



ELIT

Economic Laboratory Transition
Research Podgorica

Montenegrin Journal of Economics

Citation:

Dude, U., Zitkiene, R., Kazlauskiene, E. (2022), "An Assessment of the Impact of the Drivers of Outsourcing on Service Delivery in Organisational Networks", *Montenegrin Journal of Economics*, Vol. 18, No. 3, pp. 169-182.

An Assessment of the Impact of the Drivers of Outsourcing on Service Delivery in Organisational Networks

UGNE DUDE¹, RIMA ZITKIENE² and EGLE KAZLAUSKIENE³

¹ Dr., Faculty of Public Governance and Business, Mykolas Romeris University, Vilnius, Lithuania;
e-mail: ugne@mruni.eu

² Professor, Faculty of Public Governance and Business, Mykolas Romeris University, Vilnius, Lithuania,
e-mail: rizit3@mruni.eu

³ Professor, Faculty of Public Governance and Business, Mykolas Romeris University, Vilnius, Lithuania,
e-mail: egle.kazlauskiene@mruni.eu

ARTICLE INFO

Received October 11, 2021
Revised from November 11, 2021
Accepted December 11, 2021
Available online July 15, 2022

JEL classification: L24, L80, M10, L16

DOI: 10.14254/1800-5845/2022.18-3.14

Keywords:

Outsourcing drivers,
networking,
service delivery,
impact,
organisational changes.

ABSTRACT

The COVID-19 pandemic has forced many areas of business to make changes, including: rethinking business strategies; using new ways of organising activities; optimising processes; and using outsourcing. These changes have in turn led to changes in organisational structure and modes of operation in corporate networks. Based on process models and the drivers that give rise to outsourcing, a theoretical model of the impact of drivers of outsourcing on the formation of networks of service organisations was developed. The interfaces between outsourcing and the networking of service organisations were then revealed in order to highlight the components and results of this interaction. The case study method was used to test the theoretical assumptions and the practical application of this model, which revealed the peculiarities of service organisations operating in international and local markets. Along with an analysis of the scientific literature, these case studies justified organisational changes in the delivery of services through differences in the implementation of outsourcing, and highlighted direct links with the drivers of outsourcing. The impact of technological and strategic drivers on the implementation of outsourcing has been identified, where a merger or the creation of a legally-linked entity leads to both vertical and horizontal networking.

INTRODUCTION

Sharma et al. (2020) argued that most of the models and theories presented in the literature cannot cover the changes taking place during the COVID-19 pandemic, which has put many organisations in difficulty. Studies show that an increasing number of organisations are looking for partners to provide services for a variety of reasons, and Ikediashi and Aigbavboa (2018) noted that organisations are seeking to improve organisational efficiency. Organisations are increasingly focusing on core activities, while

other services are looking for specialised service providers (Munjal et al., 2019). The 2020 World Development Report stated that organisations sought cooperation in various forms, for example: Samsung produces telephones for which 2600 partners from around the world provide consumables and services (World Bank, 2020). The active institutional and informational transformation of society in the 21st century has radically changed the traditional systems of production and exchange of goods, the relationship (interaction) between hierarchical structures, network systems in public administration and the management of corporations, employment and consumption, and economic and social organization (Malyi et al., 2021). The COVID-19 pandemic has affected the global economy and the service sector (Xiang et al., 2021) by compelling organisations to review their operational strategies, to use new ways of organising activities, and to optimise processes through external services. Service organisations need to prepare for and anticipate how new habits that were developed during the pandemic will affect both themselves and the behaviour of their consumers after the end of the pandemic, in order to be able to adapt to changed conditions. Networks of organisations are emerging in the market, but the link between the causes of outsourcing and the nature of these networks has not yet been highlighted. The purpose of this article is, therefore, to analyse the models of the outsourcing process and the theoretical links between the networking of organisations, as well as to highlight the impact and importance of the drivers of outsourcing on cooperation between different service organisations for development.

1. LITERATURE REVIEW

1.1 Links between outsourcing and networking

The reasons for using outsourcing and the evolution of these reasons have been studied by many scientists. Assaf et al. (2011) identified 38 drivers that were divided into 6 groups: economic, strategic, technological, quality, managerial, and functional. Ikediashi and Okwuashi (2015) compiled a list of 65 drivers and split them into 8 groups: cost/economic, strategic, innovation, revenue, quality, time, social, and other. Espino-Rodriguez and Ramirez-Fierro (2017), in the context of hotel research, divided a total of 12 drivers into two groups: tactical and strategic.

It should be noted that the links between outsourcing, its drivers, and networks of organisations are assessed differently. Some authors understand outsourcing as a component of the network. For example, Podolny and Page (1998) highlighted the idea that the network covers a broad set of joint ventures, strategic alliances, business groups, franchises, research consortia, relative contracts, and outsourcing, but does not include agreements between market participants – such as short-term contracts, immediate agreements, or labour relations. Conversely, other researchers see the network as a result of the outsourcing relationship. Franceshini et al. (2003) demonstrated that four types of relationship can be established between the external provider and the organisation conducting outsourcing activities: the traditional buyer-seller relationship; a temporary relationship; a strategic union; or a network organisation.

Kedia and Lahiri (2007), and Staniulienė (2009) observed that outsourcing changes the structure of organisations by making them flatter. According to Staniulienė (2009), outsourcing is part of the reorganisation process, and there are two possible options for an organisation to become networked: the enterprise is reborn as a newly organised network structure (i.e., merging); or the organisation undergoes restructuring and becomes a network. Tratyak and Popov (2009) pointed out that networks can be formed both by splitting large corporations and by connecting independent entities. It is claimed, that Cross-border mergers and acquisitions are considered to be a major global phenomenon that enables companies to create synergies for business, acquire assets, generate tax savings, gain access to new technologies, diversify business activities, increase the company's competitiveness and market value. According to Ribaconka and Kasnauske (2014), businesses are increasingly losing vertical structures: they are gaining a network structure that is dispersed globally, and more and more networks are dominated by the practice of outsourcing their functions to optimise access to the knowledge and resources needed to generate innovation.

