THE OUTSOURCING

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ABSTRACT

All operations contributing for a determined production cycle, to one or more operations of conception, elaboration, manufacture, implementation or maintenance of the product may be considered as industrial outsourcing activities. The company is considered to be the ordering party when it entrusts the execution to a company, known as subcontractor or ordering party, which must be conforming exactly to the directives or technical specifications adopted as a last resort by the ordering party. These technical specifications may reflect the advice or proposals expressed by the subcontractor, where the principal assumes the sole responsibility for the final conception of the product. Subcontracting allows small and medium-sized enterprises to specialize and big enterprises to respond to the evolution of processes, the need for new competences and to preserve their leadership. Through the cooperation between the principals and the consignees, the outsourcing facilitates the conception of new products and offers a strong capacity to adaptability to the companies and to preserve their competitiveness. Thus, the firms use the externalization of part of their industrial activities for more efficiency, to ensure technical progress and improved productivity gains and to be in the forefront of international competition. Consequently, the coordination between operators in the context of outsourcing involves the adjustment of sectors and the pooling of knowledge, skills, as well as a sharing of reflections on the sector, a partitioning of the challenges and actors. And according to a descriptive method, we will try to establish a definition of outsourcing that will be recognized academically, thus enabling data to be harmonized nationally and internationally, particularly in the industrial and public contracting sector. And in view of the considerable differences in approaches to outsourcing in different disciplines, we think that only accounting concepts based on clear rules standardized by the International Financial Reporting Standards Foundation (IFRS Foundation) will allow the dissemination of information that can be used for analysis and comparison on different levels.

Key words: Outsourcing, externalization, SMEs, the industrial cluster, given order.

I. INTRODUCTION

The companies started by externalizing a limited number of services, often considered as annexes to the company’s principal activity (catering, cleaning, security, maintenance). Then, they separated from part of their main activity, or even the management of their interfaces in favor of their outsourcers. As a result, the domains of activity and the nature of the outsourced activities are now extremely diversified. The subcontracting market, thus concerns today the construction industry, industrial (automotive, chemical and Petrochemistry, steel, metallurgy, nuclear...), transport, aeronautics, but also the services like a security, safety... etc., trade, the public function, scientific research, education, etc... (Thébaud-Mony, 1993).

The outsourced activities also include road transport of goods, guard services, reception, industrial warehouse management, design, computer or telecommunications equipment and systems management, component manufacturing, information technology, pharmaceuticals (all phases of a pharmaceutical product’s life from research and development to manufacturing), invoicing and central services (payroll, human resources management, etc.), to cite just a handful of examples. In brief, almost everything can be outsourced.

The size of the outsourcing phenomenon is in general still difficult to evaluate and the statistics published are insufficient to establish comparative analyses between activity sectors, by size of company and by geographical regions. And as regards the outsourcing of the industry, it is not clearly identified by models and comparative studies either in favor of outsourcing by the principals or orders received by the outsourcers. Not to mention that cash flows and subcontracting volumes are not accurately identified. Nevertheless, while many terms around outsourcing converge towards synonyms such as externalization, subcontracting, shaping and, we also refer to the delegation of activity, all of them terms to express the use of external service, but regrettably their definitions are divergent. Whatever the definition adopted, it is incontestable that outsourcing is a specific sector of activity that results from a choice: to do or to have done (fair or forever). Based on a judicious decision, it contributes to a fine-tuning of investment and therefore to economic development.

II. DEFINITION OF OUTSOURCING

For (Brauchlin, 1985), the outsourcing industry concerns a much diversified range of branches which all have their own particularities and it is very heterogeneous. (Gavalda, 1978) emphasizes the ambiguity surrounding the concept of outsourcing due to the difficulties in giving a definition to the concept of outsourcing and to specify the characteristics of it, because the diversification of economic contents varies according to the objective to be sought by the co-contractor in different sectors. Outsourcing refers to different realities and is subject of several definitions (Capet, 1997). Other authors such as (Guibert, 1999) use the term supplier when the outsourcer participates in the definition of the specifications (mainly in marketing) or when some characteristics of the product are defined according to the specific needs of the customer. (Baudry, 1995) uses the term outsourcers/supplier when, in the technical specifications, the ordering party defines only the qualities and characteristics of the
outsourced product (it does not specify either the raw materials or the equipment to be used). On the other hand, SESSI (the French Industrial Statistics Service) uses the term co-outsourcing when the partners jointly manage the production of a good.

