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MASTER'S THESIS

STRATEGIC ROLE OF OUTSOURCING: THE CASE OF ALKALOID SKOPJE

Ljubljana, November 2018   TANE MURGOSKI

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LIST OF ABBREVIATIONS

BPO   Business Process Outsourcing

HRO   Human Resources Outsourcing

ITO   Information Technology Outsourcing

HR   Human Resources

IT & T   Information Technology and Telecommunication

BPI   Business Process Insourcing

RFP   Request for Proposal

OMMM   Outsourcing Management Maturity Model

SMMO   Social Media Marketing Outsourcing

FMCG   Fast-moving Consumer Goods

OTC   Over-the-counter

BTL	Below-the-line
GM	General Motors
EDS	Electronic Data Systems
PCD	Pharmaceutical Corporate Development

INTRODUCTION

Outsourcing is exceptional, one of a kind cooperative strategy which is made of important strategic decisions. In spite of the fact that "Outsourcing" is regularly utilized, there is neither in arrangement nor in the logical verbal confrontation a reasonable definition. In modern years, due to more connected world, Outsourcing has turned out to be huge enthusiasm to firms and specialists. Thus, it puts a lot of attention to the media and community of science (Kakabadse & Kakabadse, 2003). When Outsourcing is mentioned in the public speak it is often connected to acquisition of production parts from abroad where a lot of people see the negative side such as losing the jobs. Nevertheless, in the world usually the firm reallocates only the parts of the production stages that are inefficient. Because of that, the average productivity increases and affects the domestic labor market (Deloitte, 2013).

According to Kavčič (2014), Outsourcing is defined as a special cooperative strategy of a company and as a transfer of certain business activities carried out by the company itself to an external supplier. At the same time he tries to explain the terminology of two concepts, which are often used inaccurately as a substitute for the term Outsourcing. The first concept is "out-tasking" – which does not represent the transfer of a business activity, but it represents a transfer of a task, or simply only a segment of a process. On the other hand, the second concept which is "Offshoring" and it is defined as transfer of business activities to another country which can have two different forms: as a transfer of business processes within a small or large corporation to a foreign country, or a transfer of a business processes to a foreign supplier (Kirkegaard, 2005). I would like to agree on the definition and the two concepts that they are suggesting. However, I think that the second concept of offshoring is much broader.

Social media marketing is one of the most important elements in the business it the last century (Felix, Rauschnabel & Hinsch, 2016). Furthermore, it is culture that is including segments from conservative and modern age. The social media marketing is part of the digitalization and digital age, thus it is complex and hard to learn. This is why I chose to connect social media marketing Outsourcing in my thesis with the pharmaceutical company Alkaloid Skopje.

For this master thesis, object of observance is the company Alkaloid Skopje which for more than 80 years is operating in the field of manufacturing drugs, chemicals, botanicals and cosmetics. Furthermore, I chose this company because Alkaloid Skopje has two profit centers, two subsidiaries in the country as well as 16 subsidiaries, 3 representative offices abroad and one foundation. Thus, I can analyze in which areas the company is Outsourcing the businesses and on the other hand in which areas they are more vertically integrated. The case of this company could be a great example for the other companies how to outsource their business.

According to Hubbard (1993), the application of Outsourcing is the biggest discussion in large companies whether or not to outsource their businesses in their home country or in other countries where the client's business process is performed by a vendor. What is the functionality of the strategic role of Outsourcing and which are the effects in Alkaloid Skopje are one of the research problems.

Purpose of my work would result in my contribution to the body of knowledge about Outsourcing with special reference in Business Process Outsourcing in multinational pharmaceutical companies such as Alkaloid Skopje. However, this master thesis will help how to resolve the problem of social media marketing Outsourcing, when to outsource their business, how to manage the risks of Outsourcing and how to choose the right partner that is Outsourcing the processes.

The research work is based on the use of a number of scientific research methods. Furthermore, the development of this master thesis would follow practical research with "hand on approach" technique. Main methods of making this thesis would be literature review, qualitative and quantitative analysis of the processes. The main process for primary data is with questionnaires to the high level managers, middle level managers, low-level managers and non-managerial employees from Alkaloid Skopje, where the results are discussed and elaborated further in the paper.

