

## OUTSOURCING USE ON VARIOUS LIFE CYCLES OF ENTERPRISE DEVELOPMENT

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Various models of organizational development of an enterprise are being analyzed in this article, as well as the introduction of various kinds of outsourcing at an enterprise taking into account its life cycles in conformity with parametrical features of its organizational development.

In present-day conditions there is a certain growth of uncertain industrial and economic activity of an enterprise because of highly dynamic environmental changes.

A new method to oppose the negative influence of such uncertainty is to launch a more effective strategic planning system using the whole complex of management tools which is outsourcing.

Now there is an ambiguous definition of what is called "outsourcing".

In the world of scientific researches various authors consider outsourcing in the context of different views.

Thus outsourcing is considered as a management tool, a business organizing system, a key factor and many others. But outsourcing is always aimed at effective functioning of an enterprise and is closely connected with its restructuring and optimization of business processes and its functions.

External resources given by outsourcing companies reduce the costs in finance, time, labour, production etc.

According to many demands there are several types of outsourcing:

- ◆ IT-outsourcing;
- ◆ logistics outsourcing;
- ◆ scientific production outsourcing;
- ◆ enterprise management outsourcing;
- ◆ financial and banking activities;
- ◆ business training outsourcing;
- ◆ labor outsourcing, etc.

Today there is a wide range of scientific methodologies in various problematic areas including that of outsourcing. The system approach has a lot to do with scientific researches. However, the system methodology is reduced to factor analysis when the object is analyzed by difficult economic-mathematical models. Revealing

and identification of the elements forming the enterprise is supreme. As T. Parsons marks: "It would be senseless to describe changes in system of variables before variables" are allocated and described. When considering introduction of outsourcing as a part of a system approach it is necessary to define criteria and co-operating elements representing the enterprise.

Besides allocation of the elements which the organization consists of, it is necessary to consider that an enterprise, like any other system, is changing in time and is influenced by various circumstances. According to K. Marx time saving "remains the first economic law based on collective manufacture". The enterprises dealing with outsourcing companies aim at efficiency increase as they save their time.

Before making an administrative decision to use outsourcing it is necessary to decide on its suitability and the company's readiness for it, i.e. to consider organizational development of the enterprise. Three most settled approaches to revealing organizational development of an enterprise are distinguished:

- ◆ Organizational development as natural process of qualitative changes in the organization in the course of time;
- ◆ Organizational development as the changes dealing with making an organization wider due to numerous innovations made;
- ◆ Organizational development as a strategy of an enterprise.

According to the first approach the enterprise development is compared with the development of a living organism having vital phases from a birth to death. Without these vital processes the "organizational integrity" is upset and as result the organization is destroyed. While developing the enterprise undergoes certain changes and its organization structure turns

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from initially simple and flat into a more and more branched out and multilevel.

According to the second approach organizational development is impossible without the innovations that increase qualitative and quantitative indicators (job expansion, turn-over growth etc.). The use of outsourcing services may be an alternative to such innovations.

Organizational development from a position of the third approach consists in use of available resources and the possibilities of the organization which is necessary for its successful functioning and development. Thus organizational development is understood as the way to implement all the pre-planned changes.

Organizational development of an enterprise is believed by various authors to have various models. Such factors as age, size, character of the activity, technologies used, purposes and values, and even the human factor are the cores in all the approaches given. However extensiveness of elements which the enterprise consists of, represents certain difficulty for revealing an unambiguous model for the outsourcing introduction. The problem is that lots of criteria and the stages of development the company must be thoroughly considered before outsourcing is introduced. For revealing the most comprehensible model of organizational development it is necessary to shine the most known and conventional ones.

