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Directions for the implementation of the concept of outsourcing in logistics

Samatov G.A., Solayev S.S.

Professor, Doctor of Economics Tashkent state transport University, assistant Tashkent state transport University

ABSTRACT: The article explains the essence and content of outsourcing, the advantages, functions and motivating factors for its use in the logistics system, as well as the content and methods of the concept of logistics.

I. INTRODUCTION

The sources of outsourcing go back to the 1930s, when two great managers in the automotive industry - Henry Ford and Alfred Sloan - understood that no firm was self-sufficient, so it would be appropriate to outsource a number of functions to specialized firms.

Before describing the essence of outsourcing and the phenomenon of its spread, it is worth considering the "black and white" aspects of the creative and practical life of the great manager Henry Ford (1863 - 1947). Henry Ford had an industrial empire that was absolutely self-sufficient from the very first steps in practice. Henry Ford founded the world's first multi-level vertically integrated company.

II. SIGNIFICANCE OF THE SYSTEM

This was one of the largest projects in the history of vertical integration projects. But when Ford finally realized it needed outside help, the company faced obstacles from general economic conditions at the peak of its vertical expansion and government regulatory regulations, restrictions imposed by unions, and a large number of independent suppliers of products and services to overcome them. The need to involve an army became as clear as day. Eventually, effective marketing was also established thanks to a reliable network of independent sales agents (dealers).

Over time, Ford specialized firms have come to the conclusion that even if they do not perform important functions better than its own management apparatus, they will perform worse, and in terms of quality of work and cost, such specialists have left many divisions behind. Independent firms soon became full participants in G. Ford's supply and sales network, and the priorities in the overall corporate strategy shifted from self-control to the control of partnership relations.

Such an exchange of strategic focus has allowed the company to focus its financial resources on the development of the main industry - production. G. Ford himself, on the other hand, drew a lesson from the analysis of such a situation: no firm can be self-sufficient.

III. LITERATURE SURVEY

Alfred Sloan was "behind the wheel" of General Motors in 1921, just before the crash. It accounted for only 13 percent of the U.S. car market. As a personal view, he was the complete opposite of Henry Ford. Sloan's favorite words were 'concept', 'methodology', 'rationality'.

A time when the automotive world was dominated by Henry Ford, the United States (US) developed and implemented a huge project to capture the automotive market. It took Sloan about 15 years to bring his project to life, but the project was already beginning to pay off. The novelty in Sloan's project was the outsourcing technique. He used this methodology in two areas of management activity 70 years before the term appeared in the scientific literature in 1990 - in the organization of company management systems and in the organization of production.



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IV. METHODOLOGY

As for the second direction, it can be said that Sloan foresaw Ford's conclusion that specialized firms perform their functions better than company divisions. That is why he laid the foundation of his company in a narrowly co-operative mode of production, both inside and outside his company.

- In virtually all sources, the origin of the term outsourcing means 'outside', i.e. 'out of bounds'. What to do there is a multifaceted picture:
- use the services of foreign companies to perform their duties;
- give up your business process and purchase services for the implementation of this business process from other organizations;
- use of an external organization for processing of bank data and other financial data in carrying out commercial operations;
- attracting external resources to solve their problems (for example, project development);
- relocation of production from the region with high labor costs to the region with cheaper labor in order to reduce costs;
- obtaining data from external sources (as opposed to obtaining data through their own efforts);
- transfer of part of operations abroad for remote use of programmers' labor;
- use of a temporary employee without an employment contract (sometimes through a specialized agency);
- maintenance and repair of the company's equipment by specialists of an external firm;
- cooperation;
- ceases to engage in any area (type) of its activities due to the application of the method of reduction of its production activities and transfers it to external executors;
- makes an organizational decision, which consists in the distribution of the functions of the business system on the principle of "I leave to myself what I can do better than others, I give to an external executor what he does better than others";
- transfers an internal division or subdivisions of the enterprise and all related assets to a service organization that offers certain services at an agreed price for a certain period of time;

From the above, it is clear that the horizons of the application of outsourcing know no boundaries: production, services, capital, information technology and systems, development strategies, human resources, and so on.

In recent years, due to the growth of global competition, cost reduction, trends in downsizing companies and the focus of organizations on the main types of activities, the views of managers on the problem of selection have undergone significant changes. In this case, the activity will be focused on outsourcing, or the search for external suppliers of goods or services previously produced by the firm itself [1, 2].

