

Globalization And Its Influence On Offshoring

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Abstract : Changes in competition which are being observed, constitute both the result and the condition of globalisation. The structure and degree of strictness of competitive fight among global corporations, directly influence the international development strategies of enterprises. Competition on a global scale creates new systems of connections, as well as a new method of assessment of the quality of technological progress and of obtaining competitive advantage. It extorts, so to speak, the creation of new models of organising, different ways of coordinating and configuring activities and cooperating with the environment. An important solution that leads to an increase in functional efficiency for an enterprise is an offshoring. It is the latest concept, which means the transfer of chosen processes and enterprise functions beyond the borders of the native country. The purpose of this article is to make the reader familiar with the concept of offshoring as the latest trend inherent to the process of globalisation, playing an important role in the process of international expansion of enterprises. In this article the effects of moving the production and service processes abroad has been discussed.

Keywords: globalization, off shoring.

I. Introduction

Globalisation is a multidimensional process which is present in many spheres and which is defined in many ways: it has developed with different degrees of intensity since the end of the 19th century and took on a particular importance in the closing decades of the 20th century[1]. Globalisation creates both opportunities and threats for its participants. One of the tendencies that has been getting stronger in the world for at least a quarter of a century is a progressive socio-economic differentiation and the splitting of the world into two separate blocks: the world of poverty and the world of riches [2]. The social structure is undergoing changes. The distances between the individual segments of the market and those who are left outside the market are growing. The benefits from economic growth are not being spread equally. The introduction of the paper should explain the nature of the problem, previous work, purpose, and the contribution of the paper. The contents of each section may be provided to understand easily about the paper.

The concept of globalization

The concept of globalization still has not been explicitly defined. One, solid and coherent definition is hard to create as this concept may be understood from many perspectives. Globalisation is commonly understood as the chain of political, economic and social activity in the whole world's scale [3].

G.W. Kolodko defines globalization as the process of creating a liberalized and integrated global market of goods and capital, and shaping new international institutional order that serves the purpose of the development of production, trade and financial flows on a global scale [4].

In economic and political literature, regarding the term of globalization, one understands the political, sociological and economic phenomena and processes as well, and the effects of these processes [5].

The most important phenomenon in recent years in the global economy is the tendency to globalise the markets, and related to it, the necessity to globalise the management. At the company level, globalization is a specific idea of the company management, namely the management in the global environment, i.e. oriented to the world markets, global competition and based on global factors of production [6].

The Concept And Essence Of Offshoring

An inherent element to the process of globalization is offshore outsourcing which is the practice of hiring an external organization to perform some business functions in a country other than the one where the products or services are actually developed or manufactured. It is usually shifted to countries with lower labour costs. Offshore outsourcing sets new trends in business management on an international scale, based on entrusting the performance of activities to entities which registered office is abroad. Offshore outsourcing is an integral part of the XXI century business and each country concentrated on economic growth as well as competitiveness cannot avoid its consequences [7].

Offshore outsourcing is currently being driven by the recognition by a greater number of companies the benefits of the outsourcing as the business strategy. With that recognition has come less emphasis on cost

reduction and more emphasis on such benefits as flexibility and speed in delivering business solutions, access to new technologies and skills, ongoing productivity improvement, and enhanced training and development for employees.

Related to offshore outsourcing is offshoring which is moving of various operations of a company to another country which has more favourable economic conditions. It is the latest trend in the process of the internationalization of enterprises. It can be seen in the context of either production offshoring or service offshoring. Offshoring is a type of outsourcing which simply means having the outsourced business functions delivered in another country. It is also known as "global sourcing" or "offshore sourcing" [8] ,

Offshoring has important implications for companies and countries on both the "demand" and the "supply" sides of the market. At the highest level, it represents an opportunity for multinational companies to create more value at lower cost. As such, it means a boost in productivity for the global economy.

Offshoring is thus the latest trend allowing the companies to reduce costs of employment, have an access to foreign resources that allow them to improve the quality of ongoing operations and improve their overall business effectiveness.

For the developed countries, outsourcing has many benefits. Outsourcing companies may improve competitiveness while focusing on core functions, reduce operational costs, and move to higher value activities. There is also the expected potential job creation in the same sector to offset the jobs lost from outsourcing. First, by benefiting from improved competitiveness, firms in developed countries may continue to create new (more qualified) jobs, and second, they will be able to benefit from economic growth in less-developed countries with the enlarged consumption and demand of goods or services [9].

It is noticed that many companies have announced new facilities in China, Singapore, Russia, and India that house high-level functions like research, design and development.

With the growing demand for outsourcing of modern services in highly developed countries, the supply of the services in developing countries increases. Many less developed countries meet the necessary conditions for providing these services. They have a well developed IT sector, highly qualified specialists - engineers, computer scientists, bankers, financiers, accountants and others who may perform these services cheaper, faster and better. Employees are well-qualified, they know global standards, have access to high speed Internet, speak foreign languages, and can easily adapt to the constantly changing business environment.

The demand for modern service outsourcing by companies from developed countries and the supply of modern services by developing countries have contributed to the appearance of a global market of modern services and new types of professions: exporter, service provider, distributor and supplier of outsourcing who operate in different parts of the world [10].

After – Effects Of Offsoring

International outsourcing of modern services creates new opportunities to integrate less developed countries with the global economy, even at the level of the latest IT solutions. Outsourcing now effects the most dynamically evolving areas of the economy that determine the future development of countries on a global scale [11].