In industrial economics, the outsourcing is examined from the angle of the problem of vertical integration or the efficient organization of activities by firms. Nevertheless, discrepancies can be found in the treatment of the exchange or on production difficulties. In transaction cost theory, the firm adopts a transaction governance model (market, hierarchy, hybrid form) that minimizes transaction costs. In these conditions, the (optimal) solution depends on the transaction attributes (frequency, uncertainty surrounding those transactions, the specificity of the assets needed to realize the transactions) that influence the cost of their organization in a certain configuration (Williamson, 1991).

The evolutionist approaches, for their part, emphasize the advantages of concentrating on the main activity in order to benefit through the learning effects specific to the specialization (Dosi, Teece and Winter, 1990). In these approaches, however, the recourse to outsourcing by firms does not constitute a specific category in the process of vertical disintegration with regard to intermediate consumption purchases, except with respect to contractual clauses that should be used to protect against possible opportunistic behavior and to ensure the safeguarding of contracts (Hart and Moore, 1990). The terms used to describe these agreements are revealing of the mutual interest of each of the parties in behaving well: cooperation and partnership agreements are thus intended to promote the general interest. The outsourcing refers to a segmented productive organization involving a relationship of domination (Vennin, 1975).

In outsourcing relationships, there is often a disproportionate degree of force balance (Desriaux, 2001). The relationship between instructors and outsourcer is considered asymmetrical in terms of power; it seems synonymous for some with a subordination (Thévenot; Tinel & Valentin, 2006) and domination or even servitude (Thébaud-Mony, 2000). This asymmetry of power can complicate the discussions about work conditions for the outsourcer company's because the risk is to lose their contract (Doniol-Shaw, 2001). This implies that outsourcing is not a work mode, but rather a mode of relations between companies (Juy, 1993).

The Economic and Social Council in its opinion of 21 March 1973, when defining outsourcing as the operation by which a firm entrusts to another the task of performing for itself, according to a certain pre-established set of specifications, part of the act of production or services for which it retains full ultimate economic responsibility (Stefanelly, 1973). The outsourcing according to the French Standards Association (AFNOR) is qualified as operations concerning, for a given production cycle, one or more operations of conception, elaboration, manufacturing, implementation or maintenance of the product, of which a firm, known as the order giver, entrusts the production to another firm, known as outsourcer or order taker, required to be in conformity exactly with the directives or technical specifications which that this order giver arranges in the last resort.

For (Thébaud-Mony, 1993), the outsourcing is generally a contract between two companies:
The ordering firm, also known as the user firm, which defines its production process and decides upon the functions it outsources; it designates the firm that uses the services of external firms (INRS, 2004):
The subcontracting firm, known as the order taker or external firm, in respect of whom the ordering firm preserves the permanent power to determine the definition of the product and the production process and the possible renewal of the contracts concluded.

And by requiring that the ordering party retain ultimate technical and market responsibility for products or components, this definition has induced to a distinction between outsourcers and equipment manufacturers, particularly, in the automotive and aeronautical industries (SESSI, 2000). And for accounting purposes, outsourcing represents the total sum of intermediate consumption purchases and includes three types of external charges: general outsourcing, which refers to products or services that cannot be directly incorporated into the products, works and products to which they contribute the purchase of studies; services and the purchase of materials, equipment and construction.

The subcontracting firm, known as the order taker or external firm, in respect of whom the ordering firm preserves the permanent power to determine the definition of the product and the production process and the possible renewal of the contracts concluded.

(Thébaud-Mony, 1993) rejects the geographical or nationality criterion in the definition of industrial outsourcing and considers that it must be interpreted according to the international division of the production process, between a holding company and its local or foreign-based subcontractors. And finally, (UNCTAD, 1976) proposed the following definition: industrial outsourcing occurs when two manufacturing units located in two different countries agree that one of them (the outsourcer) will provide to the other (the main contractor or ordering party) on mutually agreed terms components or assembled products that the principal uses and/or markets under its exclusive responsibility.

III. LEGAL DEFINITIONS

The definition of outsourcing is therefore defined by the existence of three identifiable actors, linked in pairs by specific legal obligations. In addition, both the main contract and the outsourcer must have the character of contracts of enterprise. That means contracts of service for work within the sense of article 1787 of the French Civil Code for example. The lease of a work is for the purpose of realizing a work and not, like a sale, the transfer for a fee of ownership of a property. The purchase of products intended for the execution of a work was qualified until 1973 as a sub-command in the practice of public contracting.
This definition of outsourcing remains in use in the construction and public works sectors. The pressure exerted by companies for the protection against the risks of companies’ insolvency led to the promulgation in France the law n° 13-1334 in 31 December 1975 relating to outsourcing, the first article stipulates as follows: for the sense of this law, outsourcing is the operation by which an entrepreneur entrusts by an or part of the execution of a contract or the public contract concluded with the contracting authority. In addition, the subcontractor is defined as the person who executes all or part of the main contract between the contracting authority and the main entrepreneur. As a result, legally is considered as an outsourcer, the manufacturer who follows the instructions issued by the main entrepreneur who ordered it. The manufacturer who, however, unilaterally determines the standards for the conception and realization of the product would be a selling manufacturer. But the manufacturer who determines the conception standards in cooperation with the main entrepreneur can be considered as an outsourcer.

