


A study on the benefits of outsourcing in the production process of the mechanical industry

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ABSTRACT

The practice of outsourcing dates back to the Industrial Revolution, gaining prominence in the 20th century due to organizations' relentless pursuit of efficiency and cost reduction. In Brazil, this trend became prominent in the last decades, especially from the 1990s onwards, driven by changes in labor laws. There has been a noticeable increase in outsourcing various activities, from administrative services to strategic functions. This phenomenon is complex, generating debates about its social and economic impacts. However, the crucial importance of effective management of contracts and relationships with suppliers to ensure strategic alignment and quality of the final product stands out. Nevertheless, this work proposes the respective problematization with the question: What are some of the possible benefits of outsourcing in the production process of the mechanical industry? To achieve answers to this problem, we outline as a general objective to demonstrate some of the possible benefits of outsourcing in the production process of the mechanical industry. Regarding the methodological procedure, we undertake a brief literature review, with developments in qualitative classification information, thus constituting some theoretical contexts that contributed to achieving the established objective. The results indicate that when well-managed, outsourcing can generate efficiency and competitiveness. However, it is emphasized the importance of a balance between the interests of companies and the protection of labor rights. It is concluded that outsourcing, when carried out with caution and responsibility, can be an effective strategy to reduce operations, but the safeguarding of workers' rights should be prioritized.

Keywords: Strategy, Operations Management, Industry, Outsourcing.

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INTRODUCTION

With the globalization of the 21st century, new means of production have emerged and changed the way of working and the strategic productive link in the company, constituting outsourcing, in which the organization hires another company to perform specific and specialized services within its production process, consequently the contracted company performs the services as its own organization technical autonomy, with the purpose of the contract, portrays (Indústria, 2020).

According to Lima (2010p. 120):

[...] These transformations will characterize the reconfiguration of capital-labor relations within a context, known as flexible accumulation, post-Fordism or neo-Fordism, marking a new stage in the development of the productive forces in capitalism: new technologies, new ways of organizing production and managing the workforce.

Outsourcing is understood as an administrative strategy that facilitates the creation of a managed process to assign to third parties the activities considered to be supporting or ancillary to the service designated as the main activity. This allows these companies to focus their efforts on the core of their operations. It is noteworthy that outsourcing should be seen as a process integrated into a company's strategic planning, conceived in light of the reality of the environment and culture of each organization (Mamede Resede, 2021).

The main purpose of this paper is to examine the advantages and disadvantages of outsourcing in the market context. To achieve this general objective, specific objectives will be defined that consist of evaluating the feasibility of outsourcing in organizations and conducting a comparative analysis based on literature of the advantages and disadvantages associated with this process (Cavalcante, 2017).

Given the global history of the application of outsourcing, the subject has become highly controversial and discussed nowadays, since it always generates divergent opinions depending on the perspective of those involved, the work is justified through outsourcing has the purpose of emphasizing strategic aspects, enabling the delegation of tasks that do not involve "confidential information" to third parties, it is an instrument to improve operations in the production sectors, resulting in greater competitiveness and profitability of the company (Torres, 2019).

However, this work proposes as a problematization the respective question: What are some of the possible benefits of outsourcing in the production process of the mechanical industry?

In order to provide answers to this problem, we outlined the general objective of demonstrating some of the possible benefits of outsourcing in the production process of the mechanical industry. In addition, below we unfold some theoretical principles and methodological procedure on the respective theme, in order to start a brief discussion about this study.



METHODOLOGY

For this study, we used the thought of Fonseca (2002), about the methodological approach in the descriptive qualitative perspective, with research based on bibliographic reviews of books and online sources, as an attempt to understand and evaluate the intrinsic characteristics of outsourcing.

The outsourcing method, according to Melo (2011), originated in the United States before World War II and was consolidated as a business management technique from the 1950s onwards, driven by the rapid development of industries.

At first, informative materials previously available in previous research were used, as well as organizational documents, specialized journals and other pertinent sources of information, the analysis of these materials will serve as a basis for the next steps to be taken.

As stated by CEL (2008), the practice of outsourcing was gradually applied due to the arrival of the first multinational companies, especially those in the automotive sector, in the early 1980s.

As a research technique, the case study Menezes & Pinto (2016) was adopted, entitled "Outsourcing in the automotive hub of the metropolitan agglomeration of Curitiba" presenting that the phenomenon of outsourcing as complex, such as the strategy of *Just in time* (downsizing) reducing costs within the company, however, the competitiveness of outsourced companies tends to depend less on knowledge and technology, focusing more on the precariousness of the workforce. Although the reduction of labor costs is present in all spheres and activities, from operational to managerial.

Another contribution to the study is the research of Alves et. al. (2022), named "Advantages and disadvantages of outsourcing in large-scale renovations – case study", the study was developed in outsourced companies in João Pessoa – PB with contractors for renovation of a large wholesaler, from various areas of activity among them: painting, electrical and locksmith provided services.