There are at least ten models of organizations development. They were developed in America during the period with 1967 on 1983 which have been widely admitted in the theory of management:

1. A. Daun "Driving Force for Growth"(1967)

2. G. Lippitt and U. Schmidt: "Administrative participation"(1967)

3. Scott: "Strategy and structure"(1971)

4. L. Grejner: "Leadership Problems at Evolution and Revolution stages"(1972)

5. U. Torbert: "Mentality of members of the organisation"(1974)

6. F. Liden: "Functional problems"(1975)

7. D. Katz and R. Kan: "Organizational structure"(1978)

8. I. Adizes: "the Theory of life cycles of an organisation"(1979)

9. J. Kimberley: "the External social control, structure of work and relations with the environment"(1979)

10. R. Kuinn and K. Kameron: "Integrative model"(1983)

Besides various parametrical and classification features on which comparison of stages of development is made, there is a serious drawback. The authors of the considered models didn't succeed in any high-grade and long-term experimental researches. The enterprises are classified according to various characteristics that they obtain during various stages of development. As D. Miller and P. Frizen mark, carrying out such researches is complicated because of the following reasons:

◆ First, the organizations are at a certain stage of development, and they have come through the previous stages that leave traces on how they assess the situation;

◆ Secondly, the period of formation of an organization can take several years, that will provide doubtful results;

◆ Thirdly, widely known companies may publish the data of their development and changes while small firms may not do it;

◆ Fourthly, the existing information can undergo drastic changes owing to distortion of the given data from the research objects.

D. Miller and P. Frizen, as well as many other researchers in this area, classified the phases of development of an enterprise according to its age. Correlation of a certain stage of development of an enterprise according to a time piece is one of the most widespread errors of the company management. Futility of the given actions proves the fact of discrepancy of correlation between developments of an organization with the years the company exists. That can be proved visually by psychological researchers who have developed certain tools, characterizing division of the physical age and a real level of development (for example, IQ tests, the actual age of a child, his level of development can be completely different).

Objectivity of the data about the age of an enterprise with a binding to a certain stage of a life cycle can be distorted because of different cycle speed that an enterprise goes through under the influence of the surrounding market environment and, in particular, by a competition sharpness. It is necessary to notice that while the evolutionary periods tend to be rather short in the innovative branches developing rapidly, there are much longer evolutionary periods in mature or slowly growing branches.

Two more prominent aspects which are missed in the majority of models are ignoring the stages of early development and disintegration, and the enterprise liquidation. This point has been studied by L. Grejner's, I. Adizes, J. Kimberley.

It is necessary to notice that except the research offered by I. Adizes, none of the researches has a piece of a proper attention of disintegration and death stages since the given stage for some natural reasons is ignored by researchers owing to small application in practice. The information given is of much interest only from the point of view of its theoretical importance and demands working with contemporary records.

A certain interest from a position of introduction of outsourcing is represented by a model of life cycle of a developing organization by L. Grejner as it characterizes development of the enterprise from a management position. L. Grejner and I. Adezis presented the major parameters defining the model of development of any operating enterprise, such as age, size, revolution and evolution stages, and rates of branch increase.

Life cycles according to I. Adizes and L. Gejner are presented in the diagram (see figure).

According to L. Grejner, transition from one stage of development to another is the result of the revolutions occurring in the organization

caused by the following crises: leadership crisis, autonomy crisis, control crisis, bureaucracy crisis. It is truth that the evolutionary development of an enterprise faces problems at transitive stages.

The dissertation "Business organizations management methods at various stages of life cycles" by T. I. Bornovalova, Moscow 2008 carried out empirical research of features of management in the Russian companies which are at various stages of life cycles. The given researches are structured in the table that allows to estimate not only the existing conditions in some Russian enterprises, but also models of life cycles of the organization that represents certain value from a position of introduction of outsourcing on such parameters such as age of the organization, rate of increase of financial indicators, quantity of levels of hierarchy, the basic values, formalization degree, the personnel characteristics.

A certain kind of outsourcing can be recommended at each stage of life cycle of an organisation:

1. At a stage "Childhood" all activity is carried out by own forces because of limitation of financial possibilities though the requirement for using external resources is extensive and characterized by a lack of experience and knowledge of such areas as: information technology, tax organisation, accounting, human resources management etc.