First chapter as intro would deal with the relationship of Outsourcing and the business strategy. Here I am concentrated the most with the terms of Outsourcing and what kind of Outsourcing strategies there are. Furthermore, I am speaking about Business Process Outsourcing (hereinafter: BPO) and the connection with business strategy (Lee, Huang, Ou & Chiu, 2007). In the end, I explain more about the risks in the BPO Outsourcing and the types of risks in BPO Outsourcing (Lonsdale & Cox, 1998).

The second chapter is dealing with the managerial models for Outsourcing, where I am specifying and explaining some models that are important for the topic. However, I am putting attention in some models that I think are more important for the topic and it is used by the company Alkaloid Skopje.

Finally, in the last chapter I am more concentrated in analyzing the effects in the utilization of modern business with an emphasis on the case of Alkaloid Skopje and would be more dedicated to final results of this work, which would be in form of assessing the results from the questionnaires surveys about social media marketing Outsourcing in Alkaloid Skopje and my personal experience.

1 OUTSOURCING AND BUSINESS STRATEGY

1.1 Definition of Outsourcing

There are many definitions about Outsourcing, however I single out a few that left the impression and are worth citing them. Outsourcing is the contracting out of a business function to an external supplier, involving the transfer of people, processes and assets (Deloitte, 2013). Another definition by is that Outsourcing is an act of moving some of a firm's internal activities and decision responsibilities to outside providers (Chase, Jacobs & Aquilano, 2004). According to Kerkoff (2006), the term Outsourcing can be broadly defined as a contractual agreement that entails the procurement of goods and/or services from an external provider. However my favorite definition is that Outsourcing is the act of transferring some of a company's recurring internal activities and decision rights to outside providers, as set forth in a contract. Because the activities are recurring and a contract is used, Outsourcing goes beyond the use of consultants. Furthermore, not only are the activities transferred, but the factors of production and decision rights are also transferred. Factors of production are the resources that make the activities occur and include people, facilities, equipment, technology, and other assets. Decision rights are the responsibilities for making decisions over certain elements of the activities transferred (Greaver, 1999).

1.2 Types of Outsourcing

Outsourcing is most advanced in the Informational Technology (hereinafter: IT) sector, known as Information Technology Outsourcing. However, it is increasingly developing to include a wide range of business processes in different branches like Human Resources (hereinafter: HR), Finance, Marketing, Customer Service and others (Deloitte, 2013).

1.2.1 IT Outsourcing

Various wordings have been utilized to depict IT Outsourcing despite the fact that there are unpretentious contrasts. Some of these terminologies incorporate Information Systems Outsourcing, offshoring, and globalization. However, to provide some background and context for the research, this part begins with a brief review of some of these terms that have been utilized interchangeably with Outsourcing and IT Outsourcing. In addition, this is followed with a historical reflection, key trends, and growth of IT Outsourcing from its origins to present day. Even from the beginnings in the 1980s, IT Outsourcing now has advanced into a sophisticated global market and most multinational companies have outsourced one or more of their IT functions. Furthermore, IT Outsourcing has always been a complex function, in part due to the requirement to attach IT into "services" combining hardware, software, people and processes.

These services regularly contain data center, end-user computing, service desk, application development and maintenance, and voice and data network packages. According to Aalders (2002), traditional IT Outsourcing there are some difficulties in transferring staff, supplanting contracts and evaluating the budgetary effect of selling physical assets. The complications that are mentioned have been recently aggravated by on-demand IT offerings, the evolution of offshore centers, and the appearance of cloud-based offerings (Deloitte, 2013).

On Figure 1 there are the two types of IT Outsourcing that today's multinational companies are implementing.