In the study used as the basis of this qualitative research, entitled "Outsourcing: advantages and disadvantages for organizations" by Gimenez et. al. (2020), it is concluded that, after analyzing the advantages and disadvantages of outsourcing, along with the evaluation of its positive and negative points, the feasibility of this practice within organizations was verified. The application of outsourcing in institutions is considered valid and viable, resulting in agility and greater profitability for companies.

In addition, the present study used as a methodological procedure a brief review of the literature, with developments in qualitative classification information, thus constituting some theoretical contexts that collaborated to achieve the established objective. Thus, in addition to the theoretical interweaving already discussed previously here, the following are some results according to the finding of information and data collection.



UNDERSTANDING OUTSOURCING

One of the viable interpretations of outsourcing highlights the separation between the legal and economic dimensions of the employment relationship. In this scenario, the worker performs his or her tasks for a company designated as the "contractor", but all rights linked to his or her work are linked to another entity – an intermediary company identified as the "contractor" (Campos, 2015, p.80).

THE OUTSOURCING PROCESS IN BRAZIL

In 1974, Law 6.019, which instituted temporary work, represented the pioneering legal instrument in Brazil to allow outsourcing, however, only in two circumstances: extraordinary increase in labor demand or replacement of a regular and permanent employee, confirming the first attempt at outsourcing in Brazil manifested itself through legislation, currently no longer in force. which allowed banks to contract the security service exclusively through a surveillance company. (JUSBASIL, 2013).

Industry (2020) points out, in order to act as an outsourcer, it is necessary that companies are duly formalized, having a National Registry of Legal Entities (CNPJ) and registration with the Board of Trade, occurs through a contract established between the company that hires the services and the outsourced company.

The Outsourcing Law (Law No. 12,439/2017) also stipulates that the capital stock of the outsourced company must be compatible with the number of employees, in order to reinforce the security of the contracting company.

In the labor field, all companies involved in an outsourcing contract, whether the contractor or the service providers, must meet the requirements of labor laws, such as: registration in the labor card, compliance with the legal working hours, granting vacations, payment of the 13th salary, observance of social security protections and FGTS, adherence to occupational health and safety standards, compliance with what is established in the collective agreements and conventions of the respective professional category.

Torres (2019) highlights both the advantages and disadvantages of outsourcing, providing a balanced view of the various aspects associated with this practice that need to be considered and carefully analyzed, as shown in Table 1.



Table 1: Advantages and disadvantages

Aspect	Advantage	Disadvantage
Operational efficiency	Increased operational efficiency, allowing greater focus on core activities.	Difficulty in direct control of outsourced operations, affecting the quality of service.
Cost reduction	Cost savings, as the company can eliminate personnel and infrastructure expenses.	Reliance on third parties can result in increased overhead costs and a lack of financial flexibility.
Access to expertise	Access to experts and specific knowledge, raising quality.	Risk of over-reliance on external expertise, with possible loss of internal knowledge.
Flexibility	Flexibility in labor management, facilitating adjustments according to market demand.	Lack of control over outsourced employees can lead to problems aligning with organizational culture.
Focus on the core business	The company concentrates its efforts on its core business, improving competitiveness.	Possibility of loss of control over critical aspects of production or outsourced service.
Shared Risks	It shares risks with the service provider, decreasing the company's total liability.	Risk of damaging the company's reputation if the service provider does not meet the expected standards.

Source: Adapted by Torres (2019).

FORMS OF OUTSOURCING

Historically, outsourcing has been used predominantly in the core activity, rather than in the core activities. The core activity refers to the core function of the organization that adds value directly to the product, and can, as a result, increase the company's profitability. In contrast, the middle activity is located in an intermediate way in the production process, not influencing the quality of the product, but may have effects on operating costs (Carlos, 2015).

Table 2: Types of outsourcing by operational activity.

I)	Traditional	Transfer of services to third parties, where price plays a decisive role in the completion of business.
II)	Risk Outsourcing	Transfer of labor obligations, masking the employment relationship through hiring intermediated by third parties.
III)	Outsourcing with Partnership	Transfer of the execution of ancillary activities to specialized partner companies, aiming at greater competitiveness in the main activity.

Source: Adapted by Carlos (2015).

Outsourcing has the possibility of involving the procurement of the raw material, the stages of production, or even the sale of the finished product. In addition, this practice can be carried out both on the premises and outside the contracting company. Menezes & Pinto (2020), in turn, classifies by: form and object.