IV. ECONOMIC AND TECHNICAL DEFINITIONS

The outsourcing in services or service outsourcing is a form of activity involving an outsourcing firm that puts temporary workers, employees and managers at the disposal of another firm that needs them for specific and time-limited missions.

This kind of outsourcing includes service companies specialized in market studies, industrial organization, management, maintenance, engineering (where we refer to subcontracting and co-outsourcing (Barreyre & Bouche, 1982). For industrial outsourcing, it does not include outsourcing relationships in the agricultural and food industries, and in construction and public works, whose characteristics are different. The term is also referred as community subcontracting (Sallez, 1972).

(Coulon, 1979) proposes that the outsourcing firm substitute itself for a supplier who executes, in accordance with its plans and technical files, all or part of a product. It is a relationship between the firm, the main contractor and order specifier, and the outsourcer.

V. INTERNATIONAL OUTSOURCING

(UNIDO, 1975) defines international outsourcing as a contract between a foreign ordering party (usually a large international firm based in an industrial country) and small industries based in developing countries. (Perrin, 1983) writes that outsourcing is international when two firms (principal and outsourcer) are not in the same country (domestic outsourcer) or are not located from the same country (cross-border outsourcing) and then specifies that this kind of outsourcing is used mainly by transnational firms in their strategy to exploit low-cost labor.

International outsourcing as a modality of industrialization has a particular interest in economic policies in order to promote exports of manufactured goods and the attraction of foreign direct investment and:

- Constitutes a factor of growth and industrial integration, knowing that international experience has shown that countries that have used international outsourcing have achieved industrialization of manufacturing production with high growth rates. According to International Financial Statistics data, between 1966 and 1975, Singapore's manufacturing production increased at an annual rate on 13.0% and during the same period, Taiwan's and South Korea's industrial production increased at an annual rate on 18.0% and 24.9%, respectively. And in order to attenuate the fluctuations in exogenous demand for exports and local employment, the outsourcing will cover the final phases of production;
- To generate a perverse effect, in that once employment expands to the threshold of full employment, it would cause problems of labor scarcity. However, this situation would lead to rising wages because of the improvement in workers' bargaining power, which tends to reduce the development of outsourcing (i.e. the contractors or ordering party resort elsewhere to cheap labor);
- Leads the transfer of technology by giving rise to particular processes of scientific or technical creation in the countries of the receivers of orders through a certain transfer of elements of technological know-how associated with the technical specifications and the resources provided by the ordering party according to the type of outsourcing. This transfer is usually accompanied by staff training or technical assistance;
- Facilitates the integration into the international division of labor, which refers to the fact that countries have specialized and exchange their production among themselves, based on their acquired comparative advantages.

(Chaillou, 1977) notes that an outsourcing operation in the domain of mechanics corresponds to four steps:

- All work must be defined by the establishment of specifications that allow the characteristics of a product that corresponds to a particular market for which it is required to be defined;
- Then, that all work must be clearly specified, and translated into the language appropriate to the economic activity (design*, machining range**, manufacturing****) which will allow its achievement, through a detailed definition document;
- That the methods and the resources to be used to achieve it must be defined by a methods document;
- Finally, the work is executed to give the component or the service.

The sectors with an international vocation are those related to the automobile, rolling stock and equipment products, in particular those of second or third rank, mechanics, and foundry and aeronautics industries. In addition, the companies that outsource suffer from high payment delays, on average between 75 and 90 days in Europe. And according to Roger Spery, President of the Cenast (National Center of outsourcing) of France or Dominique Ristori, in charge of outsourcing actions for the European Union within DG XXIII (Directorate for Enterprise Policy, Trade, Tourism and Social Economy) in Brussels, said that since 1985, outsourcing in Europe had begun a new trend marked by new types of relationships between clients and ordering, an increase in specialized outsourcing, major investments and a search for external growth through business consortiums.

In exchange, the ordering parties select the subcontractors more strictly, according to precise criteria: ability to manufacture quality products, financial health, internationalization, level of creativity and technical development, competitiveness and management quality. These are choices about the compromise between the internalization and externalization of the production process (Grossman & Hart, 1986) and (Grossman & Helpman, 2002; 2004).

