

OUTSOURCING IN THE MANAGEMENT OF MANUFACTURING COMPANIES IN POLAND

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Purpose: The aim of this article is to explain how manufacturing companies approach the outsourcing of processes/functions to external entities and to identify the benefits they gain from using outsourcing arrangements. An effort was also undertaken to diagnose the factors for not using outsourcing services.

Design/methodology/approach: The formulated objectives of the study influenced the hypotheses and structure of the survey. The survey was conducted in 2020 in the pre-pandemic period, with a sample size of N = 120, including owners/managers of manufacturing companies. Non-random sampling was used. Questionnaires were sent to 200 companies, and only 126 were completed, of which 6 were not completed in full, and were therefore rejected. Hypothesis verification was carried out in turn using a chi-square test.

Findings: When considering the premises for the use of outsourcing by business entities, one should first of all take into account the fact that in each enterprise there are many different internal factors, the existence of which affects, to a greater or lesser extent, outsourcing decisions.

Research limitations/implications: The study carried out for this thesis does not fully explore the issues involved. It is recommended that studies of this type be conducted again in the future.

Practical implications: Outsourcing is undoubtedly a concept consistent with the current trends in the management of economic entities which result primarily from changes occurring in their turbulent environment. Therefore, outsourcing should be seen as a complex business management tool that has a solid theoretical basis, with its impact covering many various aspects of the functioning of modern economic entities.

Social implications: Outsourcing as a management concept is one of the easiest ways for companies to achieve greater efficiency. The vast majority of respondents using outsourcing assessed it positively from the perspective of expected benefits.

Originality/value: The research carried out in the article potentially extends the literature on the subject by presenting the importance of outsourcing for Polish manufacturing companies.

Keywords: management, outsourcing, manufacturing companies, benefits.

Category of the paper: Research paper.

1. Introduction

Modern economic actors operate in a variety of cooperative arrangements that are primarily aimed at creating competitive advantage and strengthening themselves to meet the requirements of competitors (Hoff, Stiglitz, 2000, p. 33). The strategic nature of the competitive advantage has been determined by the content of the project, and its importance, essence, competences and values have been brought to the alliance (Vivas López, 2005, pp. 662-663). In the latter half of the 1980s, cooperation between enterprises has taken on a completely different meaning than before (Dunning, Lundan, 2008, p. 35, 46). There has been a rapid development of cooperation on a partnership basis (Figure 1)

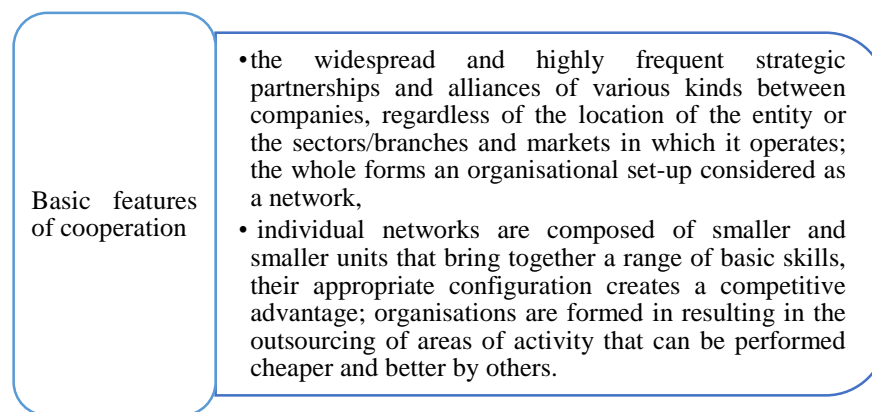


Figure 1. Characteristic features of the cooperation between modern business entities.

Source: Obłój, K. (2007). *Organisation strategy. In the search for sustainable competitive advantage*. Warszawa: PWE, pp. 22-23.

The acceleration and development of business processes in modern companies are also greatly influenced by the appropriate integration and organisation of the value chain (Rajendra et al., 1999, pp. 168-169; Swink, 1999, pp. 694-695; Kopishynska et al., 2016, pp. 105-107). This causes companies to focus their attention in particular on innovations that concern management and organisation (Laursen, Salter, 2006, pp. 132-133). As a consequence, tendencies to increase the fluidity and flexibility of organisational structures are becoming increasingly noticeable and widespread (Whitley, 2006, pp. 82-83). This is achieved mainly by reducing and flattening them – decreasing hierarchical levels along with outsourcing areas that are less important from the perspective of the functioning of the company (Sandhu et al., 2018, pp. 2201-2202).

This has been caused by the dynamic development of new concepts, methods and systems of business management. Modern solutions accentuate the tendency to treat the management system as a whole, granting it a characteristic orientation and a certain identity (Thierauf, 1999, p. 45; Brickson, 2007, pp. 865-866).

The ongoing globalisation, together with the increase in competition on the global market, means that companies are now looking for effective organisational and management methods to increase their efficiency and competitiveness (Shah, 2014, Su, Levina, 2011, pp. 717-719; Grossman, Helpman, 2005, pp. 143-144). This is most often carried out by increasing the value of economic entities and maximising their profits while reducing the costs of their activities (Gospel, Sako, 2010, pp. 1369-1370; McLaren, 2000, pp. 1240-1241). One of the possible ways to reduce costs may be outsourcing (Garcia-Castro, Francoeur, 2014, pp. 415-417). It consists in outsourcing a part or the entirety of certain tasks, processes and functions of an enterprise which are necessary for the proper functioning of a specific entity, however they do not represent its core business (Kabus et al., pp. 2-3; Holcomb,;Hitt, 2007, pp. 467-469, Churkina, 2016, pp. 72-73). Using this solution helps to reduce operating costs while improving the quality of individual processes and controlling them more effectively, and enables the company to focus on its core business.