Figure 1: Types of IT Outsourcing
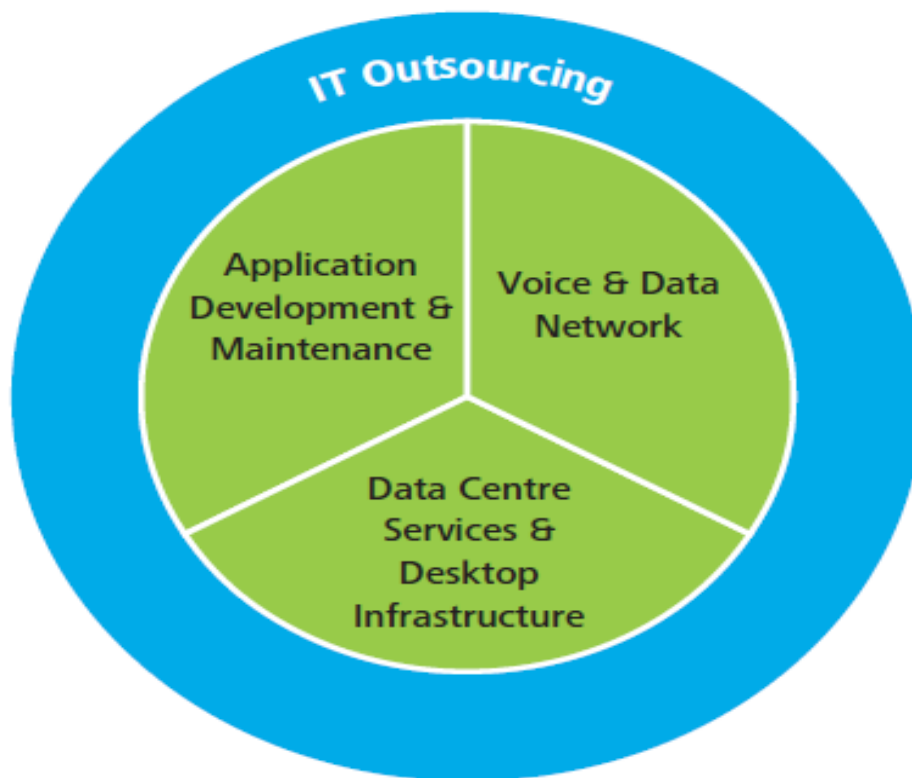
Source: Deloitte (2013).

Represented on Figure 1 there are three types of IT Outsourcing: Data Centre Services & Desktop Infrastructure Outsourcing, Voice & Data Network and Application Development & Maintenance Outsourcing. One example concerning Outsourcing IT is about doing the opposite. General Motors (hereinafter: GM) is Outsourcing IT a lot. The main company that does the Outsourcing the processes is Electronic Data Systems (hereinafter: EDS). However, GM buys EDS as its internal IT department before spinning it out as a separate company. In addition, it continued to buy services from EDS. Then EDS was acquired by Hewlett-Packard, and now, a few years down the line, GM is bringing almost everything in-house (Flinders, 2012).

1.2.2 Business Process Outsourcing

In BPO, a client's business process is performed by a vendor. Some processes of the client are given over to the vendor, and then the vendor's office is so called "back office" for the client's outsourced business process. In modern ages, the vendors are given the responsibility to manage the client's business processes, such as call centers, emergency hotlines, claims management, helpdesks, data management, document processing and storage, financial services (banks and insurance), payroll, auditing, accounting, marketing, travel management systems, various logistics and information systems services (Lacity & Hirschheim, 1995). Nevertheless, a BPO vendor needs to have the capability to provide consistent levels of customer service spanning across a range of services and businesses. Although, IT Outsourcing is most developed and more used in real life, this paper is more concentrated with the BPO and how the companies are implementing it.

On Figure 2 there the types of BPO's that most multinational companies are implementing in their business.

Figure 2: Types of BPO

Source: Deloitte (2013).

As you can see from Figure 2 there are three types of BPO: Finance Outsourcing, Human Resource Outsourcing (hereinafter: HRO) and Operations & Back Office Processing

Outsourcing. From these three types of BPO, I want to explain in short the HRO, since from June 2017 I started to work in the HR department in Alkaloid Skopje and the Social Media Marketing Outsourcing, since my research in the third chapter is connected to Social Media Marketing Outsourcing in Alkaloid Skopje. BPO sometimes is perceived as a simpler proposition given its focus on transactional processes when is compared to IT Outsourcing, but BPO has its own unique challenges. These challenges are primarily driven by the relative immaturity of BPO, particularly in the industry-specific arena, and the consequential risks of the first generation Outsourcing for both the supplies and the customer.

While the offering blend is wide, bargains are getting to be shorter and shorter, even with five years now the predominant contract term. However, this is arranging to a speedier innovation revive cycle and furnishes the association with additionally control over the arrangement.