According to the hierarchy of relations, the network distinguishes between two main network structures: vertical (Liu, 2016), where entities have different hierarchical levels or combinations; and horizontal (Juntunen, 2010), for entities at the same hierarchical level (Kedia and Mukherjee; 2009). According to Achrol (1997), vertical networks are formed as a supply-distribution relationship which is concentrated around parent organisations. Subsequent studies by Moller and Rajala (2006) suggest that, in the case of horizontal networks, organisations are acting in the same area (or even competing) in order to strengthen their influence and draw on the resources of the network participants. Although horizontal and vertical networking are distinguished as separate structures, Moller and Rajala (2006) consider that in the formation of complex networks of organisations, vertical and horizontal networking is closely linked and intertwined.

Broekhuis and Scholten (2018), Vynstra et al. (2015), and a host of other researchers have observed that networks emerging from the interactions of service organisations are particularly complex and uncertain. According Vynstra et al. (2015), the growth of specialisation and outsourcing between organisations has stimulated growth in operations and supply environments based on networks rather than on vertical integration. Organisations focus on what they do best, and outsource the remaining activities to external service providers.

Networks of service organisations are also affected by the choice of which services are outsourced. As a general rule, the services provided by a service organisation are divided into two types: core services and non-core (complementary) services (Lovelock, 1983). Espino-Rodriguez and Ramirez-Fierro (2017), and many others have stressed that service organisations must avoid the outsourcing of core services, and recommend that only non-core services be outsourced.

Research has shown that, depending on the drivers that lead to it and the services (core or non-core) for which it is used, outsourcing is carried out in different ways:

- When an organisation divides its activities, part of the non-core activities performed in the organisation are separated and outsourced. The supply of services on the basis of a contract is transferred to one or more of a number of suppliers operating in the market which are most suited to the needs of the organisation, and which are awarded long-term contracts for the delivery of services. Some authors refer to this method as “offshore outsourcing” (Hutzschenreuter et al., 2011), “external outsourcing” (Gerbl et al., 2009), “market relation” (Pekkola et al., 2005), or a “contract relationship” (Mirani, 2006).
- Organisations operating in the network are hierarchically equal and legally independent, but interact and share their core services and resources to achieve common goals. The network is formed by the connection between organisations that are not legally connected, as decisions are taken in relation to the organisation’s core activities. The authors refer to this method as a “hybrid model, joint venture” (Caniato et al., 2015).
- The most challenging way of developing a network is to cover both segmentation and networking. On the one hand, a network may be formed by the division of an organisation – i.e., by separating part of its activities – transferring it not via the use of contracts, but instead by establishing a legal entity (subsidiary, branch, etc.), which provides services to the founding organisation as well providing services in the market (the wider network). On the other hand, when an organisation uses merger principles to form a network, it may acquire an existing business or a part thereof, thus retaining full ownership and control. Both are used in cases where there is a need to outsource core services (or activities on which core services that carry a competitive advantage depend to a large extent), where their loss or the failure to control them would have a significant negative impact on the organisation’s performance. Scientists refer to this approach as “captive offshoring” (Caniato et al., 2015, Hutzschenreuter et al., 2011) or “internal outsourcing” (Gerbl et al., 2009).

Based on the previously discussed outsourcing of service organisations and the formation of collaborative networks, it is possible to illustrate the process of outsourcing in service organisations (Figure 1).

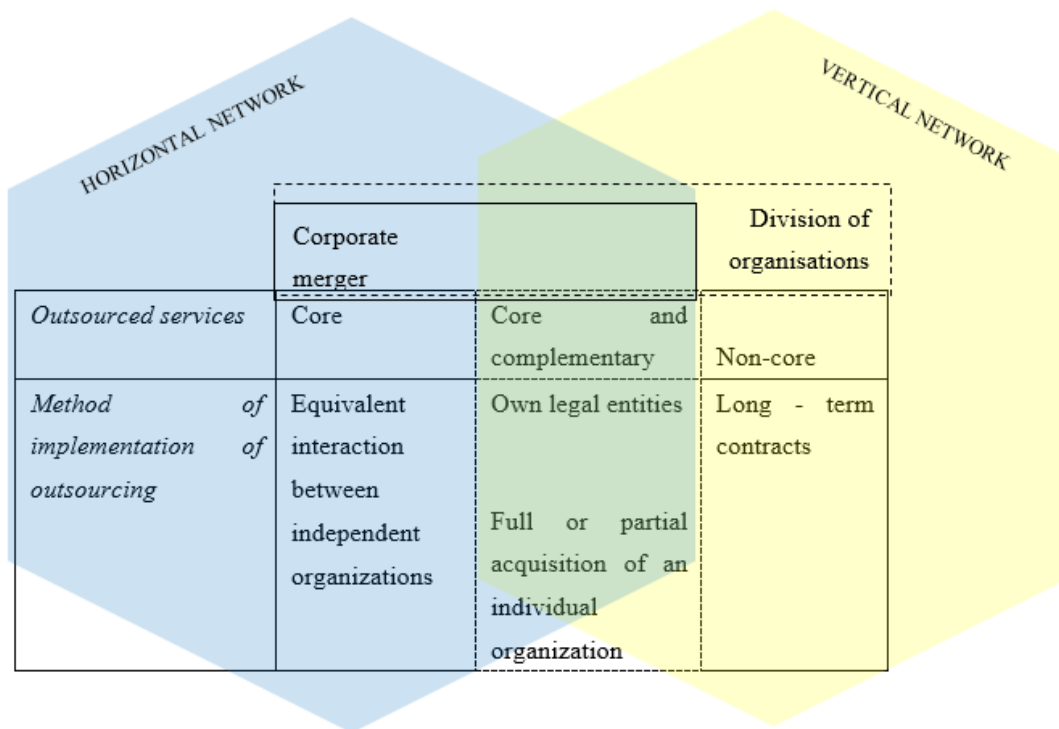


Figure 1. Outsourcing in corporate networks

Source: Qwn.