A review of current literature highlights the growing role of outsourcing in business management. Outsourcing is studied by scientists in terms of multidimensional aspects, e.g. benefits, threats, application of IT tools. This topic is also relevant from the perspective of human resources, cost measurement and the impact of knowledge management on outsourcing success. Few literature items discuss/focus on detailed analysis of outsourcing applications in manufacturing enterprises, therefore the primary objective of this article is to analyse the use of outsourcing by Polish manufacturing companies. The issues presented in the paper are focused around a multifaceted characteristics of outsourcing, with particular emphasis on operational areas of the company that are most frequently outsourced and a diagnosis of the greatest benefits of outsourcing.

Therefore, the authors have attempted to demonstrate how manufacturing companies view the outsourcing of processes/functions. The diversity of aspects of the research subject, oscillating around the main objective, influenced the necessity to distinguish theoretical and empirical levels which in turn contributed to the formulation of specific objectives of the dissertation:

- systematisation of the theoretical background covering issues covering issues related to outsourcing and its role,
- defining the determinants shaping the functioning of outsourcing in contemporary enterprises,
- defining the benefits gained by Polish companies when using outsourcing solutions,
- diagnosis of reasons for not using outsourcing services.

2. Literature research

When considering contemporary theories of entrepreneurship, it can be noticed that outsourcing has taken many elements from the previous scientific work. It mainly concerns agency, transaction cost, resource or contractual theories (Carter, Yan, 2007, pp. 215-216, Chongvilaivan et al., 2009, pp. 20-22). New approaches to the management of economic entities include the relationships between the various entities operating within the company, and the generation of financial surplus (profit) is no longer the sole and most important objective of the company (Damanpour et al., 2020, pp. 770-772).

Outsourcing is undoubtedly a concept consistent with the current trends in the management of economic entities which result primarily from changes occurring in their turbulent environment (Bilan et al., 2017, p. 178). Therefore, outsourcing should be seen as a complex business management tool that has a solid theoretical basis, with its impact covering many various aspects of the functioning of modern economic entities (Greenemeier, 2002, pp. 49-50; Warner, Hefetz, 2012, pp. 313-314; Kirillova, 2015, p. 329).

Ford is considered to be one of the precursors of the outsourcing idea. He formulated an extremely revolutionary and controversial, as for his time, hypothesis, according to which a company that is not able to produce something better, cheaper or more efficiently than its competitors, should not do it, but hire someone else (an entity, person) to do this work, assuming that this person (entity) will do it better. 1980s are considered to be the beginning of the outsourcing era since in this period the establishment of long-term cooperation between companies in terms of outsourcing projects began to become common (Cheshmberaha et al., 2019, pp. 233-234).

The functioning of companies using outsourcing in their activities shows the existence of differentiation of such undertakings, which may result from the criteria presented in the figure number 2.

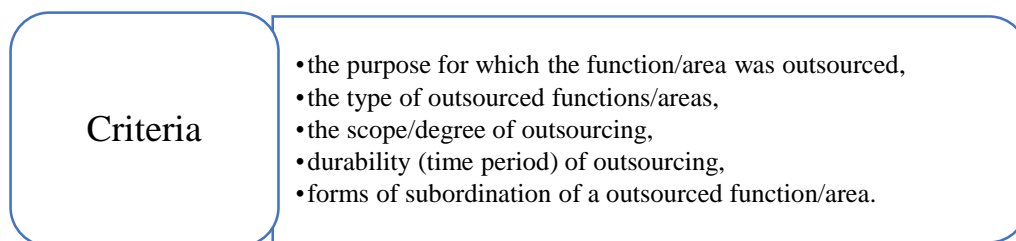


Figure 2. Criteria influencing the differentiation of outsourcing in enterprises.

Source: Cheshmberaha, M., Rahbinb, R., Eftekharia, M. (2019). An integrated framework (CTSR-BWG) for outsourcing decisions in a marine manufacturing firm. *Uncertain Supply Chain Management*, 7, p. 233.

Outsourcing, considered as a restructuring project, is undertaken in order to rectify the existing situation, to adapt to the requirements, conditions and changes occurring in the environment, as well as to provide conditions for future development (Linder, 2004, p. 37).

This results in the following types of outsourcing (Klochko et al., 2019, p. 2; Foltys, 2012, pp. 40-43):

- recovery – used by economic entities threatened with liquidation or in crisis,
- adaptive – used by economic entities that want to develop, be competitive and become market leaders,
- developmental – includes strategic decisions and activities of a developmental or innovative nature; in its essence, it promotes seizing the opportunities and market chances of the company while limiting any threats.

Outsourcing, having a significant impact on the strategic and organisational situation of an economic entity, at the same time influences the economic aspect of operation of the company (Li, Wei, Liu, 2010, pp. 1457-1458). It is commonly equated with the reduction of costs incurred by the entity. This approach should be seen as natural, bearing in mind that the cost reduction criterion is one of the most important factors that are considered when deciding to outsource. On the other hand, most outsourcing decisions are not purely financial, and if costs are the only criterion for making them, most often the decision turns out to be wrong.

In conclusion, it should be noted that outsourcing has specific reasons which are the objectives of outsourcing projects, and to a significant extent determines the behaviour of an economic entity which manifests itself by generating specific events that are important from the perspective of the functioning of every enterprise (Morales-Gualdrón, Roig, 2005, pp. 479-480). In practice, many different divisions of outsourcing can be distinguished. They can be found by analysing the rich literature on the subject. According to the author of the paper, the essence of the outsourcing process is most accurately captured by types based on the model of mutual relations considered as a whole (Shi, 2007, p. 29). These include the nature and relationship of these processes (indirect and direct) and their thoroughness which can be manifested in the mutual benefits of the project for the various partners involved (Lacity, Willcocks, 2013, p. 63).