There are two broad sub categories of BPO. The first one is the so called Horizontal BPO. This one is focused on the delivery of classic, back office business support functions such as functions in HR, Accounting, Marketing, Logistics and functions in Finance and Accounting. The second one is the so called Industry specific BPO. This one is rapidly emerging sector that is including services such as claims processing in the insurance industry and mortgage processing for banks or financial institutions (Deloitte, 2013).

1.2.2.1 Strategies for Business Process Outsourcing

According to Chakrabarty (2009), the basic strategies in sourcing business processes are Insourcing and Outsourcing. When the business processes are insourced, the firm executes business processes on its own. However, in BPO the client's firm is setting up an authoritative relationship and fork over the responsibility of executing the business processes to a vendor. In other words, the organization "insources" from inside and "outsources" to an external company, that is, Outsourcing is the sourcing of work across company's limits.

The meaning of Insourcing is when the business procedure is performed by the client itself or a client entity (such as a subsidiary or an internal department). For example, if Alkaloid Skopje is bringing IT & T services in-house in order to reduce their dependence on service providers and to gain a competitive edge through intellectual property retention and lower costs in the future.

On the other hand, Outsourcing is when the business course of action is performed by a non-client entity (such as a vendor/supplier). For example, Alkaloid Skopje is Outsourcing its social media marketing to marketing agencies such as McCain, because their marketing communications department doesn't have the knowledge and experience in that process for doing the process in-house.

According to Chakrabarty (2009), the basic strategies for insourcing its business processes are: the first one is the "OK as is" strategy where the organization feels that it is running its business processes very efficient and adequate, and hence the strategy here is to continue with the status quo, and the second strategy is the "fix and keep in-house", where the company might be a less satisfied with the efficiency of its in-house business activities. However, he believes that insourcing the organization site and suggests the necessary changes to inspire efficiency, and the last strategy is to consider building a strategic-alliance with a vendor who is skilled and well-experienced in executing the relevant business processes. Furthermore, these last two options are mostly needed to be imposed of strict controls that would stop any compromise on the strategic importance or confidentiality associated with the business procedures. Therefore, it is suggested that if the business procedure is not of strategic importance but the organization has extremely high efficiency in accomplishing them, then the company should consider setting up a subsidiary or spin-off that offers its skills to other companies in the external market. In the end, in this should be put more attention that firms rarely outsource every business process and instead, take in a careful and more sensible approach of selectively choosing out the business processes that it feels can be better executed by the vendors. Furthermore, the organization's business processes can be executed or managed by individuals that are either inside the company (such as its own subsidiary) or outside the company (such as the vendor). According to Chakrabarty (2006), if the organization's business processes is being performed in the same country as the company is from, it is known as onshore sourcing, domestic sourcing, or simply on-shoring. On the other hand, if the business procedure is being executed in a country that is different from the client's country it is known as offshore sourcing or global sourcing. Thus, offshoring is the transfer of work across geographical borders. In short, I am explaining all four possible models that are presented in the article.

The Onshore-insourcing of business processes is a situation when both the organization and the entities that execute the business processes (such as its own subsidiary or internal department) are located in the same country. Furthermore, it is known as onshore Business Process Insourcing (hereinafter: BPI) or domestic BPI. For example, if Alkaloid Skopje is having own distribution vehicles in the logistics and transport department that are distributing the Alkaloid Skopje's products around the country or even outside the country, since their export is big in their traditional Ex-Yugoslav markets. On the other hand, as opposite of Onshore-insourcing is Offshore-insourcing of business processes. It is done when the organization's entity (such as a subsidiary, department, or captive center) that executes the business processes is located in a different country from the organization's country. This is known as offshore BPI or global BPI.

The Onshore-Outsourcing of business processes is when both the client and the vendor that is performing the client's business processes are located in the same country it is known as onshore BPO or domestic BPO. A company located in Macedonia, that produces ecologically disposable

plastic bags is working for Alkaloid Skopje with producing the ecologically disposable bags with the label of Alkaloid Skopje for intern use in the company.

In the end, Offshore-Outsourcing of business processes is when the vendor that is performing the client's business processes is located in a different country from the organization's country. This model it is known as offshore BPO or global BPO. A good example is if Alkaloid Skopje hires PricewaterhouseCoopers from Belgrade, Serbia to do some of its finance and business consulting activities. These four models are the really important and they are vividly presented and explained on Figure 3.