In case of networking formed on the basis of divisions, core, complementary, or non-core services are outsourced. In this case, two ways of implementing outsourcing can be distinguished: if the services are non-core, they are outsourced on a long-term basis; if the services are core or closely related to the core, then a subsidiary is established. Interconnections based networks are formed when organisations share their core competencies, forming a network of organisations with a common goal while maintaining full independence. However, there may be cases where organisations or their divisions are acquired and merged with another organisation.

1.2 Modelling the impact of outsourcing on the networking of service organisations

Looking at the typologies of the Lyons and Brennan (2014) models, it can be noted that the links between drivers of outsourcing, inter-organisational relationships, and the formation of networks are most visible in the outsourcing process models. The models of Gerbl et al. (2015), Kedia and Lahiri (2007), and others distinguish a different number of steps to the outsourcing process, and the specified process steps can be divided into two stages – i.e., preparation and implementation. The preparation phase involves the assessment of the drivers of outsourcing and the activities for which it is used. The implementation phase reveals nuances in creating inter-organisational relationships, deciding on a service provider and their location, and considering which forms of inter-organisational relationships should be used.

In order to uncover the relationship between drivers of outsourcing in the preparation phase of the outsourcing process and those in the implementation phase – which leads to networking – it is necessary to evaluate models examining the individual steps of the preparation and implementation phases.

The preparation phase involves the decision to outsource, during which the drivers of outsourcing are analysed. For example, Gewalt (2010) formed a model used in business services where the outsourcing of banking services is used. The model consists of four elements: drivers of outsourcing, groups

of drivers of outsourcing, the dependence of the approach to outsourcing on positive results, and the impact of the outsourcing approach on its use. The model covering the widest range of drivers of outsourcing is the one produced by Hassanain et al. (2015): “Model of Maintenance Outsourcing Decision Factors”. Based on Assaf et al. (2011), the researchers identified groups of drivers of outsourcing, developed a model that included an analysis of internal drivers influencing the use of outsourcing, and applied it to maintenance services. The model created by Wirtz et al. (2015) covers the geographical location of outsourcing and the methods of implementing it. Das and Grover’s (2018) model identifies the steps that need to be implemented in the outsourcing provider selection process, and their model was applied to IT services.

This analysis of scientific studies draws attention to models that reflect drivers that encourage outsourcing and their influence on relations. The model produced by Gerbl et al. (2015) was based on the matrix principle, and was applied to the analysis of business services. It revealed not only the geographical locations of outsourcing (local markets, neighbouring markets, or distant markets), but also the modalities of implementation (working with an independent organisation or a legally related one). Kedia and Lahiri (2007) developed a conceptual model called the “Model of International Outsourcing of Services Partnership”, which includes the use of outsourcing at three levels of corporate governance: tactical, strategic, and transformational. The authors stressed that at each level of corporate governance outsourcing is driven by different drivers and the level of partnership between the external provider and the organisation using it is also different.

The analysis of models of the outsourcing process reveals that, as the reasons and services used for outsourcing are assessed, there is a relationship between the drivers that impel outsourcing. In addition, it is important to consider how and where outsourcing is implemented. These models include the separate stages of the outsourcing process and their components.

Based on the research on outsourcing, drivers promoting it in services, and outsourcing process models, a theoretical model of the impact of drivers of outsourcing on the formation of networks of service organisations was developed (Figure 2). The first stage of this model is to identify and group drivers, and to decide which services to outsource; the second stage is to choose the mode of implementation of the outsourcing.

As there is no consensus in the wider research on the exact definition of drivers of outsourcing, this model includes the groups proposed by Assaf et al. (2011): strategic, economic, technological, quality, management, and function. A distinction has been made between services that rely on outsourcing – i.e., core, non-core, and complementary services. It has been established that the outsourcing of non-core services, which is inherent at the strategic level of corporate governance, may include the outsourcing of core or complementary services where only strategic objectives are pursued. However, at the transformative corporate governance level, a decision is taken to use the assistance of network partners for the delivery of core or closely-related services.

The choice of groups of drivers of outsourcing and outsourced services is a feature of the preparation phase of the outsourcing process. It is possible to determine which services are covered by outsourcing according to their specific characteristics, which are linked to the need for these services and the frequency of their delivery.

The second phase of the model envisages the implementation modes of outsourcing, which are determined by the nature of the outsourced services (core, non-core, or complementary) and drivers of outsourcing at different levels of corporate governance. Contractual links are most likely when outsourcing is used at the strategic corporate governance level. At the transformation level of corporate governance, outsourcing may be carried out by a legally-linked entity, whether a subsidiary is being set up or part of an existing organisation is acquired. It should be noted that only at the transformational level, through outsourcing, is equal interaction between unrelated legal entities pursuing common objectives and providing essential services monitored.