The specialization can be retained by the subcontractor through investments, for example, Bodycote HIT, a subcontracting company with 950 employees specializing in chemical and surface heat treatment invested 25% of its turnover during the 1990s over several years. It is now the world leader in vacuum processing and employs 5000 workers in 23 countries. And, Liska, a small company with 30 employees, has become the French leader in the outsourcing of small series grinding thanks to investments of its own funds. And in a 1990, Midest survey conducted among 300 companies specialized in outsourcing, nearly 40% of them invest between 10 and 20% of their turnover and nearly 12% spend 20 to 30%.

The authors indicated that after the US-Canada agreement on automobiles, in this sector, the share of Canadian exports to the United States increased from 7% to 60% and the share of US exports to the Canadian market increased from 3% to 40%. The authors found that between 1985 and 1995, using statistics from the Association of Electronic Industries in Japan, the share of components and appliances (intermediate inputs) increased while the share of equipment to be consumed (final goods) remained constant. Finally, the case study of Opel's subsidiary in Spain showed that this subsidiary is linked to imported inputs to produce cars with a content of 90%.

VI. OUTSOURCING IN CONSTRUCTION

Nevertheless, if in the industrial sector, the relations refer to the generally bipartite relationship. According to (Juy, 1993), it is about a mode of relationship between two firms. But in the specific case of buildings and construction projects, this relationship is most often tripartite (Gorgeu & Mathieu, 1993; Seillan & Morvan, 2005).

This is a triangular relationship between a contracting authority, related by a main company contract (or a market contract) to an entrepreneur (frequently referred to as a contracting officer), who assigns the execution of all or part of the contract to one or a several subcontractors (Gorgeu & Mathieu, 1993; Seillan & Morvan, 2005). This is referred to as market outsourcing.

VII. THE DIFFERENT FORMS OF OUTSOURCING

1. Basic typology

The approach based on a division of work into four distinct steps (specifications, detailed definition document, method document and execution properly stated) allowed (Chaillou, 1979) distinguishes: an outsourcing that can rather be considered as capacity,
an outsourcing that can rather be considered as specialty and an outsourcing that can rather be considered as outsourcing in the delivery. Thus, the industrial outsourcing entrusted consists the:

a) **Capacity outsourcing** which the ordering party, owing to lack of production capacity or time, cannot cover the regular volume of orders and therefore generally outsources up to a relatively fixed percentage of its total production; it may also outsource during peak periods when its product is subject to fluctuations in supply and demand. For AFNOR (French Standards Association), outsourcing is considered to be capacity when the ordering firm, itself equipped to execute a product, uses another firm either occasionally, due to a temporary peak in its production or a technical incident, or as a result of a wish to maintain its own capacity in a given production, and intends to use production capacities available outside the firm.

b) **Economy outsourcing**, in this case, the ordering party outsources because the costs of the factors of production of the outsourcer (labor, machinery, overheads, taxes, etc.) are less expensive, i.e. essentially the lowest cost is sought. For there to be a cost advantage, it is necessary to avoid an investment by the ordering party in temporary production, to ensure the performance of the production machinery available from the outsourcer and that the production machinery is operating at its optimum level. It is by combining optimal charge and efficient tool that the prices are competitive. Economy outsourcing is both within the ordering party who needs additional equipment to respond to a request and within those who already have the necessary equipment but for whom the costs involved would be prohibitive compared to the small amount of work to be done. This outsourcing reduces the cost price of the final product. The economy outsourcing can include:

i. The cost of the outsourcer is substantially lower, in particular for small enterprises, due to lower costs, minimized administrative charges, equipment and manufacturing processes optimized to improve productivity and responsiveness, little or no budget for basic research and marketing, and lower amortizing costs because the factories are less complex and have fewer materials and machinery.

ii. Marginal outsourcing when the ordering party outsource requests whose size or frequency does not justify that it executes them on its own. In production, for example, firms have structures adapted to the production of important quantities. And when they need to produce small quantities, they outsource this task to an outsourcer. In this way, the ordering party can maintain its productivity by allocating its workforce and equipment to produce large quantities of what it knows how to produce. In summary, the firm use's economy outsourcing when, for a given product, the marginal income, i.e. the difference between the selling price and the amount of variable costs, is insufficient to absorb all the fixed costs and even exceed them to make a profit (Moisson, 1980).

