

РАЗУМОВА

Катерина Миколаївна
ons@ua.fm

УДК 656.078.111.117

APPLYING OUTSOURCING FOR
IMPROVING ACTIVITY OF UKRAINIAN
RAILWAYS TAKING INTO ACCOUNT THE
EUROPEAN UNION EXPERIENCE

ЛИТВИНОВ

Володимир Володимирович
avoidroutine@gmail.comд.е.н., професор, завідувач
кафедри, Національний
Авіаційний УніверситетЗАСТОСУВАННЯ АУТСОРСИНГУ ДЛЯ
ПОКРАЩЕННЯ ДІЯЛЬНОСТІ
УКРАЇНСЬКОЇ ЗАЛІЗНИЦІ З
УРАХУВАННЯМ ДОСВІДУ ЄСстудент, Національний
Авіаційний Університет**RAZUMOVA Kateryna Mykolaivna** – Doctor of Economics, Professor, Head of department, National Aviation University**LYTVYNOV Volodymyr Volodymyrovych** – student, National Aviation University

This work defines the term outsourcing as an agreement in which one company hires another company to be responsible for a planned or existing activity that is or could be done internally and sometimes involves transferring employees and assets from one firm to another. The reasons why companies associate their competitiveness with outsourcing are primarily due to the fact that the necessary component of any activity is the cost not only of the core business, but also of managing non-core assets, which are necessary for normal operation.

The purpose of this work is to evaluate railway outsourcing opportunities as one of approaches of engaging small businesses in the industry and define the most perspective outsourcing activities of this industry.

The main criterion for outsourcing is to reduce costs (due to higher efficiency of outsourcing company) and to improve the quality of services provided. The main condition that must be observed when engaging an external organization is to conduct a tender. The assessment of outsourcing capabilities for the transfer of a part of non-core, ancillary functions to small businesses may consist of several procedures:

1. Identification of organizational features of Ukrainian Railways activity.
2. Defining the goals of outsourcing
3. Identification of directions and necessary conditions for outsourcing.
4. Creating a system of legal regulation of the relationship between the customer and the outsourcing company.
5. Making and implementing decisions about outsourcing.

The transfer of certain production and management functions of Ukrainian Railways to third parties is advisable to carry out in a certain sequence. The decision-making process for outsourcing can consist of six steps.

Step 1. Consideration of the possibility of outsourcing individual functions

Step 2. Assessing own capabilities

Step 3. Assessing the capabilities of outsourcing organizations

Step 4. Determining the cost effectiveness of outsourcing

Step 5. Preparation of necessary agreements, contracts and decision making

Step 6. Process control and reporting of the implementation of the decision

Outsourcing is advantageous for rail transport for the following reasons:

- cost savings;
- improving the productivity and wages of the main staff of the railways;
- improving the quality of work and services provided;
- maintaining the competitive advantages of railway transport.

* * *

Ця робота визначає термін аутсорсинг як договір, в якому одна компанія наймає іншу компанію, щоб та несли відповідальність за заплановану або існуючу діяльність, яка може бути або може здійснюватися внутрішньо, а іноді передбачає перенесення працівників та активів від однієї фірми до іншої. Причини, по яких компанії пов'язують свою конкурентоспроможність з аутсорсингом, пов'язані насамперед з тим, що необхідною складовою будь-якої діяльності є витрати не тільки на основний бізнес, але і на управління непрофільними активами, необхідними для нормальної роботи.

Метою даної роботи є оцінка можливостей аутсорсингу у залізничній сфері як одного із підходів залучення малого бізнесу до галузі та визначення найбільш перспективних напрямів для аутсорсингу у цій галузі.

Основним критерієм аутсорсингу є зниження витрат (за рахунок вищої ефективності роботи аутсорсингової компанії) та підвищення якості наданих послуг. Основна умова, яку необхідно дотримуватися при залученні зовнішньої організації – це проведення тендеру. Оцінка можливостей передачі частини непрофільних допоміжних функцій для аутсорсингу малому бізнесу може складатися з декількох процедур:

1. Визначення організаційних особливостей діяльності Української залізниці.
2. Визначення цілей аутсорсингу
3. Визначення напрямків та необхідних умов для аутсорсингу.
4. Створення системи правового регулювання відносин між замовником та аутсорсинговою компанією.
5. Прийняття та реалізація рішень щодо аутсорсингу.