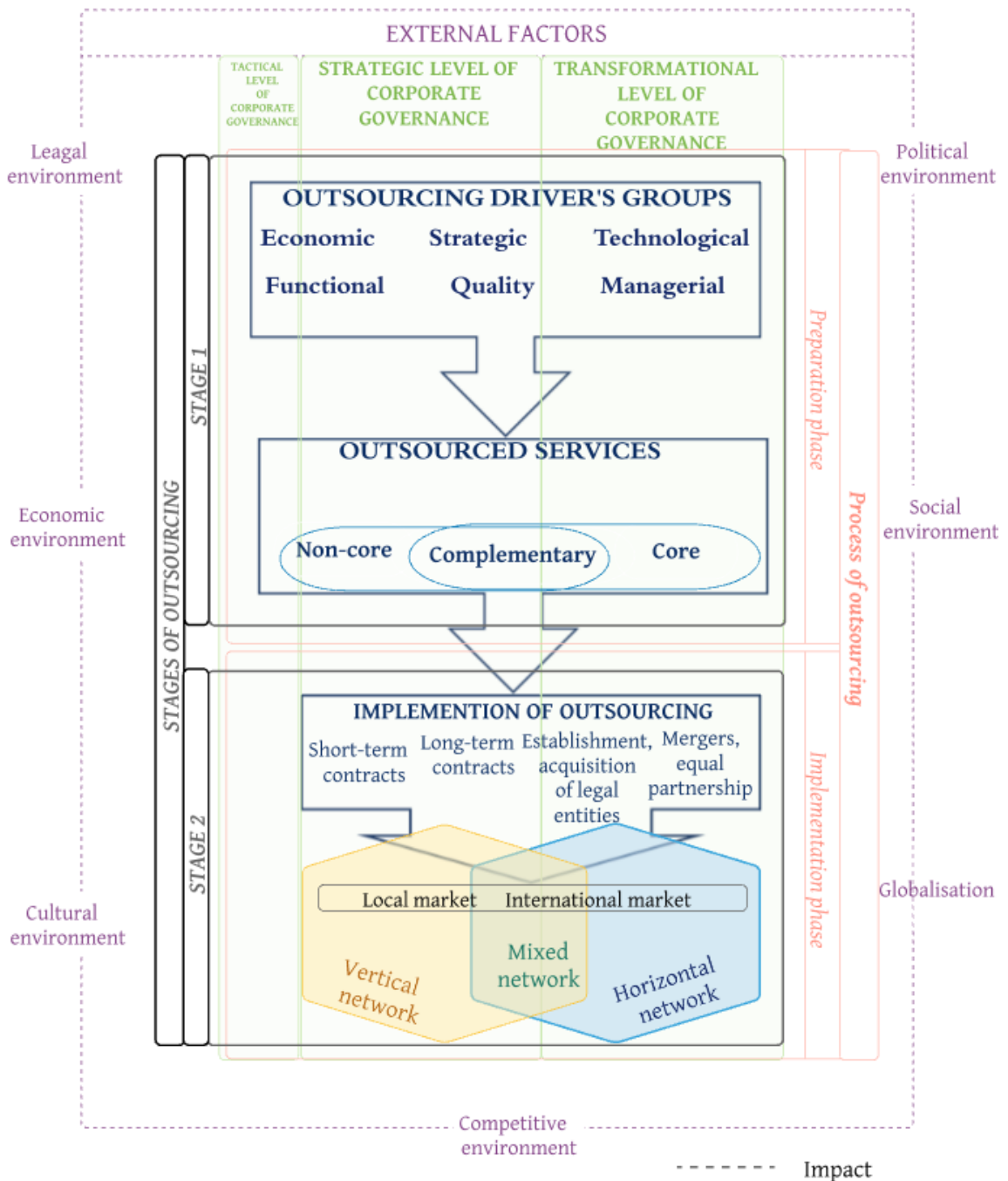


Figure 2. A theoretical model of the impact of drivers of outsourcing on the formation of networks of service organisations

Source: Own.

On the basis of the above analysis, it can be concluded that service organisations aim to outsource to the closest possible geographical location by means of contracts, resulting in the formation of vertical networks of service organisations. However, core or closely-related-to-core services are subject to implementation methods that shape horizontal networks of service organisations, both in national and international markets.

2. RESEARCH DESIGN AND RESULTS

Different service organisations were selected to test the theoretical model and to reveal the impact of the drivers that led to outsourcing on the different ways in which outsourcing was implemented and its links to networking.

The analysis unit of the first case study (I) is a business enterprise that has been active in the tourism and travel-related services group for 11 years. The organisation expands on the international market and changes its structure as a result of the establishment of subsidiaries, the purchase of organisations, mergers, and the development of the services provided (providing not only accommodation and catering, but also transport services, etc.). During the analysis of the second case study (II), an organisation providing construction services operating together with partners only in the Lithuanian market was examined, and the nature of the organisation's functioning in the network was determined.

The data for both case studies were collected by conducting interviews, and qualitative content analysis was used for processing. According to Zydziunaitė and Sabaliauskas (2017), qualitative content analysis procedures allow the researcher to summarise large amounts of information and form conclusions based on empirical data. As a result of this analysis, a study report was prepared, in which the data were divided into categories. These categories identified and analysed the organisational structures of the investigated organisations, and the impact of external activities on the formation of such structures. Each category was analysed by highlighting the expert's statements, which reflected three subcategories: services for which outsourcing was used, drivers of outsourcing, and the decision to use an appropriate organisational structure.

In the first case study (I), the activities of the selected international service organisation are characterised by a wide range of services being developed, and the structure of the organisation consists of various organisational units – subsidiaries, mergers, partnerships, etc. The organisation has been operating tourism and travel-related services for more than 11 years, and is active in the wholesale package of travel in the Baltic and Scandinavian countries. The organisation is categorised as large, as it has 83 permanent and 98 temporary employees. Its activities are widely diversified, and the organisation's operating partners are located in the regions of Europe, Scandinavia, and Asia.

The main driver which led to outsourcing belongs to the strategic drivers group: the seasonality of activity and the absence of continuous demand for services. It was determined that this driver is relevant to all of the services provided by the organisation in the context of the outsourcing of core services. It should be noted that interviews with experts identified that drivers which are in the group of strategic incentives – channelling finance to business development; management group – time saving; quality group – quality improvement; – had impact on long-term contacts.