The literature review conducted by the authors revealed a research gap in the state of knowledge on the topic in question. According to what was found, there are no studies referring to and reporting on the importance of outsourcing in Polish manufacturing companies in terms of the benefits achieved and the reasons why some companies do not use external services. The issue raised is important and potentially fills a research gap.

3. Methods

The subject of the study conducted for the purpose of this thesis is the use of outsourcing by Polish manufacturing companies. Outsourcing is understood in this case as commissioning tasks in the execution of particular areas of the company to external entities (e.g. production,

logistics, human resources management, cleaning, security, etc.). The aim of the study in turn is to diagnose how manufacturing companies view the outsourcing of processes/functions. The authors set themselves the task of answering two research questions:

- What are the greatest benefits of outsourcing?
- Why do enterprises not use outsourcing services?

Hypotheses were also put forward:

H01: Majority of Polish manufacturing companies use outsourcing services, and the greatest benefit of outsourcing is the ability to focus on the core business of the company.

H02: The main factor why companies do not use outsourcing is the lack of sufficient financial resources,

For the purposes of this study, the diagnostic survey method, which involves collecting data using techniques such as a questionnaire or an interview, was applied. The survey method was used. The research tool used for this study was a survey questionnaire that included four sections:

- an introduction which contained a request to participate in the study and outlined: the purpose of the study along with an assurance of its confidentiality,
- a main part for companies using outsourcing services which consisted of 6 closed questions,
- a main part for companies not using outsourcing services which consisted of 3 closed questions,
- a questionnaire with 4 closed questions.

The survey was conducted in 2020 during the pre-pandemic period, with a sample size of $N = 120$, incl. owners/managers of manufacturing companies. Non-randomised sampling was applied. Questionnaires had been sent to 200 companies, only 126 were completed, of which 6 were not filled entirely and were therefore rejected.

MS Excel was used to process the obtained results, which enabled their graphical and statistical presentation. Hypothesis verification was in turn conducted with the use of the chi-squared test.

4. Results

Based on the survey, data was obtained proving that 65% enterprises participating in the survey (78 entities) use outsourcing in their activities. The remaining part – 35% (42 entities) do not use this type of services. The data presented in Table 1 indicate that all medium and large enterprises use outsourcing services, among small enterprises this percentage is 81.1% (30 out of 37 entities), and for micro enterprises it is 36.4% (20 out of 55 entities) (Table 1).

Table 1.*Characteristics of the research sample by company size and use of outsourcing*

Company size	Outsourcing Used		Total
	Yes	No	
Micro-sized	20	35	55
Small-sized	30	7	37
Medium-sized	21	-	21
Large-sized	7	-	7
Total	78	42	120

Source: Own elaboration.

Considering the scope of company activities, it can be observed that all participating entities with international operations outsource certain functions, and that no entity operating locally uses this type of service. In the case of companies with a regional scope, the percentage of outsourcing is 25% (3 entities out of 12) and 50.9% (3 entities out of 12), and 50.9% for those operating regionally (28 entities out of 55). Detailed data on this issue are presented in Table 2.

Table 2.*Characteristics of the research sample in terms of the scope of company activities and the use of outsourcing*

The scope of company activities	Outsourcing Used		Total
	Yes	No	
Local	-	6	6
Regional	3	9	12
Domestic	28	27	55
International	47	-	47
Total	78	42	120

Source: Own elaboration.

Exploring the cross tabulation showing the research sample from the perspective of the market operation duration and the use of outsourcing, it can be noted that companies operating in the market for less than 1 year do not use this type of service. The percentage of companies that operate on the market for 1 to 5 years and use outsourcing is 46.7% (7 out of 15 entities), from 6 to 10 years – 66.7% (18 out of 27 entities), from 11 to 15 years – 60.9% (14 out of 23 entities), and over 15 years – 84.8% (39 out of 46 entities). Detailed data on this issue are presented in Table 3.

Table 3.*Characteristics of the research sample by market operation duration and use of outsourcing*

Market operation duration	Outsourcing Used		Total
	Yes	No	
Less than 1 year	-	9	9
1-5 years	7	8	15
6-10 years	18	9	27
11-15 years	14	9	23
More than 15 years	39	7	46
Total	78	42	120

Source: Own elaboration.

The last area that needs to be analysed is the use of outsourcing from the perspective of the place of business (headquarters) of the company (Table 4).

Table 4.

Characteristics of the research sample by market operation duration and use of outsourcing

Place of business	Outsourcing Used		Total
	Yes	No	
City	58	30	89
Village	20	11	31
Total	78	42	120

Source: Own elaboration.

As it can be concluded from the data presented above, the percentage of companies using outsourcing by location of their business is similar. In the case of enterprises located in urban areas, 65.2% of them use outsourcing (58 out of 89 entities). Among enterprises located in the countryside this percentage is 64.5% (20 entities out of 31).

The use of outsourcing by companies is also associated with certain benefits that are expected by contractors. Figure 3 shows the answers of respondents on how the benefits identified influenced their decision to use outsourcing.

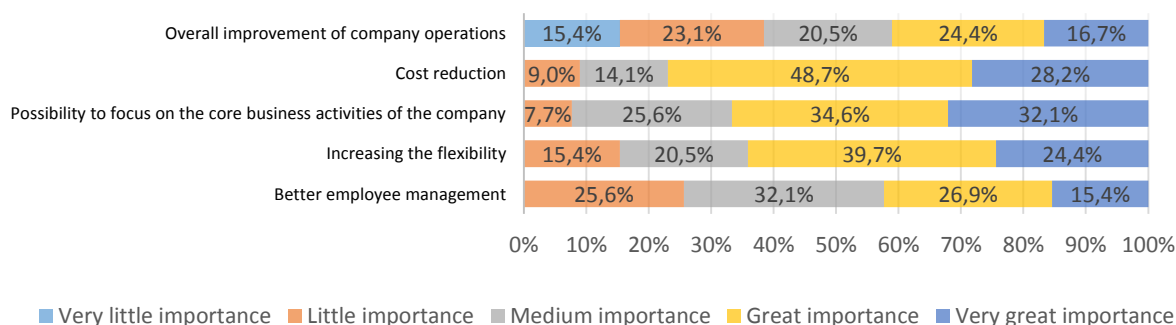


Figure 3. Evaluation of the impact of selected benefits on the use of outsourcing (N = 78).