c) **Specialty outsourcing**, the ordering party generally places orders with a certain regularity to outsourcer who own specialized machinery and equipment, so who own the know-how (ONUDI, 1975) and this also for the service. On the other hand, in addition to the classic cases of outsourcing of specialties, it is Just-in-Time. This new system of stock management requires that the main company and the outsourcer be located near each other. The ordering party regularly delivers its products in small quantities directly to the assembly factory (outsourcer). This approach avoids the major firm having to keep large stocks. The success of this formula is therefore based on excellent synchronization between the main firm and the outsourcer, in order to ensure that the outsourced parts are delivered at the most appropriate time. Otherwise, outsourcing is termed as a specialty when the ordering firm decides to appoint a specialist with the equipment and competence adapted to its needs, because it cannot or does not wish, for reasons relating to its own strategy, in particular economic considerations, to acquire the necessary resources to initiate or develop a manufacture, or because its installations are insufficient or insufficiently competitive for such manufacture (SESSI, 2000). Similarly, outsourcing is referred to as specialty when the ordering party, considering that it lacks the necessary competences, turns to a specialist who has the necessary equipment and skills. It reflects either activities that the firm does not control, or activities exercised in the past internally and since abandoned, to reorient its focus towards its core business (SESSI, 2005).

2. **Structural or conjectural outsourcing**

From an economic point of view, through the time criterion, subcontracting is split in two: the cyclical outsourcing, i.e. short-term relationships and the structural outsourcing, i.e. outsourcing based on long-term relationships. The notion of conjectural outsourcing is associated only with capacity outsourcing while structural outsourcing is associated only with specialty outsourcing. These associations were founded on a rapid or even too rapid observance of the motivations of the instructor’s party. Indeed, when the economic situation changes favorably, a firm with saturated production capacities may find an outsourcer able on a temporary base replacing the needs of its production. As noted (Verlaine, 1984), this type of outsourcing, which by its very nature is fragile, gave outsourcing a characteristic of dependence and subjection to the ordering party. While it is motivations of complementary and specialization that encourage the ordering firm to work with a subcontractor. (Barreyre, 1978) noted that structural outsourcing includes not only cases of specialty outsourcing (using competencies that are not available) but also cases of capacity outsourcing.

3. **Internal and external outsourcing**

According to (Héry, 2002), internal outsourcing for a company, termed a user, consists in delegating work on its own site and in the context of its own activity to a company that is considered an external. Also, frequently referred to as on-site outsourcing, internal outsourcing can involve a wide range of activities. However, some of them, such as cleaning, reception, guarding and security of the buildings, collective catering, or even certain maintenance services, will necessarily be part of this kind of
outsourcing, given the localization of the goods, equipment or services in question. In contrast to the definition of internal outsourcing mentioned above, external outsourcing can be considered as the outsourcing of operations, done on the external company's own site(s).

External outsourcing particularly concerns the automotive industry, telephone information, invoicing, road freight transport (Doniol-Shaw, 2001), but also the maintenance of certain equipment. We note that a firm can be simultaneously or separately tied by several contracts with other firms, part of the firm's operations can be out-sourced internally, while other contracts can be outsourced externally.

4. Cascading outsourcing

The phenomenon of cascading outsourcing always makes it possible to transfer to more peripheral establishments the forms of constraints and subordination derived from the ordering party's requirements. The strategic character of cascading outsourcing (sharing the responsibilities through the multiplication of outsourcers and ordering parties) or supply chain (value chain or global logistics which includes all the actors and activities that allow the realization of a final product). Cascading outsourcing increases the complexity in terms of responsibilities because in some cases there may be a multitude of outsourcing ranks. An outsourcer can be the outsourcer of the outsourcer and so on. And as explained by (Grusenmeyer, 2007), cascading outsourcing refers to situations in which the number of contracts of enterprise established for the accomplishment of a given service is superior to one. A user firm A entrusts an external firm B with one or more operations under a company contract. Firm B (level 1 subcontractor) in turn entrusts all or part of the operations entrusted to it to a third company C then becomes a level 2 outsourcer and B, a user firm. This cascading outsourcing can be at level 2, 3, ..... x. Cascading outsourcing results from several bipartite relationships between user firms and external firms, relating to all or part of the same service, and not from tree or four parties relationships.

In the end, the outsourcer becomes the ordering party and so on. Ultimately, this complicates the clarity of responsibilities and the links that firms have with each other. It should be added that being a tier 1 outsourcer means that it is considered as the main outsourcer that has the market as a whole. This firm can in turn call on service companies to accomplish part of its mission and so on. Knowing that there is no limit number of ranks of firms for this cascading outsourcing.

5. Outsourcing as an alternative

The use of a subcontractor is essential in certain crisis situations following unpredictable incidents such as breakdowns, fires, inundations. The ordering party must, even under the most difficult conditions, satisfy and respond as well as possible to the expectations of its customers. Problems of epidemics or employee strikes can also lead a firm to use a subcontractor to support it.