Although the investigated organisation uses outsourcing for a wide range of complementary services, two linked strategic drivers have emerged – namely the concentration to the core services, and the specialisation of the provider in the delivery of services. All of this helps the business to save costs and time and makes administration of business easier. Moreover, the delivery of services abroad contributed to the use of outsourcing in the neighbouring geographical area.

In summary, it can be highlighted (Figure 3) that this case study (I) did not identify the impact of technological drivers on the implementation of outsourcing in the form of long-term contracts, but the outsourcing of core, closely-related-to-core, and non-core services is affected by economic, strategic, quality, managerial, and other drivers.

This case study (I) also showed that in the organisation under investigation, complex decisions were influenced by drivers and external factors in business development. On the other hand, the use of outsourcing services was the result of a strategic driver – concentration on the main activities by the establishment of a legal entity. This led to the formation of a mixed enterprise network.

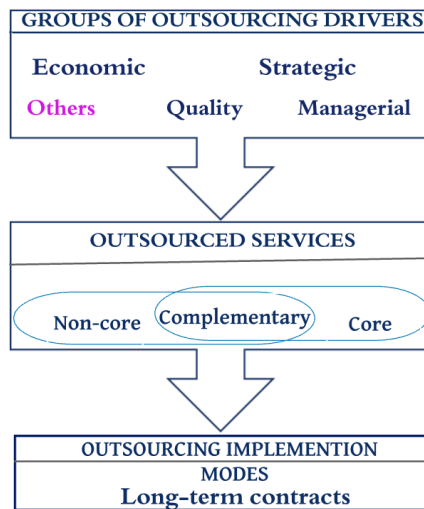


Figure 3. The impact of drivers on the implementation of outsourcing through long-term contracts

Source: Own.

In order to provide transport services, the organisation not only set up a separate legal entity, but also bought an existing transport organisation with which it had long-standing relationships. The initial drivers of such a decision were: the location of the service – i.e., that the transport service was provided in a specific market; and a strategic driver – the maintenance of a competitive advantage. However, the case study also showed that the implementation of outsourcing by acquiring an existing business was affected by the technological driver – the need for specific knowledge and skills linked to the skills and experience of the employees of the acquired organisation. The example of the organisation investigated suggests that the structure of the network may vary depending on the organisation’s strategic objectives – in this case the expansion of the delivery of services across countries or regions.

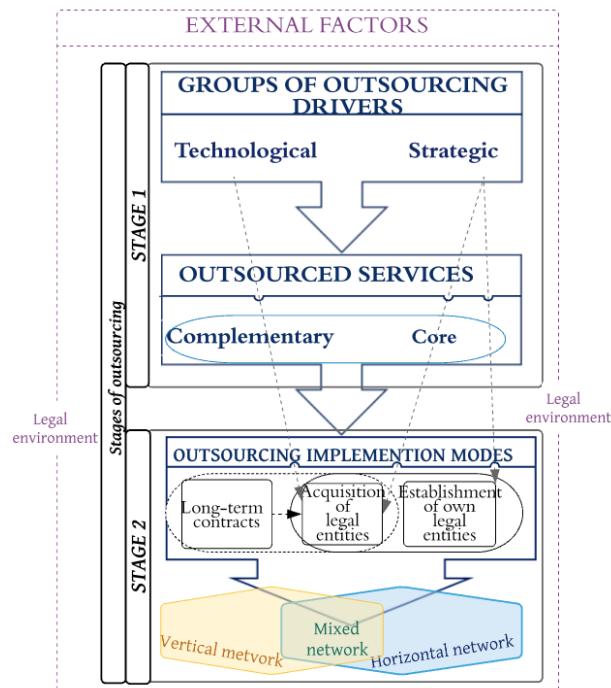


Figure 4. The impact of drivers of outsourcing on the formation of networks of organisations

Source: Own.

The assessment of the results of the case study has demonstrated that the theoretical impact of the drivers of outsourcing on network formation in service organisations can be detailed by highlighting the direct impact of the drivers concerned on the implementation of the outsourcing (Figure 4).

Within the investigated organisation, the establishment of a legal entity to provide catering services reflects a reverse process of outsourcing – i.e., rather than the service previously having been provided in the organisation and then later being outsourced, it was instead resourced back to the organisation. The organisation was influenced by strategic drivers such as maintaining market share and maintaining competitiveness, and due to the lack of appropriate services on the market the organisation had to take the initiative to create the service itself.

It should be noted that the development of a service through the creation of a legally-related entity is influenced by quality-control drivers. On the basis of the organisation’s experience, it is possible to assess the impact of service outsourcing on mergers between service organisations (see Figure 5). In short, the merger primarily results from a competitive market situation, where seasonality leads to a shortage of accommodation resources which then leads to technological and strategic drivers. In this context, the need for specific knowledge/technology and the sharing of risks between partners in creating the package of services and the expansion of activities in travel and accommodation services were important. The merger was carried out with the common objective of maintaining market share and improving competitiveness between the two organisations. This study shows that the main impact on the merger of these service organisations was caused by external factors, which directly led to the formation of technological and strategic drivers and allowed for horizontal networking among service organisations.

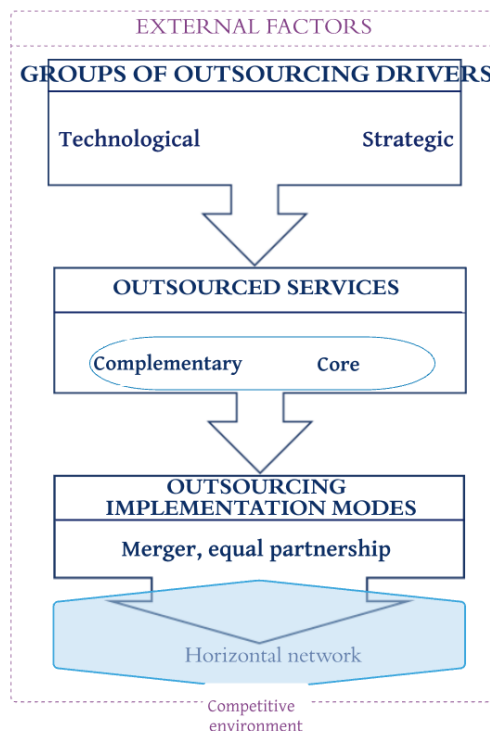


Figure 5. The impact of drivers of outsourcing on mergers and horizontal networking

Source: Own.

