companies was signed in 2007. Implementation of designed solutions was divided into some millstones like for instance functional business model analysis, solution designing, data transition or parallel run and eventually full takeover. Everything was done to assure data safety and potential errors elimination. At the moment ADP is providing payroll services for around 8100 Castorama's employees from various locations in Poland. Thanks to that decision Castorama was able to reallocate some of their employees involved into payroll process to areas connected straightly to its core activities. Providing services from one place was followed by processes harmonization and unification which was almost impossible to achieve in previous business model. IT related costs significantly decreased because majority of its part was handed over to ADP. Also risk was divided and in some parts even totally handed over on services vendor. Other important advantage was access to specialist knowledge and technology which in other circumstances would be very expensive for the company to acquire (<http://www.institut-outsourcingu.pl/?q=node/91>).

Obviously these were only the beginnings of outsourcing typical service activities. At present an increasing number of Polish enterprises are deciding to use external providers and to commission service functions to them, for example accounting, procurement or recruitment process management. This can be attributed to the increased awareness of the potential and the possibilities that outsourcing has to offer.

### **Types of service functions outsourcing**

Outsourcing may refer to two areas of an enterprise: production or services. Production outsourcing concerns mainly the production of elements or parts used in the company





activities. Sometimes it may mean moving the whole production to another country, in which lower labor costs or access to advanced technologies constitute the countries competitive advantage. The second area concerns the outsourcing of service functions and consists in commissioning the performance of activities supporting the main activities of the company to external firms. We often divide outsourcing functions into three categories: functional outsourcing, individual outsourcing and competence outsourcing. Functional outsourcing is a concept in which we relieve the company of the activities which do not constitute its main competence, such as recruitment or procurement. Individual outsourcing consists in isolating particular jobs, such as business or financial analyst\ from the organizational structure of the commissioning firm. In competence outsourcing we outsource the functions requiring decision-making on behalf of the client, such as ERP network management or IT infrastructure (Ziętera, 2010, pp.87-89).

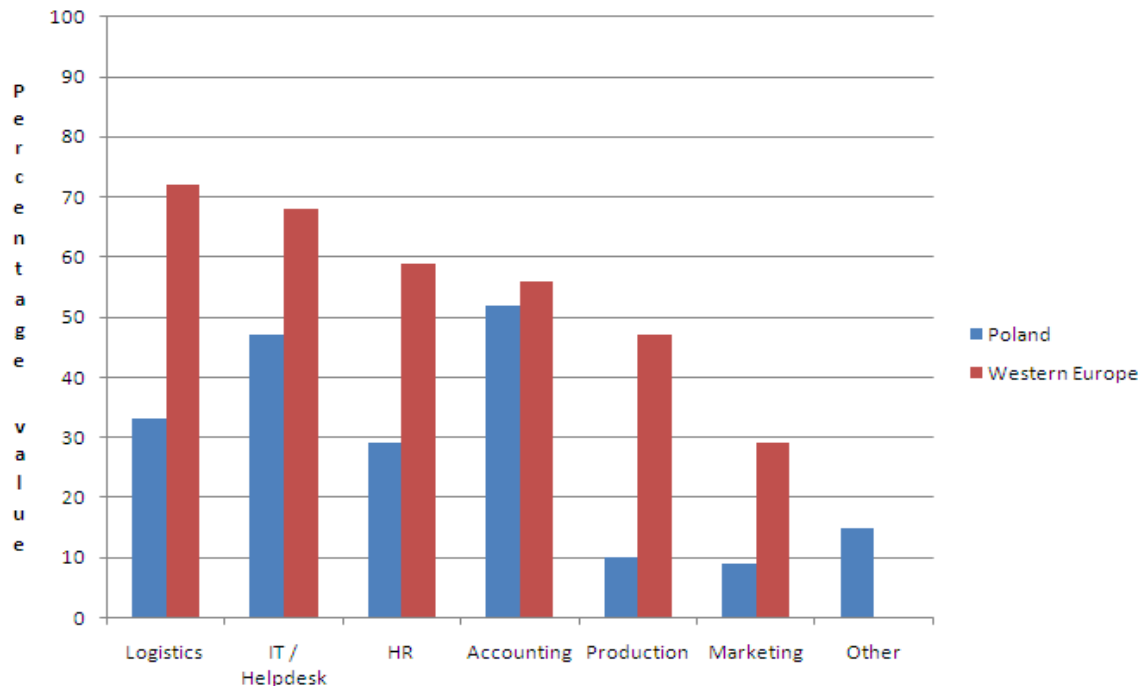
As we mentioned in the introduction, a major role in development and popularization of outsourcing service functions by enterprises has been played by globalization and internationalization of economies. The digitization of business processes and the development of the Internet, which is the foundation of service functions, was the major driving force of the process. The most frequently outsourced functions are:

- 1) accounting and finance (including reporting to the Board, taxes, audit, etc.),
- 2) IT support,
- 3) recruitment, HR processes and payroll preparation,
- 4) marketing (including telemarketing),
- 5) training staff and executives,
- 6) customer service (including call-centers),
- 7) logistics back-up, chain of supply management, company fleet management (<http://pl.wikipedia.org/wiki/Outsourcing>).

Graph 1 shows the most frequently outsourced functions in Polish and European enterprises (in %).



Graph 1: The most frequently outsourced processes



Source: Own work on the basis of *Ernst & Young, Harvard Business Review Polska (2010). Outsourcing - narodziny fragmentacji. Harvard Business Review Polska No 84, February 2010*

Depending on the type of outsourced service functions, we may classify outsourcing into three main groups: BPO, ITO and HRO. The service functions in the BPO area are often called back-office and front-office, depending on their role in the functioning of an enterprise. Back-office services cover such areas of service activity as accounting, audit, financial and business analyses, chain of supply management, consulting, purchases and procurement. Front-office services, on the other hand, include all activities connected with servicing the clients of a particular enterprise, such as all kinds of info-lines and call-centers, after-sales service or telemarketing. Outsourcing of the front-office function is an area which is more susceptible to all kinds of mistakes and shortcomings, as its negligence may undermine the reputation and the brand the company has built on the market. Such losses may prove very difficult or even impossible to repair, therefore the enterprise must be extremely cautious and carefully and precisely draw the outsourcing contract, known as the SLA (Service Level Agreement). It is essential as within the enterprise-clients relationship management, the service provider does not limit itself only to providing information but also deals with all the problems the clients have (Clague, 2008, pp.18-19).

The second popular auxiliary area outsourced by enterprises is all sorts of IT support, often called ITO. The most frequent IT support areas serviced by external providers are: technical help and maintenance of ERP systems, such as SAP or Oracle, specially organized help-desks providing general support for company employees, or company network and data administration. This type of service functions is beginning to play an increasingly significant role due to the higher level of automation and digitalization of business processes and



popularization of integrated systems in almost every single large enterprise. Enterprises also frequently need IT innovations in form of advanced tools or software. The knowledge and the technical abilities of major ITO service providers often ensure the provision of such solutions within the signed contract (Tho, 2005, pp.20-25).

The functions connected with the outsourcing of personnel and payment processes, that are HRO, constitute another outsourcing area gaining popularity. Talking about HRO, we usually mean recruitment process carried out on behalf of an employer, personnel data management, payroll preparation or organizing and running trainings for the enterprise. The staff recruitment aspect is becoming increasingly popular, which is reflected in the number of companies offering such services on the Polish market. One could mention here Randstad, Manpower, Hays or Grafton Recruitment, which took over nearly all recruitment processes of the largest companies operating on the Polish market. Outsourcing this type of activity results in considerable savings of money and time spent on running the recruitment process, such as finding talents in the available data pool. The companies offering HR services have the advantage of access to a large pool of potential candidates for employees, which they can use in the right time (Bloom, 2004, pp.81-95).

Many companies also decide to outsource such service functions as company vehicle fleet management, storing company documents, protecting company property, or finally, maintenance or gastronomic services. Irrespective of the outsourced area, the reasons why companies decide to outsource are quite similar. Each wants to lower the costs of providing a particular service, maximally improve and speed up the existing process and minimize and streamline its internal structures.