Figure 3: Outsourcing and Offshoring
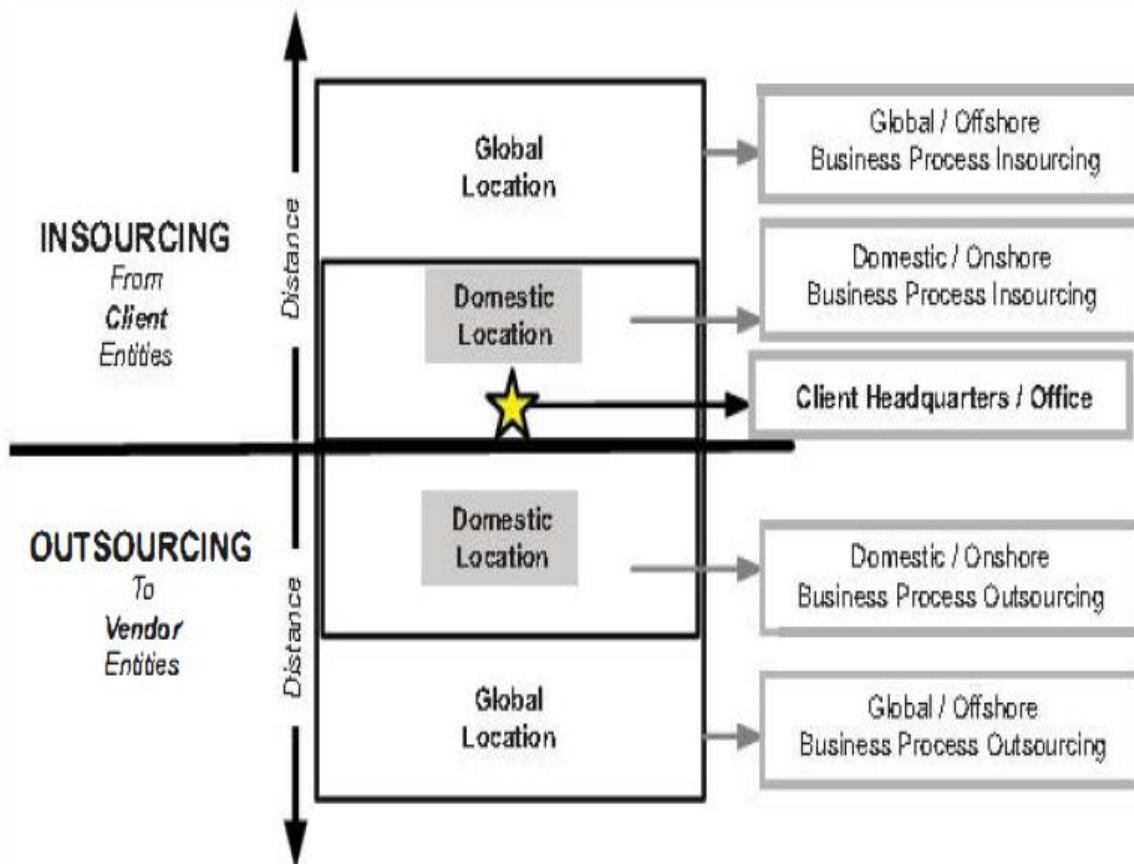
Source: Chakrabarty (2009).

From these four strategies I put more attention to the Offshore-Outsourcing as prevailing strategy in the companies where in the next part I am mentioning and explaining the reasons why this strategy is gaining prevalence. However, this doesn't mean that this strategy is the best in the case of Alkaloid Skopje.