Calculations provided by the Organization for Economic Co-operation and Development, show that approximately 19% of workplaces in countries that were members of the EU before 2004 were "at risk of offshoring". However, as it was mentioned earlier, this process does not mean the loss of jobs for the employees in developed countries. Mankiw and Swagel quote the results of research, according to which, moving a workforce abroad may positively affect the employment. Facilities and agencies of a parent company abroad do not compete with it, but complement it. Affiliated branches allow a parent company to improve its efficiency, extend the scope of services offered, get new customers and consumers and also reduce the overall costs of maintaining business activity. This all may lead to new markets and production sites of the parent company, which in turn may result in an increase in employment in the home country.

It should also be noted that globalization means, on the one hand – a continuous increase in the number of outsourcing service providers, on the other – higher demand of companies that want to use these services. At the same time, a new type of company appears. Global consulting companies who specialise in providing advice in choosing the best external resources. Such market agents are becoming more urgently needed as the managers responsible for the implementation of outsourcing services are very demanding and they want to efficiently spend money allocated for this purpose. The growing maturity of the outsourcing market and presence of the increasing number of experienced entities may at the same time open up many possibilities, but also make it difficult to choose a reliable source of information. It has to be noted that offshoring global syndicates achieve success and may be proud of significant economic benefits [12].

Whether a company is likely to relocate its processes to a given country depends to a large extent on the transparency of legal regulations, protection of intellectual property and personal data, stability of the financial system, tax relief scheme, abiding by international standards, strength of a local currency, personnel

qualifications and an opportunity for developing the company's activity. A high level of the above can be observed in Central and Eastern Europe, which in addition offers relatively low labour costs. Also this makes CEE countries a frequent offshoring destination for even more advanced processes and functions. As the offshoring investment market continues to record an upward trend, Poland is still perceived as one of the leading destinations for such investments. As suggested in one of the reports, Poland accounts for 3.4% of the global number of jobs in outsourcing and offshoring services. This gives Poland the first place in Central and Eastern Europe, second place in all of Europe and is ranked sixth in the world.

At the macroeconomic level, offshoring may be a source of anxiety and concern. Trade unions constantly emphasize the negative results of offshoring such as reduction of workplaces and an increase in the unemployment rate. Despite the fact that the economic data and research results are still not clear it seems that the influence of offshoring on labour markets is positive. New work places are created in the developing countries which are more efficient and better paid than work places in traditional sectors in other countries, for example, in agriculture.

Generally, offshoring causes an increase in the demand for more qualified employees, both in the outsourcer's country [13] and in vendor's of outsourcing [14].

Offshoring, which is developing on a global scale, causes the economic policy to go beyond classical thinking. The global economic policy should still include the possibility to use the intellectual capital of Polish entrepreneurs who establish facilities abroad and of Polish employees who continue to work in foreign countries [15]. Strategic planning, also in Polish enterprises should take into account the current global trends and the geopolitical arrangements, and above all anticipate the needs of the global economy in the next 20 or 30 years.

Globalisation clearly stimulates the development of offshore outsourcing as there are a number of key benefits for consumers that result from global organisational model [16]:

- services and business products undergo a more detailed control when they appear on the markets of a large number of countries;
- they have a possibility to choose the goods supplier from among many available on a global scale; it is more attractive as they no longer depend on the local market but may compare and choose the best global solution;
- the competition rules become more rigid causing better quality of products and more competitive prices.

Outcome of currently held research on the offshoring after-effects indicate that the majority of modern consumers care more about the product and its quality than the place of its manufacture [17].

Globalisation creates a huge and unbelievably complicated market of goods and services. National companies are no longer only related to the domestic market but appear as global providers. Consumers buy and choose such services and products which best combine the quality and price. Using offshoring by an entity brings many benefits: the reduction of labour costs, the possibility to enter new markets, the use of a talented workforce unavailable on the local market, and also by avoiding national legal restrictions in the native country, there is the possibility to establish certain types of business activity that would otherwise be impossible to perform.

II. Conclusion

Offshoring is perceived as a tool and mechanism for shaping a competitive advantage and generating strategic benefits for corporations. The offshoring strategy result is an increase in internationalisation of business and a stimulation of the process of international expansion.

Offshoring, similarly to each other venture undertaken by an organisation brings not only benefits. Offshoring may improve the competition of an enterprise considerably but the use of services from external suppliers is connected with some kind of risk. First of all, the managers responsible for the outsourcing should properly assess the cultural difference and its influence on the type and quality of work carried out by the foreign suppliers. Moreover, religious differences, cultural norms and social behaviours may be important from the point of view of a consumer. It should also be noted that enterprises that intend to make use of the offshoring make sure that the foreign suppliers observe global legal regulations. Besides, the companies which have already included offshoring strategy in their management processes should also decide upon the division of knowledge, data, technologies, procedures and other materials with foreign affiliated branches. Acting on a global scale is much more difficult and requires specialists in this field who not only are able to anticipate future global changes but also the outcome of undertaken current political and economic activities. Still organisations are learning to share the manufacturing processes and the delivery of services globally. In this process they should take into account the economic situation of a foreign supplying service provider, legal regulations, price, time and cost as well as many other factors. In sharing knowledge with people from other parts of the world a corporation should take into account cultural aspects and language differences. Failure in intellectual capital management may be a huge obstacle in company management on a global scale.

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