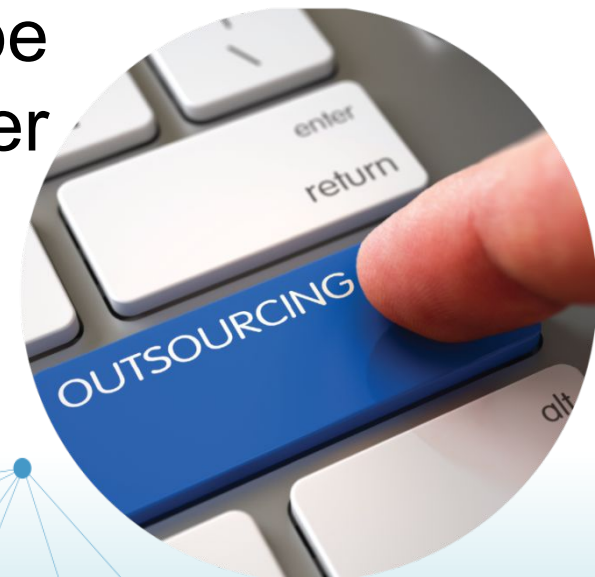


OUTSOURCING IN BELARUS



Outsourcing is a business practice used by companies to reduce costs or improve efficiency by shifting tasks, operations, jobs or processes to an external contracted third party for a significant period of time. The functions that are contracted out can be performed by the third party either onsite or offsite of the business.



The incentives for using outsourcing:

- the reduction of costs;
- the desire to use the best practices;
- improve the quality of work;
- achieve organizational mobility and flexibility;
- focus on the key business;
- shifting risks to the service provider;
- lack of expertise in the organization.



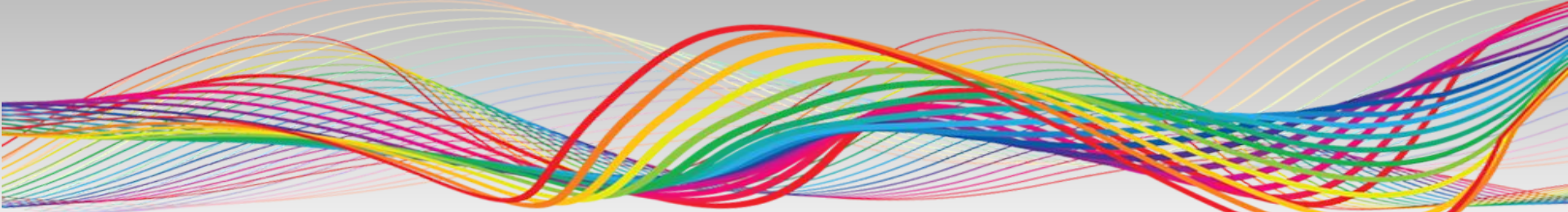
The disadvantages for using outsourcing:



- leads to more complicated work;
- deviations in the value creation goal, demanding more than expected for the attention of senior management and managerial skills;
- contracts can not guarantee full protection from damage to customers and business caused by non-fulfillment of obligations;
- generates fundamental risks, many of which can not be avoided;
- the ability of the organization to respond quickly to changes in the market is reduced.

Popularity of outsourcing





Factors which prevent broad applying of outsourcing in Belarus:

- inertia of management thinking or dependency in making strategy decisions;
- completed own staff of specialists;
- concern for confidentiality of information;
- strong vertical integration;
- running business in this mode means an extremely high level of management organization, competent strategic planning and professional operational management, clear financial management, reliable quality control mechanisms.



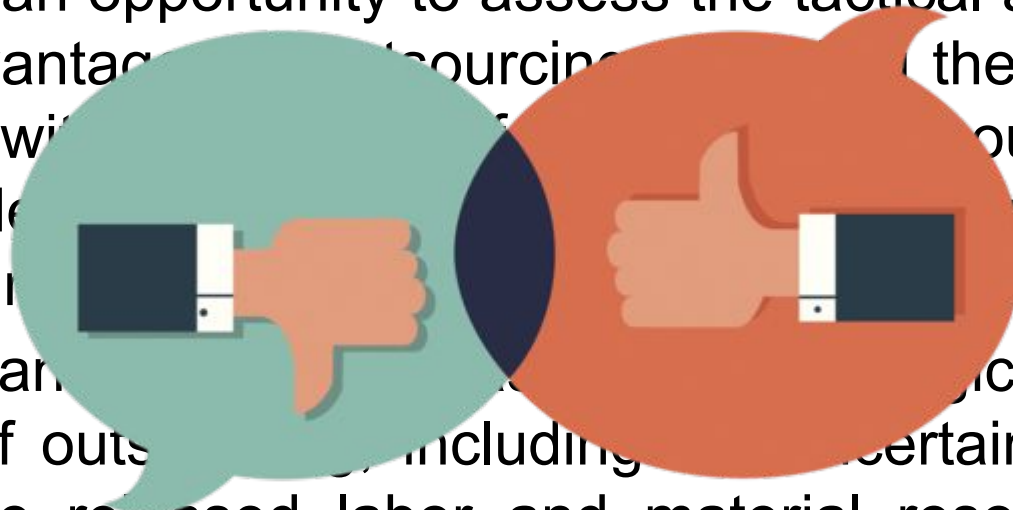
Outsourcing at OJSC «Gomel Casting and Normals Plant»


1. Define functions and auxiliary production which can potentially be outsourced.
2. Analyse the company's internal costs.
3. Assess the risks of transferring selected auxiliary productions and functions to outsourcing.



Questions that remained open:

- the lack of an opportunity to obtain reliable quantitative and qualitative information for assessing the efficiency of the business, due to the fact they are not described and regulated in the organization;
- the lack of an opportunity to assess the tactical advantages and disadvantages of outsourcing, and the main risks connected with outsourcing, as it requires detailed and effective monitoring;
- the lack of an opportunity to analyze the specific merits and demerits of outsourcing, including uncertainty what to do with the released labor and material resources, and probability easily return the outsourced processes to the enterprise.





The ministries, concerns and management of domestic enterprises will have to solve tasks:

- to determine the economic expediency of restructuring and transferring certain functions and processes to outsourcing;
- the procedure of preparing a decision on the use of outsourcing, monitoring outsourcers, monitoring the performance of the work and services provided, the parameters of the processes and functions transferred;
- peculiarities of switching to outsourcing and returning the transferred processes back to the enterprise.



THANKS FOR WATCHING !