Передача певних виробничих та управлінських функцій Української залізниці третім особам доцільно здійснювати у певній послідовності. Процес прийняття рішень щодо аутсорсингу може складатися з шести етапів.

Крок 1. Розгляд можливості аутсорсингу окремих функцій

Крок 2. Оцінка власних можливостей

Крок 3. Оцінка можливостей аутсорсингових організацій

Крок 4. Визначення ефективності витрат на аутсорсинг
Крок 5. Підготовка необхідних угод, контрактів та прийняття рішень
Крок 6. Контроль процесу та звітність про виконання рішення
Аутсорсинг вигідний для залізничного транспорту з наступних причин:
– економія витрат;
– підвищення продуктивності праці та заробітної плати основного персоналу залізниць;
– підвищення якості роботи та наданих послуг;
– збереження конкурентних переваг залізничного транспорту.

Ключові слова: Українська залізниця, аутсорсинг, залізничний транспорт, ефективність, прийняття рішень, вимоги, рекомендації, малий бізнес

Ключевые слова: Украинские железные дороги, аутсорсинг, железнодорожный транспорт, эффективность, принятие решений, требования, рекомендации, малый бизнес

Keywords: Ukrainian railways, outsourcing, railway transport, efficiency, decision-making, requirements, recommendations, small business

INTRODUCTION

Currently, there is a constant change in the position of business entities in the market. Businesses that do not improve production, marketing and service processes refuse to change management principles and are more likely to lose their positions compared to their competitors. It requires finding new, extraordinary ways of improving the efficiency of work that meet the requirements of a market economy. One of the available ways of ensuring efficient business activity and retaining competitive advantages is the use of outsourcing, i.e. the abandonment of non-core functions and outsourcing them to third parties [1, p. 127].

Outsourcing is an agreement in which one company hires another company to be responsible for a planned or existing activity that is or could be done internally and sometimes involves transferring employees and assets from one firm to another.

The reasons why companies associate their competitiveness with outsourcing are primarily due to the fact that the necessary component of any activity is the cost not only of the core business, but also of managing non-core assets, which are necessary for normal operation.

Usually, the financing of non-core assets renewal and modernization is carried out on a residual basis from the principal activity. For an outsourcing company, managing a client's non-core assets is a core business [8, p. 27].

Ukrainian Railways is a state-owned enterprise of rail transport in Ukraine, a monopoly that controls vast majority of the railroad transportation in the country [3].

The main purpose of reforming Ukrainian Railways is to increase the efficiency of its activity saving the competitiveness of rail transportation.

In order to achieve this aim, a number of measures should be taken to optimize the operation of the railways. This can be done by pooling their core business efforts and outsourcing non-core, ancillary functions (ancillary activities) to outsourced organizations.

PURPOSE OF WORK

The purpose of this work is to evaluate railway outsourcing opportunities as one of approaches of engaging small businesses in the industry in terms of reforming it. Also, the objective of the work is to determine the prerequisites for outsourcing and a list of

procedures by which to evaluate the feasibility of outsourcing in the field of rail transport, outlining the stages of decision-making on the use of outsourcing and determining the types of railway activities that are perspective for outsourcing to small businesses.

RESEARCH METHODS

Research methods used in this work are comparison, analysis, synthesis, generalization and modeling.

RESULTS

The outsourcing of some functions of an organization is strategically feasible if the following prerequisites exist: better and cheaper products (services) of third-party suppliers; reduction of risks associated with changes in technology and / or purchasing preferences; increasing organizational flexibility and expeditious decision-making; increase of efficiency of functioning of the customer's organization; promptness and flexibility of the supplier's organization; shorter lead times and lower risks in outsourcing; sufficient level of competence of the supplier's organization; availability of some experience in the supplier's organization; acceptable transparency of the activity of the supplier's organization; high loyalty on the part of the supplier's organization; satisfactory resourcing of the supplier's organization [2, p.110].