It should be noted that the investigated organisation uses as many as three different ways of implementing outsourcing for transport services: long-term contracts, the creation of a legally linked entity, and the acquisition of an existing business. It can therefore be argued that, irrespective of the nature of these services, the different drivers of outsourcing have an impact on the different ways in which out-

sourcing is implemented within these service organisations. In addition, the impact of the location driver on the use of outsourcing in near and distant (neighbouring and international) markets is clearly visible.

The organisation analysed in the second case study (II) provides a start-to-finish construction service, which covers the entire construction process of a building, from laying the foundations to the final finish. The client simply collects the keys and moves into a fully built house, with indoor and outdoor areas finished to a high standard. The enterprise has been in existence for 12 years and is classified as small, retaining 24 employees. The organisation provides services within Lithuania and uses the services of service providers operating within the country – such as engineering infrastructure installation services, specific finishing services, and business administrative services such as those that oversee accounting and worker safety – thereby operating on a network of service providers located within national boundaries. The manager stated that the outsourcing of services closely linked to the core service was driven by the desire to ensure the quality of the package of services provided, as external providers specialise in the delivery of some services and have the necessary skills and techniques. Another reason is the sharing of risks via the outsourcing of services covered by the guarantee and after-sales service. The organisation in the second case study (II) uses the services of external providers on the basis of long-term contracts and long-term partnerships, from service providers operating in the same market.

In conclusion, strategic, quality, and technological drivers in the organisation investigated have had the greatest impact on the outsourcing of services closely related to the core business. Particular emphasis should be placed on risk sharing. Strategic incentives and the “experience of others” were important for the outsourcing of non-core services. In the case of several organisations operating within a single market, the main mode of implementing outsourcing is long-term contracts, which lead to the creation of a network of partners active in the local market.

2.1 Changes in outsourcing services

There has been a recent increase in scientific research linked to the COVID-19 pandemic and its impact on business activities. Obrenovic et al. (2020) investigated support for the operation and productivity of organisations during the COVID-19 pandemic, and found that organisations with network structures were more adaptable and able to deal more effectively with the pandemic or other unforeseen situations. Crick and Crick (2020) noted that during the COVID-19 pandemic organisations began to change their business models, and showed cooperation even between competing organisations.

A study by the Deloitte Global Outsourcing Survey 2020 revealed that changing business scenarios are creating an imperative for service providers to become more agile. Firms will now accelerate overall outsourcing as they learn to collaborate in a world where speed, quality, flexibility, and cost are more important than physical location. This study showed that the motives behind the use of outsourcing are changing: now, cost reduction is again becoming increasingly critical, with over half of interviewees indicating that cost reduction is a primary reason for outsourcing. The impact of COVID-19 plays a key role here: the uncertain economic environment is switching the focus back to the numbers.

The analysis of indicators in the service sector revealed the impact of the pandemic, in particular for those service providers whose activities are characterised by direct contact with the customer.

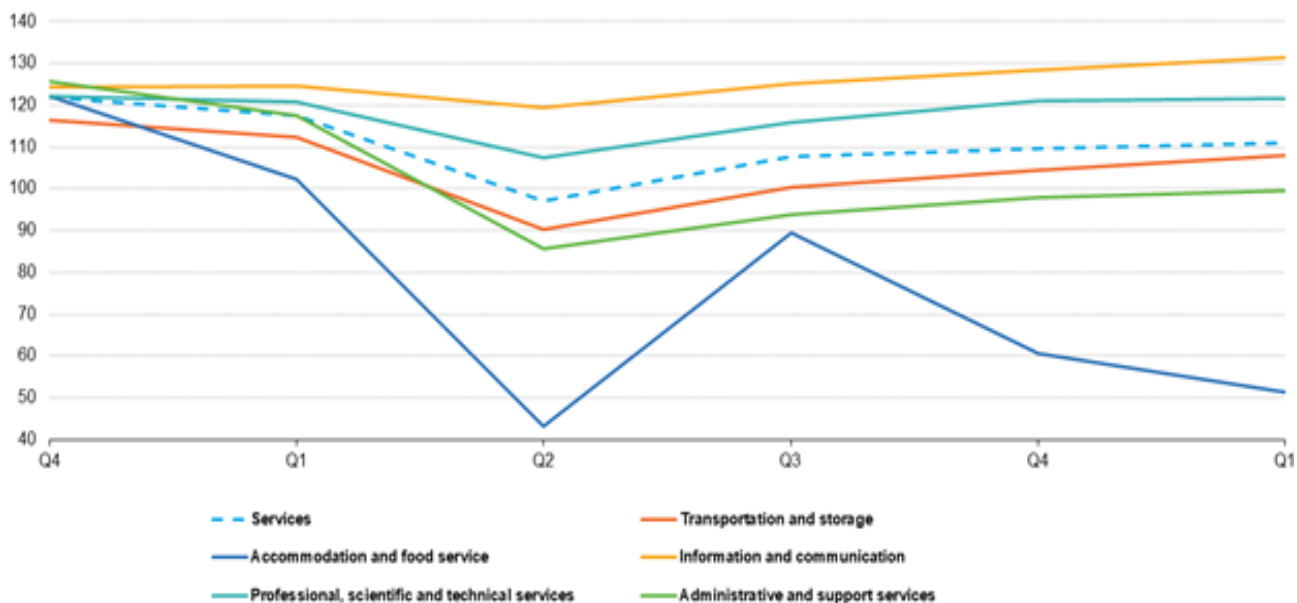


Figure 6. The evolution of the turnover of EU services, Q4 2019-Q1 2021.