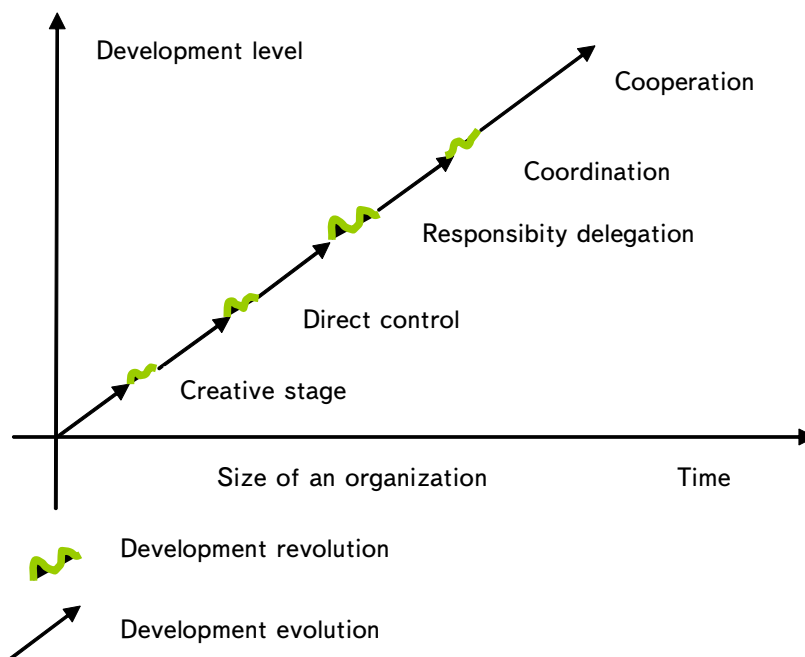


Fig. The diagram Life cycles of an organization by I. Adizes and L. Grejner

Life cycle analysis

Life cycle parameters/Stages	Childhood	Youth	Maturity	Ageing
Age of the organization	Under 5 years	5-10 years	11-15 years	Above 15
Rate of increase of financial indicators	Unstable	Fast, prompt growth	Slow growth	Absence of a gain
Comparison of the increase rate of a firm and its branch	<i>Enterprises &lt; branches T</i>	<i>Enterprises &gt; branches T</i>	<i>Enterprises T = branches T</i>	Absence of growth
Image of the organisation in the market	Absence of the information on the company	Active position in the market, recognition and authority growth	Gradually authority decrease, image ceases to work against young and perspective firms	Definitive loss of authority among consumers, clients
Recognition of the goods (mark, firm)	Either low or absent	High enough	High	Decreases
Quantity of hierarchy levels	Under 3	From 4 to 6	From 6 to 7	Above 7
Formalization degree	Low, oral rules of behaviour	Average, rules, instructions, specifications, document circulation system are established	High, the system of rules and norms covers all aspects of activity	High, the system of rules and norms covers all aspects of activity
The basic values	Mutual support, mutual aid, participation, honesty, reliability, fidelity, conscientiousness	Aspiration to be the best company in branch	High quality, long-term competitiveness and efficiency	Traditions, hierarchy, servility
The personnel characteristics	Multifunctionality of employees, narrow (related / friendly) circle	Versatile experts claimed by the market, ambitious employees focused on scale of problems and possibility to realise own projects	Narrow specialisation of the personnel, high staff turnover, the tendency to unjustified staff expansion	High staff turnover, bureaucratization of relations, an intense moral and psychological climate

2. At a stage “Youth” outsourcing is of much interest for the company management since the enterprise has average degree of formalization with some established rules, instructions, specifications, the set system of document circulation, financial possibilities and it requires optimization of processes.

3. At a stage “Maturity” the organisation faces bureaucracy and turnover of staff. In order to avoid it, it is recommended to attract both personnel by means of logistics outsourcing, and safety system. If the company isn’t afraid to lose control over non-profile actives, the enterprise has steady position in the market and its stable in financial indicators. At this stage the company needs to preserve the reached level. It’s also necessary to stay competitive, using some new methods and technol-

ogies and experience of the specialized outsourcing companies.

4. At a stage “Ageing” the recommendations for outsourcing use can be vital as the enterprise is characterized by high turnover of staff, bureaucracy and is in great need to reduce the size of the organisation until it is controllable and being well managed. At this stage it is recommended to appeal to outsourcing companies using new technology in research-and-production activity and corporate training.

The use of outsourcing services has a universal character. Outsourcing introduction methodology is based on a system approach and represents the enterprise as a system of interconnected elements according to their participation in a certain phase of organizational development.

The presented models of organizational development do not reveal the efficiency of outsourcing, but they allow to make recommendations for using some separate kinds of outsourcing at certain phases of the enterprise development.

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