6. Outsourcing and industrial risk

Some risky activities, especially if they are to be carried out in urban areas, can be outsourced to better controlled installations and in an environment that reduces the consequences.

This is preferable when the manufacture or development of a product involves the manipulation the use of hazardous raw materials or corrosive or explosive recipients. Some preparations considered ungrateful because they are too dirty or have a nauseating odor are also outsourced.

7. Outsourcing due to insufficient resources

A company may have to outsource for reasons of lack of resources such as:
- Insufficient qualified employees,
- Insufficient space for the implementation of new equipment,
- Manufacturing conditions incompatible with the environment: excessive noise, vibrations,
- Transport costs or freight rates are too high.

8. Outsourcing and time gain

The project delay is an important element in the decision to outsource or not. It is necessary to evaluate the period of installation the equipment (including qualifications and validations) as well as the training of the employees. This time is reduced when the production equipment and teams are already in place, as is the case with the outsourcer.

Time gain is therefore an element in favor of the outsourcer. In addition, the reactivity offered by the outsourcer due to the motivation of his teams. The concepts of responsiveness and flexibility are well integrated by outsourcers, who are fully aware of the consequences and impacts that a failure to respond in these sectors could have on their reputation. The importance of the gain in time can be illustrated in the event of a product being delayed on the market will in some cases lead to a loss of market share that may prove unrecoverable later on. Outsourcing production is a useful way to be ready in time.
VIII. THE TYPOLOGIES OF OUTSOURCING

(Verlaine, 1984) points out that new approaches to outsourcing have also led specialists to discuss:

- Outsourcing of execution where the outsourcer is restricted to executing the plan provided by the order giver;
- Outsourcing of design or outsourcing of product design where the outsourcer provides its know-how to achieve the requested production, with the ordering party imposing the functional specifications.

But for (Verlaine, 1984), he introduces a distinction based on the purpose of the product to be manufactured, which leads to:

- Product outsourcing: the outsourcer manufactures a component used in the manufacture of the product developed and marketed by the ordering party;
- Outsourcing of equipment: the outsourcer manufactures one or more components of the ordering party's own production equipment.

(Fabrimétal, 1966) reports that technically, there are three main areas of outsourcing:

- Sell specific operations or techniques;
- Manufacture of components or spare parts;
- Realization of subassemblies or assemblies intended for another firm which ensures their integration and marketing.

Thus, the classification of production outsourcers is divided into four categories:

- Outsourcer specializing in precise production tasks: i.e. the outsourcer using his own equipment for the production of some specific tasks or sets of tasks specific to his activity channels. The intervention can take place from the materials of the ordering party or even those acquired by the outsourcer;
- Outsourcer with experience in tooling: i.e. the outsourcer able to manufacture in whole or in part, several custom-made tools necessary for machine tools, for the production equipment of manufacturers of current consumer goods, etc.
- Outsourcer in semi-finished products or products to be integrated into assemblies: i.e. the outsourcer who manufactures various partial or total parts (other than tooling).
- Outsourcer in semi-finished products or transformation products: i.e. the outsourcer who ensures the transformation of some materials with simultaneous forming.

(Brauchlin, 1985) proposes three types of outsourcing firms in terms of production capacity:

- Companies which, due to their specialization and experience, can produce at a particularly advantageous price;
- Companies with a modest fleet of machines;
- Companies with significant development potential that enables them to provide services of a high quality level.

(Tarondreau & Huttin, 2001) prefers the term partnership to the order givers referred to as distributor-designers, who are only in charge of marketing and design (technical assistance, advice on the development of collections, support for the de-localization). For these authors, the relationship between the two firms is symmetrical; each partner provides resources for the other, whereas in a traditional outsourcing relationship, the outsourcer only has the role of an executor and has a hierarchical relationship with its client. The differentiation of subcontractors remains complex according to the economic sector and the roles granted to the ordering parties, for example in the sector of textiles and clothing, (Weisz, 1983) has defined a typology comprising five categories of actors: traditional industrial companies (type 1), modern or stylist traders (type 2), trail actors (type 3), manufacturers who succeed small is beautiful (type 4) and manufacturers (type 5). In parallel, (Parat, 1996) presents a new typology with seven categories of actors. It is a similar typology to Weisz and incorporates new types of actors.

(Palpacuer, 1996) describes the link between product differentiation strategy and outsourcing relationship mode and formalizes five types of subcontractors: peripheral, dominant, transition, transition and traditional outsourcers. To these five types of outsourcing, the author correspond three types of outsourcing relationships: market relationship, partnership and mixed relationship also called hybrid relationship. On the other hand, (Poissonnier, 2005) and (Dumoulin, 1996; 1997) analyzes the inter-organizational relationships that allowed presenting 4 vertical relationships (market, flair, rule and clan).