### **The benefits and threats of outsourcing**

As we already mentioned, the decision to outsource service functions goes together with increased effectiveness of the company activity. This peculiar transfer of responsibility for a given service area allows the company to concentrate more on its core competencies, such as production. One of the superior and most frequently quoted factors accounting for the decision to outsource is lowering the costs of performing a given function. It is possible due to the fact that the service provider usually possesses some advantage in form of economies of scale in the process of providing a particular service, specialist knowledge or access to advanced technologies and tools. This belief is currently evolving. Apart from purely financial benefits, outsourcing is frequently becoming a strategic decision the enterprise makes. Until recently it was generally assumed that the processes which were essential for the company should stay within its structures. Currently, it is believed that particular functions should only be kept inside the company if they are of strategic importance and if the company is able to perform them on the highest level. Such approach to outsourcing of services areas has had changed in CEOs mindsets, because they realized that supporting areas like accounting, procurement or HR contribute in significant way and create value added for their final products. This theory was well described by Michael E. Porter in his book *Competitive Advantage* and named as *The Value Chain*. We must realize that services, supporting creation of final product, and their outsourcing are vital part of value chain helping company build sustained competitive advantage over market rivals. Together with such areas as inbound and outbound logistics, marketing and sales or operations services are indispensable part of whole product creation. CEOs found that access to specialist knowledge and technology of third





party vendors will able them improve and enhance value chains in their own companies (Dess, Lumpkin and Eisner, 2010).

The change in the way we perceive outsourcing of service functions accounts for the frequent outsourcing of advanced and strategically essential activities, the so-called Knowledge Process Outsourcing. In this way, instead of outsourcing only basic accounting, companies decide to outsource the tasks in controlling and financial analyses areas. Instead of preparing payrolls, they let external providers recruit their personnel and manage the talent pool in the organization, and finally, instead of simple IT support, they expect the service providers to render complex network and ERP systems administration (Davenport and Iyer, 2009).

Deciding for such steps, managers are no longer content with the promise of lower costs. They also expect considerable improvements in quality, effectiveness and harmonization of outsourced processes, which is directly reflected in improved competitiveness of a particular enterprise. The managers of 250 largest world enterprises, questioned by The Conference Board, pointed out the most important benefits expected by them from outsourcing. These were: the possibility of concentrating on core activities (72%), lowering costs ((63%), improving quality and streamlining functions (40%), changing the company strategy (35%), striving at continuous improvement of processes (32%). Other frequently appearing answers were: access to specialist knowledge and technology, the acquisition of which would lead to streamlining other areas of company activity or streamlining the decision process and organizational skills, for example during mergers and acquisitions (Banachowicz and Świerżewski, 2007).

Good example of fruitful partnership between the company and services vendor, which result not only in financial gains for deputing company, is cooperation of one of the biggest polish telecom company, Telekomunikacja Polska S.A. (TP SA) and outsourcing company ArchiDoc. TP SA, because of its position on the market as a big telecom player faced rapid growth in recent years not followed by its business structures modification. It faced huge problems and delays in documentation and correspondence flows within company as well as with its customers. Documentation was processed in more than 300 different locations and in most cases in traditional, paper way. It was because old and obsolete IT legacy system. With inflows of customer documents at a level of few thousand pieces a day it's not hard to imagine chaos which disrupt daily activities and significantly prolong whole answering process. Few main solutions proposed by ArchiDoc were: creation of Central Documents Archive, managed fully by ArchiDoc and containing all historical data available by TP SA, implementation of Mailing Room service, which allowed customers to register inquires using internet or Data Entry idea allowing to put whole customer documentation directly into TP SA system and convert it on digital version, easy to access by both sides at any time. From that time all 300 fragmented divisions responsible for documentation flow were centralized in one place and fully managed by outsourcing vendor. Both TP SA and its customers acquire a possibility to easy and fast access desired documentation at any time via internet based tool. This improvement in customer service was recognized and appreciated by clients. Also complaints were resolved much faster due to more proficient IT system and information flow. TP SA noticed higher productivity rate as they handed over documentation processing activities to ArchiDoc, and was able to reallocate their resources into core activities and share risk with its partner (<http://www.institut-outsourcingu.pl/?q=node/102>).