The main criterion for outsourcing is to reduce costs (due to higher efficiency of outsourcing company) and to improve the quality of services provided.

The main condition that must be observed when engaging an external organization is to conduct a tender.

Outsourcing is one of the specific ways to engage small businesses in the rail industry.

There are two forms of non-core work transfer:

- outsourcing of the work to an outsourced specialist (outsourcing);
- involvement of highly qualified staff of the supplier's organization to perform certain types of work (outstaffing).

Depending on the organization of the performance of non-core functions in a particular railroad, one of the above forms is selected for their transfer.

The assessment of outsourcing capabilities for the transfer of a part of non-core, ancillary functions to small businesses may consist of several procedures:

1. Identification of organizational features of Ukrainian

Railways activity.

When considering outsourcing of certain types of outsourcing work performed at Ukrainian Railways, the following organizational features should be taken into account: the main Ukrainian Railways enterprises are involved in the transportation process, each of which has its own basic and auxiliary technological processes; individual support processes are identical in content to all households; territorial-geographical dispersion of linear subdivisions of the main households, which in some cases complicates the use of existing forms of outsourcing. Each of these structures can independently decide on the transition of individual groups of employees to outsourcing.

2. Defining the goals of outsourcing.

The use of various forms of outsourcing should ensure the achievement of the following objectives: improving economic efficiency and reducing costs in railways' economic activities; reducing the need for investment in the development of non-core activities and functions; release of the railways and their subdivisions from performing the functions which are not peculiar to them; increasing maneuverability in the use of personnel, creating conditions to compensate for seasonal needs of additional staff; improving the quality of services provided.

3. Identification of directions and necessary conditions for outsourcing.

In order to ensure the above goals and fulfill the conditions of outsourcing, it is necessary to focus on the following areas of its development: transition from outsourcing to certain organizations of individual technological operations (work performed by individual employees) to transfer to organizations of this kind of technological processes, production cycles related to the provision of completed types works and services, types of business, and individual functions; increasing the geographical scope of outsourcing; introduction of competitive mechanisms for involvement of specialized suppliers' organizations.

When engaging outsourced organizations for outsourcing in the field of railway transport, the following basic conditions must be strictly observed: compliance with the regulatory documents (acts) of Ukrainian Railways and executive bodies governing the work of the technological processes transmitted and related; compliance with technological and environmental safety standards; ensuring the economic security of Ukrainian Railways and maintaining its market position; liability of third-party suppliers for the quality, volume and time of performance of services, works, functions and supplies of products (services); availability of market and competitive environment; conducting competitive procedures. Competition procedures should be conducted on the principle of openness, equal rights, efficiency and responsibility. Participation in the procedures for the submission of proposals is allowed to organizations that have adequate sustainable financial performance, are not at the stage of liquidation, bankruptcy or reorganization, have no overdue debt to the state or local budgets. The participant of the competition must document his / her ability to deliver products, perform works and provide services, have the necessary licenses and permissions.

4. Creating a system of legal regulation of the rela-

tionship between the customer and the outsourcing company.

In order to maximize the competitive advantages of outsourcing, a reliable system of legal regulation of the relationship between the customer and the outsourcing company should be established. As outsourcing is a relatively new concept for rail transport, its capabilities and legal implications have not been fully explored by enterprises themselves, government agencies, insurance companies and licensing organizations. It can be argued, based on the current situation, that those who undertake rail services at the outset of outsourcing are in serious danger of re-evaluating their own strengths. Not everyone is able to provide the services of the required quality and professionally perform the work. As a result, lack of qualifications and equipment can discredit the outsourcing idea. Relations between Ukrainian Railways and the outsourcing organization should be built on the basis of long-term and current contracts [4, p. 48].