Table 3: Types of Outsourcing

Outsourcing Classification	Description
As for the Form	
i.External	Service providers located outside and far from the perimeter of the contracting company.
ii.Internal	Service provider located at the borrower's premises, working in the same environment and sharing responsibilities. It is the most widely practiced modality today.
iii.Cooperatives	An action that emerged in Brazil in the 90s, focused only on the relationship between the entity and the cooperative member.
As to the Object	
i.Services	Liability of the provider restricted to the execution of the contracted activities, pure provision of services.
ii.Services & Materials	It includes the supply of inputs, also making it responsible for the management of activities, with greater demand for quality.
iii.Services and Equipments	The subcontractor provides all the machinery and equipment necessary for the efficient execution of the contract.
iv.Full	Characterized by the total transfer of activities, technology and integral management of the contracted activity.

Source: Adapted by Menezes and Pinto (2021).

BENEFITS OF OUTSOURCING IN THE PRODUCTION PROCESS OF THE MECHANICAL INDUSTRY

Through the analysis of the research Alves et. AL (2022), we observe the feasibility of outsourcing this segment with full enjoyment of the benefits of this mechanism in the management of civil works, reducing time, managing labor according to the schedule, because the contractor is a specialist in this area, saving its employees, financial and logistics resources. Among the advantages, we highlight the execution of services by a specialized company, avoiding waste, reducing time and increasing productivity.

Outsourcing fulfilled its goal of agility and resource savings. Where numerous advantages were observed, such as the enhancement of the contractor's image, time optimization, increased productivity, adjunct planning of the outsourced company with the implementation of technical managers to perform the service, among others (Alves et. al. 2022).

The study also presents principles on when an outsourced company is hired and fulfills the schedule in 70% of the main scope, not planning financial and material resources, wasting some items that would be reused, resulting in the need to purchase new materials, exceeding the expected expense. Highlighting the importance of a more rigorous and comprehensive analysis of the physical structure and processes that the contracted company has, thoroughly exploring all aspects of the organization.

According to Gimenez (2020), the outsourced service stands out as opportunities for qualification, qualification and training of personnel due to the educational experience associated with the skills of the outsourcer; the opportunity to concentrate more efforts on the production process; the improvement and modernization of the decision-making process in relation to new material acquisitions; the sharing of technologies and experiences; the speed and flexibility in the



cycle of hiring and dismissal of personnel in the outsourced area, under the responsibility of the contractor; long-term cost savings; the establishment of formal partnerships with the business community, considering the lack of local knowledge on the part of the contracting company.

However, the author also shows that there is limited ability to manage human resources on the part of the outsourcer, more effective adaptation of the outsourced to the organizational culture and objectives of the contracting company, as well as the absence of adequate definition and criteria to evaluate the services at the national and/or international level, aiming at a more effective control of the services provided.

Menezes and Pinto (2021) outsourcing in the mechanical industry offers benefits such as focusing on core competencies, reducing costs, access to specialization, and advanced technology, resulting in more efficient and better quality production. It can lead to superior end products and increased customer satisfaction, operational flexibility and improved efficiency and quality, rapid adaptation to changes in demand or market conditions, and evaluation of benefits before outsourcing parts of the production process.

According to Torres, (2019) cost reduction, by transferring tasks to external companies, eliminates the need to hire additional staff or invest in internal equipment. This frees up resources and time, allowing the company to focus its efforts on other areas while work continues to get done, by avoiding the costs associated with hiring staff and setting up infrastructure, the company can direct its resources towards increasing its profitability rather than spending them on operational expenses.

Businesses can also experience a significant increase in productivity. This is because non-essential tasks are delegated to third parties, allowing the internal team to focus on the more strategic activities of the business. As a result, companies have more time and resources available to dedicate to their core business, without worrying about outsourced responsibilities (Alves et. al. 2022).

According to Fonseca (2002), it offers access to specialized services performed by qualified professionals. This specialized expertise results in a better quality service and more effective results. By hiring third-party companies, organizations can rely on the knowledge and experience of experts in various industries, which allows them to perform tasks that may not have been possible in-house, allows companies to benefit from specialized knowledge, adding value to their operations.

CONCLUSION

As previously discussed throughout this study, outsourcing has become essential for all organizations due to the increase in demands and the urgency to carry out processes in reduced timeframes, boosting competitiveness in all industrial sectors.



However, it is imperative to progress to a second stage of maturation in the partnership, focusing on developing technical competence when evaluating the process, especially in the careful selection of outsourced companies to avoid risks of inadequate service execution. In addition, contracts must be precise and specific to protect both parties, and it is crucial that the third party's reputation is complete, as it is directly associated with the contractor's work environment.

The feasibility and execution of this practice are valid and feasible within the institutions, providing agility and greater profitability to companies, in addition to introducing various experiences, inputs and qualified labor.

From this perspective, we articulate in this study some responses to the established theme and unfolding to meet the objective, using theoretical principles to demonstrate some of the possible benefits of outsourcing in the production process of the mechanical industry.

In the final analysis, it is understood that the discussion on this theme should be expanded, understanding and establishing that the purpose of this study does not consider the exhaustion of the theme, but rather in the provision of a brief discussion through which new lines and strands can be available on this subject.



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