Source: Own elaboration.

In the opinion of 42.3% of respondents (33 entities), the overall improvement of company operations was a benefit that had a high and very high impact on the use of outsourcing. Its medium impact was indicated by 32.9% (25 entities) and low impact by 25.6% (25 entities).

Cost reduction was perceived by 64.1% of respondents (50 entities) as a benefit with a high and very high impact on the decision to use outsourcing in their enterprises. 20.5% (16 entities) stated that it had a medium impact on the phenomenon discussed. In turn, 15.4% (12 entities) believed that it influenced the issue to a small extent.

According to 66.7% of respondents (52 entities), the possibility to focus on the core business activities of the company when outsourcing certain functions to external entities was a factor that had a high and very high impact on the decision to use outsourcing. 25.6% (20 entities) stated that this factor influenced them to a medium extent, and 7.7 percent (6 entities) described its influence as low.

Increased flexibility was, according to 76.9% of respondents (60 entities), a factor with a high and very high impact on the use of outsourcing. 14.1% (20 entities) described the contribution of this element as medium, and 9% (7 entities) identified it as low.

The last factor evaluated – better employee management – was rated as a high and very high impact by 41% of respondents (32 entities). 20.5 % of respondents (16 entities) were of the opinion that the impact of this factor was medium, and 38.5% (30 entities) described its contribution as small.

Table 5 provides a synthetic assessment of the impact of selected benefits on the use of outsourcing by the companies under the survey. The average of the individual benefits was calculated in the same manner as in the previous cases.

Table 5.

Average rating of the impact of selected benefits on the use of outsourcing (N = 78)

Benefits of using outsourcing	N	Marginal response values		Average	Mode
		Minimum	Maximum		
Overall improvement in the functioning of the enterprise	78	2	5	3.32	3
Cost reduction	78	2	5	3.73	4
The ability to focus on the core business of the enterprise	78	2	5	3.91	3
Increasing the flexibility	78	2	5	3.96	3
Better employee management	78	1	5	3.04	4

Source: Own elaboration.

The analysis of the data presented in the table above clearly shows that the benefits that determine to the greatest extent the decision to use outsourcing are: increased flexibility (average answer – 3.96, mode – 3) and the possibility to focus on the core activities of the enterprise (average answer – 3.91, mode – 3). The benefits that have the least impact on the above-mentioned phenomenon include: better employee management (average response – 3.04, mode – 4) and a general improvement in the functioning of the company (average response – 3.32, mode – 3).

To conclude this part of the discussion, it is necessary to refer to the last question answered by the respondents from the companies using outsourcing. This concerned whether the use of outsourcing brought the expected benefits (Figure 4).

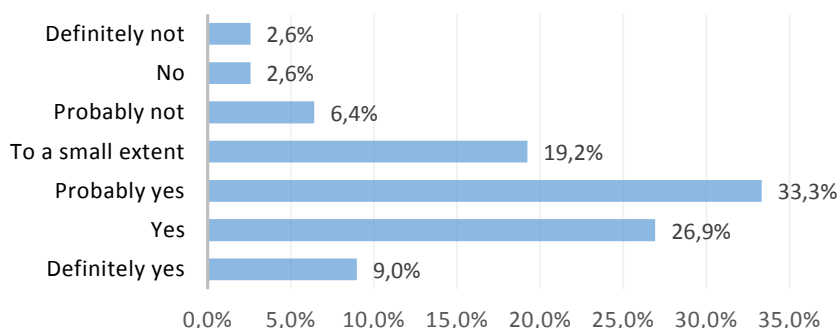


Figure 4. Assessment of the use of outsourcing from the perspective of the expected benefits (N = 78).

Source: Own elaboration.

As it can be seen from the above summary, 88.5% of respondents (69 entities) expressed greater or lesser satisfaction with the benefits of outsourcing in their companies. Dissatisfaction, on the other hand, is 11.5% of those participating in the survey (9 entities). The average of the answers given by the respondents was 0.95 (answer: "definitely yes" – weight of 3, answer "to a small extent" – weight of 0, answer "definitely not" – weight of -3) with a mode value of 1. Therefore, it can be concluded that the companies participating in the study are rather satisfied with the benefits brought by using outsourcing.

Subsequently, it was necessary to diagnose the reasons why 42 participating companies did not use outsourcing. The responses to this issue are presented in figure 4.

The figure 5 shows 92.9% of respondents (39 entities) believe that the lack of sufficient financial resources causes, to a large and very large extent, that they do not use outsourcing. For 7.1% (3 entities), this factor has an average impact on the discussed phenomenon.

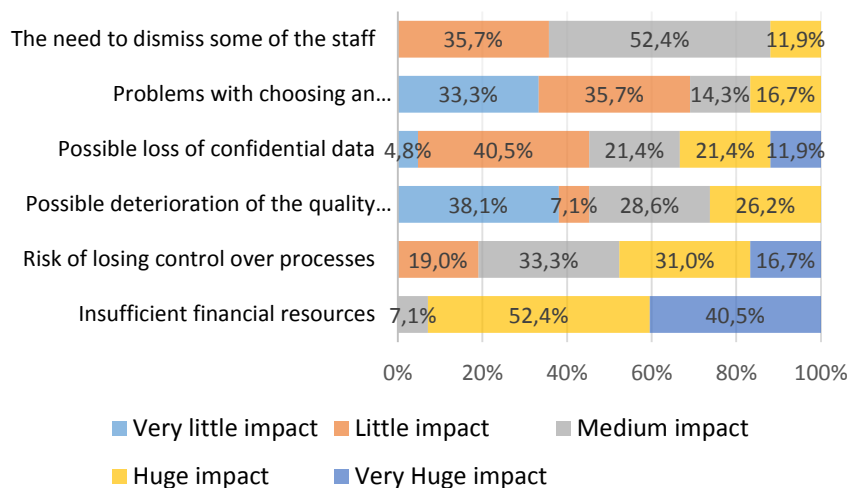


Figure 5. Assessment of situations determining the non-use of outsourcing by enterprises (N = 42).