As we already mentioned earlier, savings are still one, but not only, reason why companies decide to outsource particular service functions. The financial means obtained in this way



may be invested somewhere else in the enterprise, for example to support its modernization or development. Some large global companies sometimes opt for a solution called Shared Services Center (SSC). It is a phenomenon consisting in transferring particular service functions, such as accounting or procurement, from particular departments of the company into one isolated center. The ultimate location of a SSC is a serious strategic decision, therefore its choice is preceded by deep analyses and planning stages. Preferred places for SSC are the countries with high availability of qualified and cheap staff, supporting investment in service sector or offering preferential tax regulations. In such a center the service may be performed much cheaper and more effectively than in the parent company, due to the economies of scale. The savings factor, however, is not the only advantage of SSC. The centralization of a given function in one place creates favorable conditions for harmonization and quality improvement. Standardization also brings increased safety and promptness of a particular service offered. It is also possible to detect all discrepancies and weaknesses of the process and replacing them with well-tried solutions, used in a branch in another country. The most frequently quoted successes and improvements of the processes offered at SSC are provided below:

- 1) increased automation of provided services (80%),
- 2) coordination of offered processes (70%),
- 3) broader range of provided services (70%),
- 4) improved quality and customer service (65%),
- 5) increased control over processes (50%),
- 6) increased number of external customers (45%).

As we can see, SSC does not only bring lower costs for the enterprise using it, but also greatly improves the quality, promptness and control over outsourced service functions (Banachowicz, 2008, pp. 316-325).

It also often happens that the SSC becomes a separate unit of a given enterprise, or even is taken over by another firm. As an example of such a situation we could quote the SSC of Phillips located in Łódź. This center took over the accounting roles for most Phillips branches located in the EMEA are (Europe, Middle East and Africa). After four years, Phillips decided to sell the center to an Indian giant of BPO, Infosys. The processes which had already been outsourced to the Łódź SSC, after signing an appropriate agreement, were to be performed then by a new external provider, namely Infosys BPO. During the acquisition, most of the employees of Phillips were transferred into the structures of a new provider. In this way, the enterprise achieved reduction in structures and freed human resources which otherwise would have to be utilized somewhere else in the company or made redundant (Nelson Hall, 2009).

Outsourcing a particular service function to a proper provider or locating own SSC in a convenient area or country, provides us with access to a large pool of talents and their knowledge. If the choice of a service provider was well thought-out, we can expect professional consulting services concerning the sphere of performed activities and individual approach to tailor-made solutions. For relatively low costs the outsourcing company may expect to obtain many improvements and conveniences in performing the outsourced function. A factor which is still gaining significance is the level of linguistic skills of the employed staff. This trend is clearly visible in East and South European countries, where a successful applicant for the post at a BPO or ITO company must speak at least two foreign languages fluently. This requirement may be treated as a gesture towards the present and future clients considering outsourcing of for example accounting or financial services. Thanks



to employing people with knowledge of local languages, such as European or Asian ones by an BPO company, the outsourcing enterprise does not have to worry about the communication problems or barriers. It also presents the enterprise with the possibility of further savings, resulting from lack of language training for the staff. As the survey carried out by the research and analysis office DIS in 2008 shows, most of BPO companies located in Poland offered the performance of services in over 15 languages, while English was used in 99% of the centers (DIS, 2008).

Writing about the benefits available for the enterprise deciding to outsource its activities, we should not forget all kinds of pitfalls and threats awaiting such a company. In order to fully maximize the outsourcing potential and to use it to achieve strategic goals, a particular enterprise must prepare thoroughly the process of passing the activities to the external company. It refers both to the negotiation of favorable conditions and proper drawing of the outsourcing contract (SLA) as well as to the preparation and training of the staff who will be involved directly in changes. The most frequent mistakes made in managing the outsourcing contract are called Ten Traps and are presented below:

- 1) lack of management commitment,
- 2) minimal knowledge of outsourcing methodologies,
- 3) lack of outsourcing communication plan,
- 4) failure to recognize outsourcing business risks,
- 5) failure to tap into external source of knowledge,
- 6) not dedicating the best and brightest internal resources,
- 7) rushing through the outsourcing project,
- 8) minimizing what it will take to make the vendor productive,
- 9) not appreciating cultural differences between the company and the service provider,
- 10) poor relationship management programs between the parties.