It is absolutely impossible for any enterprise to be superior to others in all areas of production or provision of services. In practice, this may not be the case. Therefore, companies, with external acquisitions, will be able to focus all their attention on the main task. Such a philosophy has already led to a significant reduction in companies and expanded the scope of production support. In addition, in connection with the emergence of the world market, the responsibilities of the supply department included the task of finding or creating world-class suppliers who are able to meet the strategic needs of the firm.

The dilemma of "whether to produce or buy" is also relevant because it is important. Almost any company can always face this dilemma.

Information technology has only recently become an object of outsourcing. In the early 2000s, the use of outsourcing in information systems worldwide was estimated at about \$ 50 billion, and this figure is growing rapidly. The value of contracts for logistics services has also exceeded \$ 50 billion. Mailing departments, photocopying centers and tourist offices are other objects of outsourcing.

Certain types of activities can be carried out in full or in part outside the enterprise.

Identifying a function as a potential object for outsourcing and then deploying this function to components allows managers who decide which activities are strategic or critical and should leave them in the enterprise, and what should be purchased overseas, such as, say, consumer goods.



The growth of outsourcing in the logistics sector is explained by the abolition of state control over transportation, emphasis on the main type of activity, reduction of material resources and the expansion of computer programs that manage logistics systems. Transportation companies have begun to outsource logistics elements - from changes in the movement of goods from point A to point B - to the management of the entire loading and unloading and transportation complex or part of it, and in a short time have significantly reduced the staff of relevant services[3].

Logistics companies now have a computerized integrated tracking method that reduces risks during transportation and enhances the firm's reputation, which would not have been possible if this function had been performed by the firm itself. Logistics providers (third parties) set the freight rate using electronic data exchange and satellite systems, clearly informing customers where drivers are moving and delivery times. When working in "exact time" mode, the difference in delivery can be only 30 minutes - such technology is becoming a decisive technology.

There are also cases of refusal to use outsourcing. The following factors may influence the decision to produce rather than purchase goods and services:

- - the volume of the product is too small and / or none of the suppliers is interested in its sale;
- - quality requirements may be so high or unusual that special processing methods are required, which the supplier cannot afford;
- - balance of demand with guaranteed supply or supply;
- - the need to keep technological secrets;
- - cost reduction;
- - priority acquisition and / or absence of equipment and staff downtime;
- - Ensuring the continuous operation of the enterprise's own production facilities at a time when suppliers are experiencing inconveniences due to volatile demand;
- - not to depend on a single source of supply;
- - issues of competitiveness, political, social issues, or environmental issues may force the company to produce the product, even if it is preferable to buy them for itself;
- - There will also be purely emotional reasons. The management of some companies are proud of their scale.

Prospective trends affecting the outsourcing input strategy[4].

Table №-1

	Tendency	Outsourcing inclusion strategy
1	Globalization	• Integration of supply / customer service strategy
2	Information technology	• Maintain competitiveness with key suppliers in terms of quality, price, delivery, time issues and so on
3	Taking into account the requirements of an external client	• Modification of supply database structure / channels
4	Process / production technology	• Global strategic goal
5	Increasing the complexity of the work	• Communication with key suppliers using electronic means of communication
6	Legal issues / environmental protection	• Integrate the supply base into the external customer's supply chain
7	Revision / modification	• Alliances of strategic suppliers with leading technology suppliers in the network

V. EXPERIMENTAL RESULTS

Used properly, international supply sources can become a powerful weapon in the competition. They force to stabilize production, simplify construction, reduce the number of components and assemblies, as well as improve quality[5]. In addition, international deliveries help strengthen cooperation between manufacturing staff, marketing and procurement services staff.



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How to choose the right outsourcing service provider and how many they should be are the main problems of outsourcing.

Based on the analysis, it is possible to recommend a number of factors that should be taken into account when deciding on the main problem of outsourcing - the choice of service provider [6]:

- confidence.
- reliability.
- flexibility.
- skill base.
- opportunity to save.
- service.
- management skills.
- personnel policy.
- conducting skills.
- issues related to the conclusion of the contract.
- internal skills and control.

VI. CONCLUSION AND FUTURE WORK

When it comes to globalization, there are a number of terms that are used in roughly equal value: global procurement (global purchasing), global supply sources (global sourcing), foreign sourcing sources, international sourcing sources, multinational supply sources (multinational sourcing) and various combinations of terms listed above.

Used properly, international supply sources can become a powerful weapon in the competition. They force to stabilize production, simplify construction, reduce the number of components and assemblies, as well as improve quality. In addition, international deliveries help strengthen cooperation between manufacturing staff, marketing and procurement services staff.

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