Source: Eurostat (n.d.; online data code sts_sepr_m)

Eurostat data show (Figure 6) that the service sector is recovering but has not yet reached pre-pandemic levels. Due to the global need for businesses to relocate their activities and trade to the e-space, growth was only observed throughout the period of the COVID-19 pandemic in the information and communication services sector (Figure 6). In the first quarter of 2021, the turnover of services in the EU (excl. trade, financial, and public services) increased by 1.2% compared with the last quarter of 2020; the strongest increase was recorded for transportation and storage services (3.4%), whilst turnover for hotels and restaurants decreased by 15.5%.

Indicators reflecting trends in the service sector are provided by various international organisations (OECD, WTO, etc.), and they show growth in the service sector via these indicators. The World Trade Report 2019 notes that distribution and financial services account for the largest shares of global trade in services, with both groups combined accounting for almost a fifth of total services (World Trade Organization, 2019). Based on the prognosis of the WTO, global trade in services will have grown by 50% by 2040. Eurostat Statistics Data show an increase in the number of service enterprises. (n.d.) (<https://ec.europa.eu/eurostat/data/statistics-aaccessed> on 27 November 2020). It can therefore be said that there is a link between the growth of the number of service organisations internationally and the ways in which trade in services occurs, which shows that trade in services takes place through branches abroad, the relocation of various services, or use of other resources (personnel, transport, etc.).

CONCLUSION

Scientific studies have shown that the direct link between drivers of outsourcing and changes in an organisation's activities is reflected in the models of the outsourcing process, the components of which reflect: the preparation phase of the outsourcing process, which assesses the external incentives and services for which it is used; and the implementation phase, where actions are envisaged for the implementation of outsourcing.

By assessing models of the outsourcing process and summarising the theoretical studies on outsourcing services and the links between outsourcing and networking – as well the various reasons, drivers, and motives for outsourcing services – a theoretical model has been developed. The elements of

this model depend on the tactical, strategic, and transformational levels of corporate governance, include the preparation and implementation stages of the outsourcing process, and lead to networking among service organisations.

The results of the qualitative survey carried out in service organisations showed a variety of modes of implementing outsourcing, which are directly linked to its drivers. Modelling confirmed the impact of technological and strategic drivers on the implementation of outsourcing by means of mergers or the creation of a legal entity. The impact and importance of the location of services driver identified for outsourcing, as well as the impact of changes in the structure of the enterprise network, have become apparent. The impact of exogenous factors on the choice of the mode of implementation of outsourcing has been confirmed, and different assumptions have been established for the development of the network through outsourcing in local and international markets. If an organisation is active in a local market, it develops a network through long-term contracts because of risk-sharing, whilst cross-border outsourcing is implemented in different modes and requires links with partners and competitiveness-related drivers within a network structure to be taken into account.

In view of the scale and duration of the COVID-19 pandemic and the performance of the service sector, it is appropriate to extend the analysis of the use of outsourcing motives and their impact on different service organisations. It is precisely because of the pandemic that not all service organisations were able to provide all or part of their services. However, flexibility and networking allow organisations and businesses to not only reduce operating costs and share risks, but also to assess the need for services in national and international markets when expanding their activities.

REFERENCES

- Achrol, R.S. (1997), "Changes in the theory of interorganizational relations marketing: Toward a network paradigm", *Journal of the Academy of Marketing Science*, Vol. 25, No. 1, pp. 56–71.
- Assaf, S. et al. (2011), "Factors affecting outsourcing decisions of maintenance services in Saudi Arabian universities", *Property Management*, Vol. 29, No. 2, pp. 195–212.
- Broekhuis, M., Scholten, K. (2018), "Purchasing in service triads: The influence of contracting on contract management", *International Journal of Operations & Production Management*, Vol. 38, No. 5, pp. 1188–1204, doi: <https://doi.org/10.1108/IJOPM-12-2015-0754>.
- Caniato, F. et al. (2015), "Location drivers, governance model and performance in service offshoring", *Production Economics*, Vol. 163, pp. 189–199.
- Crick, J.M., Crick, D. (2020), "Coopetition and COVID-19: Collaborative business-to-business marketing strategies in a pandemic crisis", *Industrial Marketing Management*, Vol. 88, pp. 206–213.
- Das, A., Grover, D. (2018), "Biased decisions on IT outsourcing: How vendor selection adds value", *Journal of Business Strategy*, Vol. 39, No. 5, pp. 31–40, doi: <https://doi.org/10.1108/JBS-03-2018-0039>.
- Deloitte (2020), "Deloitte Global Outsourcing Survey 2020", <https://www2.deloitte.com/content/dam/Deloitte/se/Documents/technology/gx-2020-global-outsourcing-survey-how-much-disruption.pdf>.
- Espino-Rodriguez, T.F., Ramirez-Fierro, J.C. (2017), "Factors determining hotel activity outsourcing. An approach based on competitive advantage", *International Journal of Contemporary Hospitality Management*, Vol. 29, No. 8, pp. 2006–2026, doi: <https://doi.org/10.1108/IJCHM-05-2016-0291>.
- Eurostat (n.d.), "Impact of Covid-19 crisis on services", https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Impact_of_Covid-19_crisis_on_services
- Franceshini, F. et al. (2003), "Outsourcing: Guidelines for a structured approach", *Benchmarking: An International Journal*, Vol. 10, No. 3, pp. 246–260.
- Gerbl, M., Mclvor, R., Humphreys, P. (2009), "Global services outsourcing: Critical aspects and future directions", *POMS 20th Annual Conference*, Orlando, Florida, USA, May 1–May 4.
- Gerbl, M. et al. (2015), "A multi-theory approach to understanding the business process outsourcing decision", *Journal of World Business*, Vol. 50, pp. 505–518.
- Hassanain, M. et al. (2015), "A multicriteria decision making model for outsourcing maintenance services", *Facilities*, Vol. 33, Issue 3/4, pp. 229–244, <https://doi.org/10.1108/F-01-2013-0003>.