Source: Own elaboration.

The risk of losing control over processes is a factor that discourages 47.6% of respondents (20 entities) to a large and very large extent to outsource the implementation of specific services to external companies. 33.3% (14 entities) described the share of this factor as average, and 19% (8 entities) as small.

In the opinion of 45.2% of respondents (19 entities), the risk of service quality deterioration is not important in terms of their company not using outsourcing. The medium influence of this factor on the phenomenon in question was indicated by 28.6% (12 entities), and large and very large - 26.2% (11 entities).

The risk of losing confidential data has a low and very low impact on the fact that 45.2% of respondents (19 entities) do not use outsourcing. The risk of confidential data leakage is a problem of average importance for 21.4% of respondents (9 entities), and for 33.3% (14 entities), it is a great and very great threat. Problems with choosing an outsourcing operator, according to 69% participating in the survey (29 entities), have little impact on their non-use of

outsourcing. 14.3% (6 entities) indicated that the problem has a medium impact on the mentioned phenomenon. In turn, 14.3% (6 entities) indicated that this problem has a medium impact on it, and 16.7% (7 entities) described it as large or very large.

According to 52.4% of respondents (22 entities), the necessity to make some employees redundant at the time of outsourcing has a medium influence on not using this type of service. 35.7% (15 entities) thought that the risk of such a situation occurring had little influence on the phenomenon in question, while 11.9% (5 entities) thought that the risk had little influence on the situation.

In order to deepen the discussed issue a synthetic assessment of the significance of selected situations that determine the fact that the surveyed companies do not use outsourcing. The average was calculated in the same manner as in the previous cases.

Table 6.

Average rating of importance of situations determining the non-use of outsourcing by enterprises (N = 42)

Situations determining the non-use of outsourcing	N	Marginal response values		Average	Mode
		Minimum	Maximum		
Insufficient financial resources	42	3	5	4.33	4
Risk of losing control over processes	42	2	5	3.45	4
Possible deterioration of the quality of services	42	1	4	2.43	1
Possible loss of confidential data	42	1	5	2.95	2
Problems with choosing an outsourcing operator	42	1	4	2.14	2
The need to release some of the staff	42	2	4	2.76	3

Source: Own elaboration.

The table 6 shows, the situations that to the greatest extent determine the non-use of outsourcing services by the surveyed enterprises are: insufficient financial resources for this type of activities (average response – 4.33, dominant 4) and the risk of losing control over processes (average response – 3.45, mode – 4). On the other hand, the situations which have the least influence on the phenomenon in question are: difficulties in selecting an outsourcing provider (average response – 2.14, mode – 2) and the risk of deterioration in the quality of services (average response – 2.43, mode – 2). Therefore, it can be concluded that the respondents have no major issues with choosing an outsourcing operator and are little concerned about the possible deterioration of the quality of services. This is mainly due to a lack of sufficient resources and, to a lesser extent, the fear of losing control over the outsourced processes.

Hypothesis 01 - The greatest benefit of using outsourcing is the ability to focus on the core activities of the business, was verified by analysing the responses to assess the impact of selected benefits on the use of outsourcing. When exploring the answers it can be seen that the benefits that are most relevant from the perspective.

Conducting the chi-squared test allowed the examination of the relationship between the number of the highest answers given by the respondents (high and very high impact) in terms of the ability to focus on the company core activities, and the highest answers given in terms of

other benefits. The relationship between the indicated variables was not statistically significant – the statistic value of χ^2 was 3.233, the p-value – 0.072167 and was higher than the adopted significance level of 0.05. Therefore, it should be concluded that the greatest benefit of outsourcing is not the ability to focus on the company core activities. The auxiliary hypothesis was rejected.

Hypothesis 02 - The main reason why enterprises do not use outsourcing is the lack of sufficient financial resources, it was verified by analysing the responses in terms of assessing the significance of the situations determining the non-use of outsourcing by enterprises. When exploring the answers, it can be noticed that the basic reasons indicated by enterprises in this regard are: insufficient financial resources and the risk of losing control over processes. Conducting the chi-squared test enabled the possibility to examine the relationship between the number of the highest answers given by respondents (high and very high impact) in relation to the lack of sufficient financial resources, and the given highest answers in relation to other situations that determine not using outsourcing. The relationship between the indicated variables was statistically significant - the statistic value of χ^2 was 4.7423, the p-value – 0.029429 and was higher than the adopted significance level of 0.05. Therefore, there are no grounds to reject the hypothesis. It should thus be considered that the main reason why companies do not use outsourcing is the lack of sufficient financial resources. The H02 hypothesis was also confirmed.

5. Discussion

Outsourcing directly influences both the strategy and the organisational structure of an enterprise, resulting in its significant impact on economic and social conditions within the business entity. The outsourcing impact power depends in particular on the outsourced areas and functions of the company and their greater or lesser strategic significance (Kłos, 2017, p. 42). Figure 6 depicts the outsourcing impact power of activities on corporate strategy.