Each of the above-listed factors may negatively influence the success of the outsourcing project, and consequently the effectiveness of a particular enterprise. The problem may be the know-how which is scattered in the company and not passed on to the new provider, as well as knowledge and experience gaps that the people dealing with the project have. To protect against the threats coming from incompetent approach to the project of outsourcing service functions, the company should thoroughly analyze all factors and make a choice based on knowledge and experience, also of external kind (Power, Desouza and Bonifazi, 2008).

Many companies assume beforehand that outsourcing will solve all the problems troubling the organization. They think that tying with a professional service provider with market reputation will give them flexibility needed when the strategy is changed, problems emerge or new technologies appear. This kind of approach is deceptive, however, and often leads to serious problems in relations with the outsourcing company. If the unfavorable contract is signed for a long period of time, it may become a serious problem and a trap blocking the company development. If the SLA is not constructed properly, it may turn out that the company will miss out on the chance to develop when it appears just because the contract hinders its possibilities of taking action. This, in turn, may bring about not only the loss of profits and business opportunities, but also damage the brand, the company effectiveness or hurt its customers (Farfał, 2009).

Another important aspect requiring an in-depth analysis is determination of limits and framework in which we should place outsourcing. It may prove very dangerous to outsource parts of the processes constituting the so-called core business and its main competencies. Any



problems appearing while outsourcing this area may result in serious problems in the future, including the loss of market position or bankruptcy. To protect from this type of internal disturbance and problems it is often recommended to retain in the organization all the processes which have great impact on the core activity. Outsourcing too many processes without prior analysis of consequences of such action, may result in the dematerialization of the enterprise. This phenomenon consists in excessive simplification and flattening of enterprise structures and lack of organizational know-how. The decision to outsource the areas in which a company has significant competitive edge should also be preceded by proper analyses. In such situations there is significant risk of specific knowledge and process data leaking to our competitors. This may happen when a vendor serves a number of competing companies. This type of danger should not be ignored, especially in times when it is specialist know-how and technologies that determine the competitiveness of a given enterprise.

Some huge multinationals, like Dell, Coca Cola, or Nike, discovered the aspects and huge benefits of sensibly implemented and controlled outsourcing a long time ago. In each case we should determine certain borderlines which should not be crossed in outsourcing, as this may be the catalyst of the process leading to bankruptcy. Already mentioned Nike is a record holder in this respect, outsourcing all processes, including production, and leaving inside the company only marketing department and management of the brand which constitutes 70% of the company value. In this case, outsourcing even a small part of the marketing process or brand positioning would cost the company a lot. A similar strategy was adopted by Coca Cola, whose competitive advantage is based on the global brand. Being fully aware of this, the company outsources nearly all possible processes, from bottling and distributing drinks to staff recruitment and logistics, leaving for itself only brand management and marketing. So as we see, well planned and coordinated outsourcing can be key source in achieving sustained competitive advantage by companies.

## Conclusions

Taking into account all the arguments we can clearly see that outsourcing particular service functions the enterprise may expect various benefits. Starting with one of the main reasons why companies outsource, that is lowering the costs of providing a given service, the company may obtain a range of other benefits which will directly improve its competitiveness and effectiveness. Regardless of whether the real cause of service function outsourcing is cost reduction, access to specialist knowledge or streamlining company structures, this step should be taken with utmost care. Each decision of this type should be a strategic move for the company, preceded by detailed and thorough analyses and preparations. Otherwise it may turn out that instead of the expected competitive advantage, the enterprise will limit its field of activity or quality of the outsourced activities will deteriorate. However, bearing in mind the most frequently made mistakes and avoiding them, the company may expect considerable improvements in profitability and savings. Also Polish companies look bravely and more favorably at the source of their opportunity and advantage over their competitors, based on external resources, knowledge and technologies which outsourcing offers. We can expect wider use of this business strategy, especially in times of advancing globalization and international transfer of services.





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