- Hutzschenreuter, T., Lewin, A.Y., Dresel, S. (2011), "Governance modes for offshoring activities: A comparison of US and German firms", *International Business Review*, Vol. 20, pp. 291–313.
- Ikediashi, D.I., Aigbavboa, C. (2018), "Outsourcing as a strategy for facilities management provision in Nigerian universities", *International Journal of Construction Management*, Vol. 19, Issue 4, pp. 281–290, doi: 10.1080/15623599.2018.1435235.
- Ikediashi, D., Okwuasi, O. (2015), "Significant factors influencing outsourcing decision for facilities management (FM) services: A study of Nigeria's public hospitals", *Property Management*, Vol. 33, Issue 1, pp. 59–82.
- Juntunen, J., (2010), "Functional spin-offs in logistics service markets", *International Journal of Logistics: Research and Applications*, Vol. 13, No. 2, pp. 121–132, doi: <https://doi.org/10.1080/13675560903562056>.
- Kedia, B.L., Lahiri, S. (2007), "International outsourcing of services: A partnership model", *Journal of International Management*, Vol. 13, pp. 22–37.
- Kedia, B.L., Mukherjee, D. (2009), "Understanding offshoring: A research framework based on disintegration, location, and externalization advantages", *Journal of World Business*, Vol. 44, pp. 250–261.
- Lyons, P., Brennan, L. (2014), "A typology and meta-analysis of outsourcing relationship frameworks", *Strategic Outsourcing: An International Journal*, Vol. 7, Issue 2, pp. 135–172, <https://doi.org/10.1108/SO-04-2014-0006>.
- Lovelock, C.H. (1983), "Classifying services to gain strategic marketing insights", *Journal of Marketing*, Vol. 47, No. 3, pp. 9–20, doi: <https://doi.org/10.1177/002224298304700303>.
- Malyi, I. et al. (2021), "The institutional transformation of the digital values of Ukrainian society", *Intellectual Economics*, Vol. 15, No. 1, pp. 49–63
- Mirani, R. (2006), "Client-vendor relationships in offshore applications development: An evolutionary framework", *Information Resources Management Journal*, Vol. 19, Issue 4, pp. 72–85.
- Moller, K., Rajala, A. (2006), "Business nets: Classification and management mechanisms", *Working Papers*, W-407, Helsinki School of Economics, Helsinki.
- Munjal, S., Requejo, I., Kundu, S.K. (2019), "Offshore outsourcing and firm performance: Moderating effects of size, growth and slack resources", *Journal of Business Research*, Vol. 103, pp. 484–494. <https://doi.org/10.1016/j.jbusres.2018.01.014>.
- Obrenovic, B. et al. (2020), "Sustaining enterprise operations and productivity during the COVID-19 pandemic: Enterprise Effectiveness and Sustainability Model", *Sustainability*, Vol. 12, No. 15, 5981, <https://doi.org/10.3390/su12155981>.
- Pekkola, K. et al. (2005), "The evolution of outsourced operations - a five-phase model", in Zülch, G. et al., *Integrating Human Aspects in Production Management*, IFIP International Conference for Information Processing, Vol. 160, doi: 10.1007/0-387-23078-5_27.
- Podolny, J.M., Page, K.L. (1998), "Network forms of organization", *Annual Review of Sociology*, Vol. 24, pp. 57–76.
- Ribačonka, E., Kasnauskė, J. (2014), "Veiksniai, įgalinantys veiksmingai veikti organizacijų tinklą", *Regional Formation and Development Studies*, Vol. 2, No. 10, pp. 189–200, DOI: <http://dx.doi.org/10.15181/rfds.v10i2.154>.
- Sharma, A. et al. (2020), "Covid-19's impact on supply chain decisions: Strategic insights from NASDAQ 100 firms using Twitter data", *Journal of Business Research*, Vol. 117, pp. 443–449.
- Staniulienė, S. (2009), "Development of outsourcing in network structure design", *Organizational Management: Systematic Research*, Vol. 53, pp. 97–113 (in Lithuanian).
- Vynstra, F., Spring, M., Schoenherr, T. (2015), "Service triads: A research agenda for buyer-supplier-customer triads in business services", *Journal of Operation Management*, Vol. 35, pp. 1–20.
- Wirtz, J., Tuzovic, S., Ehret, M. (2015), "Global business services: Increasing specialization and integration of the world economy as drivers of economic growth", *Journal of Service Management*, Vol. 26, No. 4, pp. 565–587, doi: 10.1108/JOSM-01-2015-0024.
- World Bank (2020), *World Development Report 2020: Trading for development in the age of global value chains*, World Bank, Washington, DC, doi: 10.1596/978-1-4648-1457-0.
- World Trade Organization (2019), "World Trade Report 2019: The future of services trade", https://www.wto.org/english/res_e/booksp_e/00_wtr19_e.pdf.

Xiang, S. et al. (2021), "The effect of COVID-19 pandemic on service sector sustainability and growth", *Frontiers in Psychology*, Vol. 12, 633597, doi: 10.3389/fpsyg.2021.633597.

Zydziaunaite, V., Sabaliauskas, S. (2017), *Qualitative research. Principles and methods*, Vaga, Vilnius (in Lithuanian).