(Broda et al., 1978) have developed 7 types of outsourcing for the industrial sector and concern:

- Type 1, the exclusive delegation of variable capital: the differentiated management of labor forces is taking on an increasingly important dimension. Large companies are increasingly delegating certain types of work to service companies or limiting the hiring of their permanent employees while using agency staff or temporary workers;
- Type 2, covers the intermediate activities between services and maintenance work; it differs from Type 1 in two points: staff belonging to Type 2 generally executes a specific operation while staff belonging to Type 1 is integrated into the overall process. The type 1 involves the intervention of foreign workers from the firm operating the machines and tools of this firm, while type 2 involves the same intervention of foreign workers but with tools belonging to the order-taking company;
- Type 3 is related to the companies that constitute and maintain the constant capital (machines) of the ordering firm;
- Type 4 concerns firms that maintain the infrastructure;
- Type 5 corresponds to a segmentation of the capital invested; some equipment is rented with men. This fragmentation of machine capital is intended to relieve the leading firm from the management of a portion of the constant capital. In general, these are not equipment directly involved in production but equipment necessary for handling, lifting,
everything that is located at the interstices of the various working processes or everything that is necessary for the execution of maintenance work:

- Type 6 corresponds to equipment suppliers; it differs from types 3 and 4 in the sense that the supply does not necessarily involve a movement of labor forces to the ordering party’s site.
- But suppliers of this type differ from ordinary suppliers because they develop products at the request and under the control of the order firm;
- Type 7 is the rental of material without men. This delegation of capital can take the form of leasing, as is the case for computer equipment, the firm refuses to take on too costly investments for the acquisition, management and maintenance of which would increase its variable and fixed costs, in this case the firm prefers to outsource part of the production management process.

Thus, as the power of the ordering party over his outsourcer is greater in relation to the profit margin granted to the outsourcer. In this spirit, when unilateral dependence becomes too penalizing, the dominated actor tries to put in place specific strategies (Emerson, 1962; Filser, 1989). These strategies consist in reinforcing the dominant dependence towards him and/or reducing his own dependence. Nevertheless, in a succinct form, outsourcing relationships are constrained by economic (threat of necessity and informal promises of monetary gains), organizational (threat of downgrade and promise to participate in decision-making), legal (threat of legal sanction) and social (threat of exclusion as well as social well being).

The author (Baudry, 1995) presented the main limits of the relationship of authority and which are:

- Cost constraints have become so severe that the company must reconsider the internal and external coordination of productive activities to improve its cost control;
- Technical innovations offer new possibilities for industrial organization involving closer collaboration between the ordering party and outsourcer;
- The transition to the differentiation approach implies that the seller must be able to play an advisory role, to improve the product throughout its life cycle, etc.
- The outsourcer or supplier must be sure of the amount of future orders in order to implement a long-term investment policy;
- The client-salesman relationship must be long in order to benefit from an experience effect.

(Casin, 2009) has identified four types of outsourcing relationships based on the work of Nogatchewsky (2005), Quairel (2006; 2007) and Baudry (1993; 1995), which are detailed at the following:

- Type 1: outsourcers are substitute, non-strategic;
- Type 2: outsourcers produce a large or even strategic production for the ordering party;
- Type 3: outsourcers and the ordering party are interdependent (partnership);
- Type 4: outsourcers are strategic; the ordering party is dependent on its outsourcers.

The outsourcer learns from the ordering party because he is associated with certain steps in the conception of the products. There is therefore a real learning process between these partner firms. The collaboration in general is sustainable and is conducted with a limited number of outsourcers. The use of outsourcing by a company is motivated either by insufficient financial and/or organizational capacity or by a need for specialization or technical inadequacy.

IX. ADVANTAGES AND INCONVENIENCES OF OUTSOURCING

By definition, insofar as, by outsourcing, a company transfers certain tasks, including the production of certain elements or part of a contract, it allows itself more flexibility and can access equipment, competencies, technologies, etc. that does not have internally. Thus, the use of outsourcing has become a practice widely used in medium-sized and large enterprises and now extends to almost all sectors of activity. Thus, some ordering companies use outsourcing to mobilize a workforce contributing to their production, without being engaged towards employees by an employment contract. Outsourcing offers advantages but and disadvantages summarized in the following table:

<table>
<thead>
<tr>
<th>Table 1: Advantages and disadvantages of outsourcing</th>
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<td><strong>Ordering party</strong></td>
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<td><strong>Outsourcer</strong></td>
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Outsourcing can be defined as the use of an external service or external supplier for an activity that was previously done within the company. It is often accompanied by a transfer of material or human resources to the service company chosen. It is in charge of substituting internal services within the context of a contractual relationship with the customer company (Quelin & Duhamel, 2003). Otherwise, outsourcing for a company is an operation that consists in entrusting a third party for a fairly long period of time to manage and operate one or more activities that are necessary for the operation of the company. These activities are described in terms of expected results, and the essential characteristic of an externalization operation relates to the responsibility assumed by the third party in terms of the resources to be deployed to achieve the objectives set (Barthélemy, 2001; 2004). Thus, outsourcing is a sustainable transfer decided as part of a strategic approach, from an internal process to an external service provider. Through this definition of externalization, we retain the choice that a company can make between outsourcing or externalizing.

Indeed, retaining the externalization of activities requires a long-term relationship, which leads the outsourcer to make investments in terms of staff, competencies and machinery in relation to the tasks required. This choice has consequences on the structure of the ordering party. For one thing, the outsourced activities realized for the ordering party require the ordering party to rethink the organization of work in order to occupy its own employees or to change their function. The second was the need for the transfer of competences accompanied by extensive training of the outsourcer agents who have become service providers, which would make it difficult to reintegrate the work thus externalized into the ordering party’s company. This transfer of know-how and technical skills is an intermediate step that takes the outsourcer from the simple executor to the creator and/or realize. The aim is to transfer as much or all of the tasks involved in production as possible, or even all of them in extreme cases, to companies that make them their specialty (Altersohn, 1997). This approach is predictive towards the multiplication of hyper-specialized companies whose activity is centered on a particular profession.

At the same time, we observe the development of companies and industrial groups formed through the acquisition of small structures. (Altersohn, 1997) believes that industries are moving into the era of externalization, with the result that outsourcers are transformed into suppliers or partners and, at the same time, that outsourcing is disappearing in favor of externalization. Thus, and in line with Altersohn’s opinion, large companies should inevitably end up moving from outsourcing to the externalization of some of their activities to small and medium-sized enterprises in an open economy over the medium term.

XI. CONCLUSION

Companies opt for outsourcing contracts in order to compete with other companies, without separating from some of their principal activities. This increase in competitiveness and profitability is rooted in the company’s strategic positioning, which decides, as part of their development, to refocus on their core business (know how) and to outsource activities that they consider as having little added value. While the outsourcing company must be equipped with qualified personnel and trained in the activities they offer in order to be considered a specialized company in its sector and, as such, the equipment and production tools available to the outsourcer must be efficient and adapted to its specialty.

The outsourcer is also expected to suggest profitable and competitive technical methods and innovations, to put its know-how at the service of the customer, to offer a lower cost price, a more flexible approach to these services, rigorous in terms of respecting delays (completing the work entrusted on time) and organizational flexibility to meet all types of outsourcing-related needs. The principles that characterize an outsourcer are flexibility, versatility and reactivity.

The question of externalizing rather than outsourcing which differs in close control by the ordering company and the commitment of the external service outsourcer made the academic definition of outsourcing more difficult and complicated to be...
common and recognized by the rest of the researcher and manager of ordering or outsourcer companies in terms of organizational restructuring and adaptation to market requirements.

In the absence of a common or recognized definition of outsourcing, it would be appropriate for statistics relating to flows between ordering parties and outsourcers to be simplified in order to evaluate and compare this flow. For this purpose, we propose the following indicators for information and guidance: the ratio between outsourcing expenditure and turnover, the areas of principals and order receivers (the outsourcing market by region and by sector of activity and the type of outsourcing), the share of outsourcing companies (share of companies whose outsourcing expenditure as a percentage of total companies), as well as the average annual growth rates, overall outsourcing rate (sum of outsourcing expenditure as a percentage of total turnover), outsourcing companies by size and sector of the business over an annual period.

Finally, in the absence of a common or recognized definition of outsourcing, that is more appropriate for statistics relating the flows (data) between ordering parties, outsourcers, administration and researcher in order to simplify the evaluation and comparisons of these flows. So, for these reasons, the following definition is adopted by us: Outsourcing in the French Civil Act or in the French Procurement act is defined as the operation by which an entrepreneur entrusts by an outsourcer and under its responsibility, to another person, termed a subcontractor, all or part of the execution of the contract or the public contract concluded with the contracting authority.

The best option for the application of this definition is that will be that the International Financial Reporting Standards Foundation, which is the main entity of the International Accounting Standards Committee Foundation (IASB), the organization responsible for the elaboration of international accounting standards (IFRS), based in London, is required to adopt the accounting standard for outsourcing activities in order to facilitate the dissemination of information about the value produced on the off site by companies and on site by other companies.

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