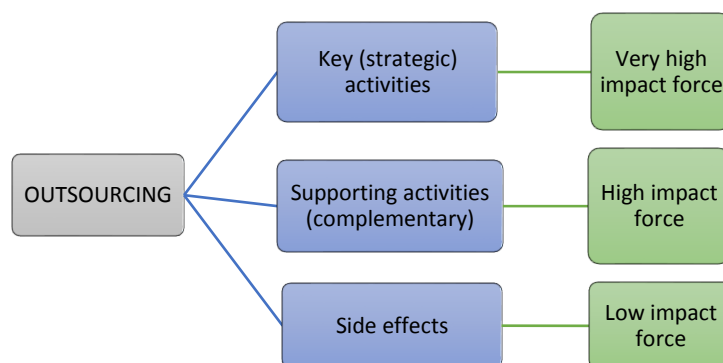


Figure 6. Impact power of activities conducted within outsourcing on corporate strategy.

Source: Kłos, M. (2017). *Outsourcing in Polish enterprises*. CeDeWu Publishing House. Warsaw, p. 42.

As it can be observed in the above diagram, side activities usually have a marginal impact on achieving strategic objectives. Outsourcing of auxiliary (supplementary) functions is more significant for the company, while the core (strategic) activities, which both create value and contribute to achieving superior objectives, are the most important (Rothaermel et al., 2006, pp.1034-1035; Fisher et al., 2008, p. 173). When outsourced, it can weaken the position of the outsourcer, which is most often due to poor identification of areas/functions that may be the subject of outsourcing. There are also cases in which a company has several strategic areas of activity and outsourcing some of them can be an effective solution if an analysis is carried out in advance (Sdiri, Ayadi, 2016, pp. 3-4).

It should be noted that the benefits for an enterprise that result from outsourcing cooperation are in most cases dependent on such factors as: the size of the business entity, the industry/sector, the scale of operations or the type of outsourced function/activity. In practice, however, there are certain positive aspects that usually occur in a business entity after the implementation of outsourcing, regardless of the factors indicated above. They include mainly (Holcomb, Hitt, 2007):

- a significant increase in the flexibility of a particular economic entity,
- the ability to focus and develop those activities that are strategically important for the company,
- the opportunity to save time, and the opportunity to use their experience and knowledge due to cooperation with external entities,
- the possibility of reducing costs related to areas/functions excluded from the economic entity,
- an increased liability of external entities – transactions made as part of outsourcing result in sharing risks incurred,
- the possibility of reducing financial obligations and employment.

The individual benefits of outsourcing can be considered in the terms of strategic, organisational, technological and financial gains, as presented in Figure 7.

Effective cooperation with external entities may also greatly improve customer service. It could be manifested by, e.g. much faster decision-making (e.g. handling complaints) or order processing. This fact can improve the manner in which the company is perceived by customers, as much as it can increase its credibility (Bhide, 2005, pp. 44-45). Another important aspect from the perspective of the functioning of a business entity is the impact of outsourcing on its organisational structure. Along with the constantly changing economic, technological, formal, legal and social conditions, an objectively determined necessity arises for both continuous improvement and adaptation of the organisational structure to the changing and turbulent environment. Stable organisational structures are perceived nowadays as a brake on intensive company development (Wernerheim, 2012, p. 437). The new conditions, together with progressive globalisation, require a flexible organisational structure to facilitate the implementation of increasingly difficult tasks.