The current legislation does not contain rules governing the outsourcing contract. However, the fact of the absence of such norms does not prevent the signing of a similar legal construction contract. Therefore, when signing a contract, the main focus should be on the subject of this contract.

Agreements and contracts are developed on the basis of standard forms approved by Ukrainian Railways. Agreements must include the following mandatory elements: the types of services, work performed or functions to be provided; prospective volumes of services, works or functions performed; the procedure and terms of cooperation of the parties; mutual commitments of the parties on business development; ensuring the economic security and preservation of rail market positions, the liability of the parties (outsourcers' material liability for the quality, scope and duration of services, works) and mechanisms for monitoring compliance with contractual obligations and ensuring the quality of services, works or products.

5. Making and implementing decisions about outsourcing.

Offers for railway outsourcing may be made by the Railway Management Services, Railway Departments and other Railway Departments. The proposals must contain the necessary calculations and analytical materials and must be considered in accordance with the current regulations at Ukrainian Railways. The amount of costs under the contract should be less than the cost of the railway, which is released when transferring non-core functions, ancillary processes. The transfer of certain production and management functions of Ukrainian Railways to third parties is advisable to carry out in a certain sequence. The decision-making process for outsourcing can consist of six steps.

Step 1. Consideration of the possibility of outsourcing individual functions.

Step 2. Assessing own capabilities.

Step 3. Assessing the capabilities of outsourcing organizations.

Step 4. Determining the cost effectiveness of outsourcing.

Step 5. Preparation of necessary agreements, contracts and decision making.

Step 6. Process control and reporting of the imple-

mentation of the decision [3, p. 47].

All business processes can be the object of outsourcing. However, according to the traditional approach, in which business processes are divided into major and ancillary, non-strategic or insignificant processes are generally outsourced to contractors.

The objects of outsourcing usually are:

- set of work, processes and separate sections of auxiliary production;
- redistribution and sections of the main technological process;
- operations, blocks of work and service processes;
- the functions of managing and applying the requirements of the legislation, which are fulfilled on a regular basis [5, p. 117].

It should be emphasized that strategically important and key activities that determine the content of the business of the company (or its business units) and ensure its financial independence and security, cannot be outsourced. The outsourced work and services must be a coherent process, that is, a time-aligned, continuous sequence of actions that can be measured quantitatively or qualitatively. In general, the effect of outsourcing should not be lower than the cost of the customer's fixed costs.

While determining the list of works for which it is expedient to apply outsourcing, it is necessary to take into account the experience of foreign countries, but under no circumstances should it be copied.

We are talking about outsourcing mainly individual technological processes and functions. Outsourcing business processes is a further prospect of reforming Ukraine's railways.

For small businesses, the most attractive is the passenger household. The passenger household is a multi-functional complex that performs various types of work from repairing passenger cars to servicing passengers at train stations and trains. A distinctive feature of its activities is the seasonal unevenness of the volume of work, which leads to a shortage of manpower in the "peak" periods of summer, vacation and holiday passenger transportation. To solve this problem and to optimize the economic activity of the passenger compartment structural units, as well as to flexibly regulate the uneven distribution of passenger flows, it is necessary to introduce the practice of outsourcing non-core functions for the passenger economy [7, p. 34].

Today, the following activities are perspective for outsourcing to small businesses:

- services in current and major repairs of buildings and structures;
- cleaning of production areas;
- rolling stock cleaning;
- protection of infrastructure and rolling stock;
- services of laundry and dry-cleaning of clothes and linen;
- repair and tailoring services;
- computer service;
- woodworking;
- catering;
- passenger services in suburban trains, long-distance trains, railway stations;
- services for maintenance of the infrastructure of the

station economy (stations, luggage offices, ticket offices, etc.);

- handling of servicing strips;
- advertising and marketing activities.

It is likely that outsourcing will be most widely developed when requirements for the services to be provided are clearly articulated and outsourcers gain the confidence of customers through qualified work.

The potential for outsourcing of rail transport is high. For its successful application, the most important factors are the selection, based on competitive procedures, the optimal partner, close cooperation during joint activities and constant monitoring of relations with the outsourcer.