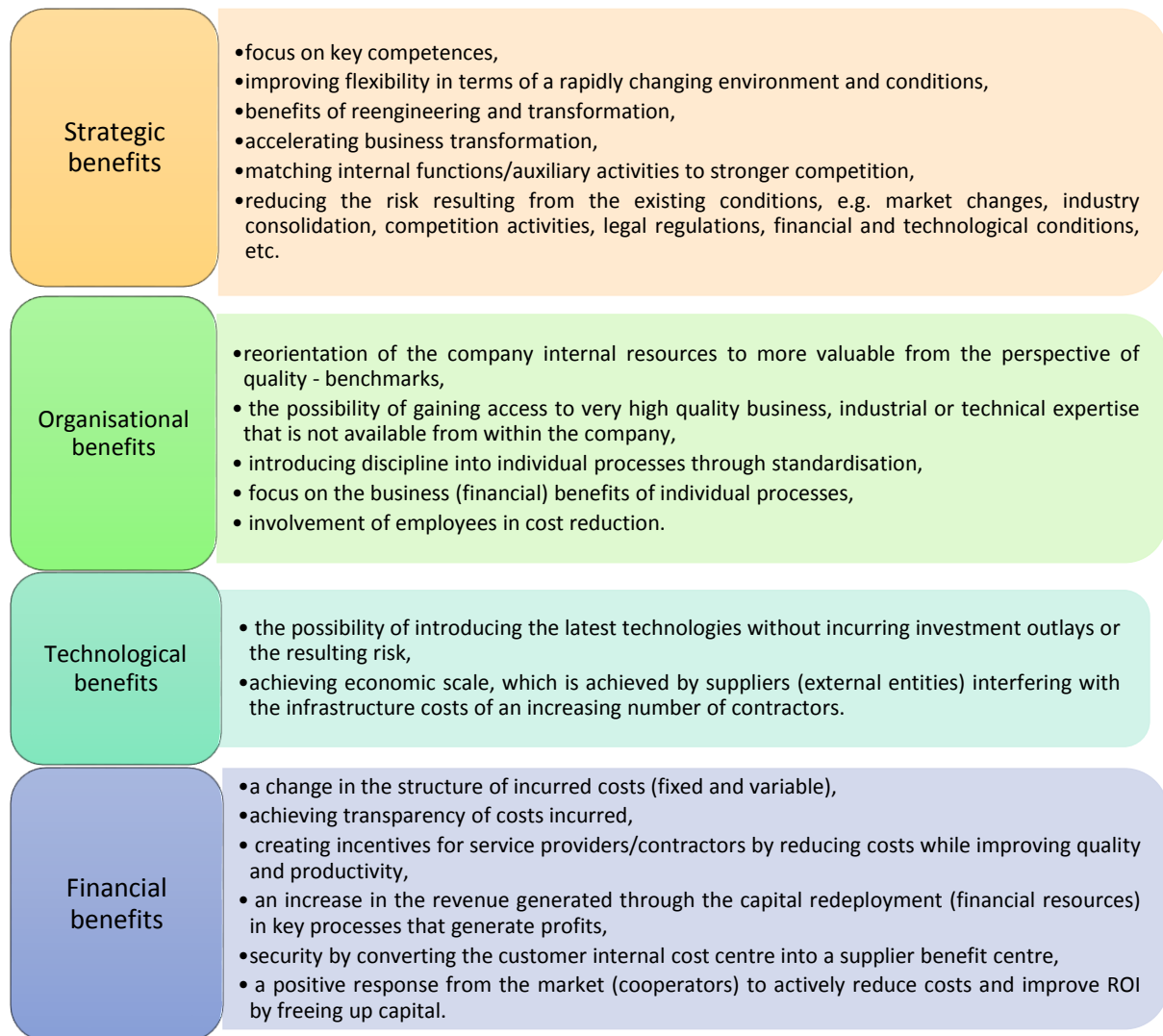


Figure 7. Characteristics of the benefits of outsourcing in the company.

Source: Bhide, B.D. (2005). *Strategic: Decision, Analysis, Best Practices and Emerging Trends*. In: Brudenall (ed.): *Technology and Offshore Outsourcing Strategies*. Palgrave Macmillan, New York, pp. 44-45.

In the age of globalisation, outsourcing is becoming one of the most important tools for bringing order to organisational structure (Piersiala, 2019, p. 169)

However, amongst the typical disadvantages/threats and issues arising from the use of outsourcing by companies, the following can be distinguished (Bhagwati et al., 2004, pp. 94-95):

- wrong managerial practices related to outsourcing functions/areas from the company activity (the reasons may be numerous, e.g. badly conducted/prepared preliminary analysis, choosing the wrong external entity, improperly (badly) formulated outsourcing agreement),
- higher start-up costs for outsourcing than initially assumed; the risk of additional hidden costs (in the case of cooperation with a dishonest outsourcer),

- the risk of losing control over the method used to conduct the unbundled business,
- increased dependence on external parties (suppliers),
- the risk of losing confidential information,
- the risk of having to make some employees redundant, which causes problems between employer and employee,
- the risk of deterioration in the quality of the products provided, which may be the result of inadequate workmanship by an external entity,
- the risk of losing certain competitive advantage sources in the market.

Depending on the nature of a specific threat/problem/disadvantage, they can be divided in a similar manner as advantages into: strategic, organisational, technological and financial, as presented in Figure 8.

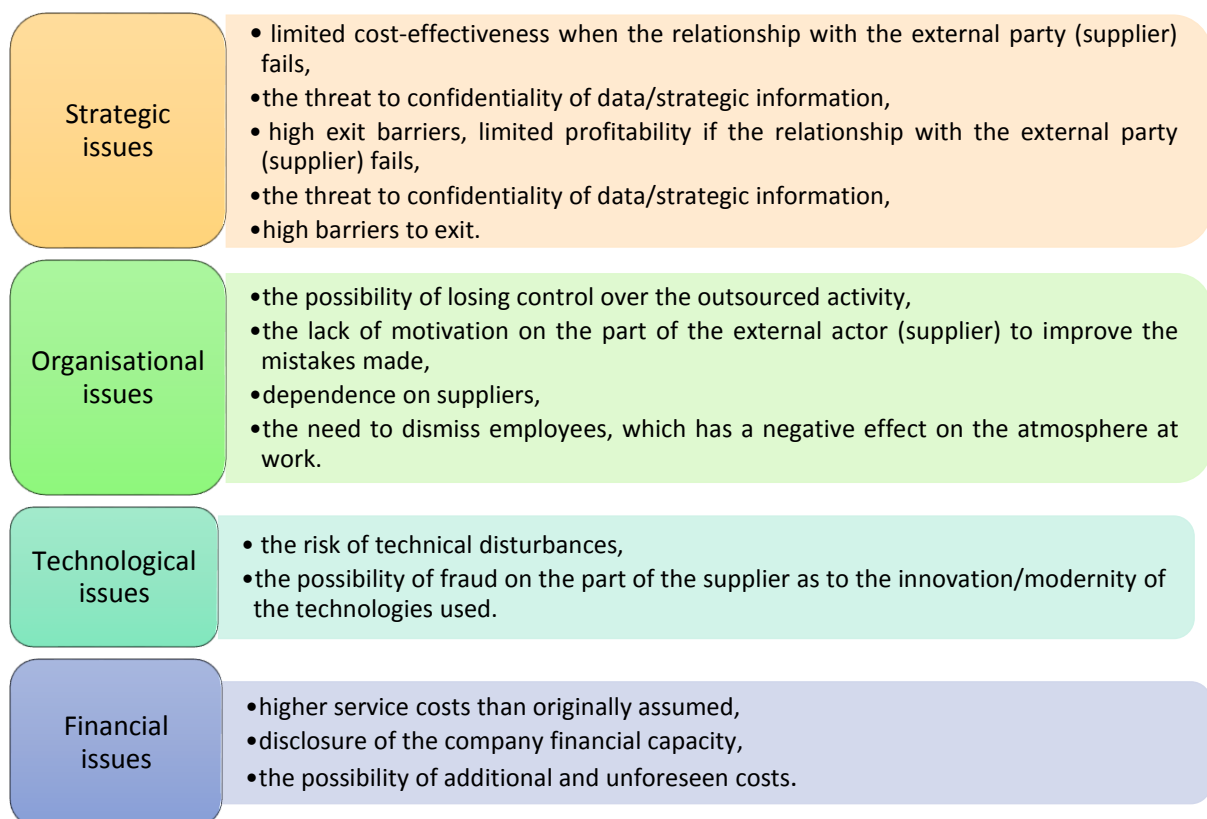


Figure 8. Characteristics of potential disadvantages/problems resulting from the use of outsourcing in the enterprise.

Source: Bhide, B.D. (2005). *Strategic: Decision, Analysis, Best Practices and Emerging Trends*. In: Brudenall (ed.), *Technology and Offshore Outsourcing Strategies*. Palgrave Macmillan, New York, pp. 45-46.

Summarising the above considerations, it can be concluded that outsourcing is a management concept that implies significant changes in the organisation of company activities (van Jaarsveld, Yanadori, 2011, p. 3, 10). This applies not only to changes in the economic and organisational area, but also to shifts in the social area. What is important here is that the human factor plays an extremely important role in outsourcing. People can be both the creators of any innovation and the primary source of resistance to it. They are also the essence

of economic entities (Brecher, Chen, 2010, pp. 990-992). It is reflected in their skills, abilities, motivation, knowledge, creativity and potential (Bhide, 2005). These factors are highly important from the perspective of the economic benefits of outsourcing.

In view of the above, research was conducted to determine which manufacturing companies and what percentage of them use outsourcing services and what benefits they gain from doing so. The study involved a total of 120 business entities with manufacturing operations in Poland. According to the data, micro-enterprises (employing up to 9 workers) were the most numerous group, with 45.8% (55 entities). Small enterprises (employing from 10 to 49 employees) also had a significant share in the total number – 30.8% (37 entities) and medium-sized enterprises (employing 50-249 employees) – 17.5% (21 entities). Large companies (employing 250 and more employees) accounted for only 5.8% (7 entities).

The businesses participating in the survey were operating at different ranges. The largest percentage of them – 45.8% (55 entities) operated on a national scale. Enterprises that operated on the international market accounted for 39.2% (47 entities). The smallest share in the sample was recorded in the case of companies operating locally – 5% (6 entities) and regionally – 10% (12 entities). A detailed summary of the feature concerning the examined enterprises is presented in Figure 9.

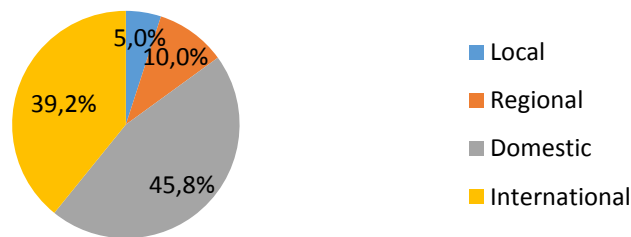


Figure 9. Structure of the research sample by business scope.

Source: Own elaboration.

The survey was dominated by the oldest companies, operating for over 15 years, which accounted for 38.3% in total (46 entities). Enterprises operating on the market for 6 to 10 years accounted for 22.5% (27 entities), and from 11 to 15 years old – 19.2% (23 entities). The total share of enterprises that have been in the market for up to 5 years was 20% (24 entities). Most of the analyzed enterprises are based in urban areas - 74.2% (89 entities). Enterprises located in rural areas account for only 25.8% (31 entities).

6. Summary

When considering the premises for the use of outsourcing by business entities, one should first of all take into account the fact that in each enterprise there are many different internal factors, the existence of which affects, to a greater or lesser extent, outsourcing decisions.

Critical analysis of the literature on the subject, on the basis of which the theoretical issues presented and the survey with the use of the questionnaire, were described, allowed to answer the research questions and verify the hypotheses. The following hypotheses were confirmed:

H01: Majority of Polish manufacturing companies use outsourcing services, and the greatest benefit of outsourcing is the ability to focus on the core business of the company.

H02: The main reason why companies do not use outsourcing is the lack of sufficient financial resources.

Most of the surveyed entities used outsourcing, however to a different extent and scope. Taking into account the size criterion, all medium-sized and large entities, the majority of small entities and almost every third micro-enterprise used outsourcing. From the perspective of the scope of their activities, outsourcing was used by all entities operating on the international market, nearly half of the companies operating on the domestic market and every fourth company operating locally. On the other hand, entities operating locally did not use outsourcing. Considering market operation duration, the percentage of companies using outsourcing increased proportionally to their existence, with companies operating on the market for up to 1 year not using it at all. There were no significant differences in terms of locating the enterprise. In both cases (city, village), the percentage of enterprises using outsourcing was similar and amounted to approx. 65%.

Representatives of enterprises using outsourcing services noticed many benefits of using this type of solution. Among the most important of these, they pointed out: the ability to focus on the core business of the company and increased flexibility of operation. Benefits such as an overall improvement in the functioning of the company and better personnel management were of little importance to them. It should also be noted that the vast majority of respondents using outsourcing assessed it positively from the perspective of expected benefits.

Failure by companies to use outsourcing is primarily due to the lack of sufficient financial resources and the risk of losing control over outsourced processes. Despite not currently using outsourcing, the majority of respondents wish to use this type of service in the future. They would cover areas such as finance (incl. accounting), health and safety, IT and public relations.

In conclusion, it should be noted that outsourcing as a management concept is one of the easiest ways for companies to achieve greater efficiency, and therefore it is necessary to pay great attention to it. This is because it fits in very well with the trends set by globalisation processes and the development of information technologies, which enable companies to cross national borders and sectors. It is thus necessary to monitor the use of outsourcing by economic entities. It is also important to mention that the study carried out for this thesis does not fully explore the issues involved. It is recommended that studies of this type be conducted again in the future. Particular attention should also be paid to enterprises from the SME sector as they constitute the backbone of the Polish economy and their use of outsourcing may have a positive impact on increasing the efficiency of their operations and increasing their competitiveness, especially in the current post-pandemic economic situation.

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