Recommendations for its application do not require immediate implementation. Outsourcing should be used only when there are organizations in the market that can efficiently and efficiently perform the functions that are delegated to them, reduce rail costs and improve the quality of services.

The outsourcing of ancillary functions must meet the requirements of a common strategy for improving the functioning of the infrastructure and of transport undertakings for the railway industry [6, p.33].

CONCLUSIONS

In my opinion, outsourcing is advantageous for rail transport for the following reasons:

- cost savings;
- improving the productivity and wages of the main staff of the railways;
- improving the quality of work and services provided;
- maintaining the competitive advantages of railway transport.

For Ukrainian Railways, in addition to going through the stages of making the decision to use outsourcing listed above, it is necessary to develop:

- provisions for outsourcing;
- perspective program of outsourcing implementation, in which common approaches and methods of its application should be defined;
- methodology for calculating the economic efficiency of outsourcing;
- the rules and procedure for the transfer of non-core types of work (functions) to external specialized structures, which will determine the process of cooperation between Ukrainian Railways and outsourcers, including small businesses.

The prospects for further research are related to exploring other possible ways of engaging small businesses in rail sphere.

References

1. Aalders R. *This is outsourcing: a practical guide*. Moscow: Alpina Publisher, 2004. 297 p. (in Russian)
2. Anikin B., Voronov V. *The main aspects of the formation of outsourcing. Marketing*. 2005. № 4. pp. 107-116. (in Russian)
3. Hroznyi I.S. *The use of outsourcing in the process of achieving competitive advantage by an industrial enterprise. Economic announcer of NSU*. 2009. № 1. P. 47. (in Ukrainian)
4. Ishchenko A.A. *Features of the application of outsourcing and the system of delegation of authority in the process of globalization of the economy. Announcer of economic science of*

Ukraine. 2005. № 2. pp. 48-52. (in Russian)

5. Lihonenko L.O. Outsourcing as a tool for optimization and improvement of business efficiency. *Actual problems of economy*. 2005. № 6. pp. 115-125. (in Ukrainian)

6. Utkin E.A. Business management. Outsourcing and company development. *Handbook of an economist*. 2014. № 1. pp. 13-18. (in Russian)

7. Chukhrai N.I. Outsourcing in Logistics: Marketing Research on Logistics Outsourcing in Ukraine. *Transport and Logistics*. 2009. № 6 (20). pp. 34-38. (in Ukrainian)

8. McCarthy I.A., Anagnostou A.V. The impact of outsourcing on the transaction costs and boundaries of manufacturing. London: McKevey, 2017. 218 p.

Список використаних джерел

1. Аалдерс Р. Это аутсорсинг: практическое руководство: Пер. с англ. М.: Альпина Паблишер, 2004. 297 с.

2. Аникин Б., Воронов В. Основные аспекты формирования аутсорсинга. *Маркетинг*. 2005. № 4. С. 107-116.

3. Грозный И.С. Использование аутсорсингу в процессе достижения конкурентных переваг промышленным предприятием. *Економічний вісник НГУ*. 2009. № 1. С. 47

4. Ищенко А.А. Особенности применения аутсорсинга и системы делегирования полномочий в условиях процесса глобализации экономики. *Вісник економічної науки України*. 2005. № 2. С. 48-52.

5. Лігоненко Л.О. Аутсорсинг як інструмент оптимізації та підвищення ефективності бізнесу. *Актуальні проблеми економіки*. 2005. № 6. С. 115-125.

6. Уткин Э.А. Управление бизнесом. Аутсорсинг и развитие компании. *Справочник экономиста*. 2004. № 1. С. 13-18.

7. Чухрай Н.І. Аутсорсинг в логістиці: маркетингові дослідження розвитку аутсорсингу логістики в Україні? *Транспорт и логистика*. 2009. № 6 (20). С. 34-38.

8. McCarthy I.A., Anagnostou A.V. The impact of outsourcing on the transaction costs and boundaries of manufacturing. London: McKevey, 2017. 218 p.