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1.2.2.2 Prevalence of Business Process Offshore-Outsourcing

There are many reasons that are attributed to the growth of offshore BPO, and the major ones are summarized as follows (Apte & Mason, 1995). The first one is known as business processes that can be executed round the clock**.** This means by distribution of the work across numerous time zones in the world, business processes can be run all the time. Furthermore, this can prompt to a rapid performance time in competition of any business procedures cycle and also will allow 24/7 man agreements and supervision that is decisive for business procedures Therefore, all the time services can be a competitive strategy for any organization in today's global market. For example, if Alkaloid Skopje is having subsidiaries in Europe, USA and Russia which are different time zones, they can control the business process almost 24/7 for any sudden situation that could be somehow managed and processed. On the other hand, the cost savings due to high availability of cheap skilled labor is when the main source for the offshoring trend is unquestionably the cost advantage derived out of the lower pay scales of skilled professionals and the lower cost of living in some developing or third world countries such as India, China or in my situation the Western Balkans. The high supply of skilled labor in such countries boosts the low-cost advantage. A good example for this is opening of quality control laboratory in Bulgaria for easier positioning of Alkaloid Skopje's products in the European Union since Bulgaria have lower salary than most of the European Union countries. In the end to mention that the vendor's offices, where the organization's business procedures are performed, are located across the globe (based on various factors such as availability of skilled manpower at low costs), and there is comprehensive networking with the latest telecommunications and collaborative technologies that allow seamless integration of business procedures delivered from multiple locations and thereby providing economies of scale and scope. According to Chakrabarty (2009), the "global delivery model" is an offshore BPO model that takes advantage of the global talent pool to give the best value to the organization in terms of cost and quality.

1.2.2.3 Human Resource Outsourcing

HRO is the process of sub-contracting HR functions to an external supplier. There have been some reviews of business processes that led many organizations to decide that it makes business sense to sub-contract some or all non-core activities to specialist providers. In many ways the Outsourcing of HR can be done such as BPO, when an external vendor manages discrete HR activities, such as payroll administration or recruitment, or perhaps the whole HR function. For example, if Alkaloid Skopje is Outsourcing its whole HR functions to an external company. Another way of Outsourcing HR can be done as shared service HRO, where only the transaction or administrative elements of HR's activities are subcontracted to an external supplier. This may include Alkaloid Skopje's personal interface with employees. In the end, application (and facilities) service HRO, where external providers look after the technological (and physical)

infrastructure to support HR activities. A very good example is if Alkaloid Skopje is hiring a partner to support HR activities in the part of its infrastructure.

Outsourcing HR or some of its processes to an external supplier is a major business decision as, while it may be cost-effective, it introduces new elements of risk, including: loss of control, impact on the employer/employee relationship, loss of flexibility, failure to deliver cost benefits, legal or regulatory requirements etc. There are many circumstances in which Outsourcing HR services can deliver tangible benefits to the organization, for example by freeing HR professionals to devote more time and energy to a strategic role supporting the organizational performance.

According to Personnel Today (2017), the potential points of interests of HRO are: lessened cost, expanded productivity, access to improved HR frameworks, access to HR expertise not available internally, increased flexibility and speed of response, reduced risk, to free HR resources to operate more strategically etc. However, on the other hand there are some potential burdens of HRO such as: not to outsource what the company doesn't comprehends, HRO arrangements regularly often long term (5-10 year contracts) which is risky, loss of local knowledge or information and procedures which instead reside with the outsource provider etc.

1.2.2.4 *Outsourcing social media marketing*

Since my final research of my thesis will be the Outsourcing of social media marketing in Alkaloid Skopje, I want to explain some of the process. According to InnovationPei, the social media marketing is making use of social media sites such as Facebook, Instagram and Pinterest to raise visibility on the internet and to promote the products and services of one company. Furthermore, the sites that are connected to social media are very useful for building social and business networks, thus the people are exchanging ideas and knowledge between each other. This means that Outsourcing those activities to a partner is Outsourcing the social media marketing. A good example is if Alkaloid Skopje's Instagram page is coordinated and developed and worked daily by McCain Skopje.

Outsourcing the processes of social media marketing is relatively new and is rapidly developing. Since Alkaloid Skopje is mid-sized company some of the social media marketing is getting outsources through partners. Therefore, my final research in the end of the thesis will be the strategic role of Outsourcing social media marketing with the case for Alkaloid Skopje.

1.3   Risks of Outsourcing

In this part I mention some of the risks that arise when the process of Outsourcing is implemented. Furthermore, I give few examples of the risks below that sometime are problem in

the organization when the process of Outsourcing is in progress. In other words, any new program, product, service, or project has risks, and an Outsourcing procedure is not different at all. There are many risks that appear due to the procedure of Outsourcing some activity. However, all those risks are manageable to assess and to continue the work that is already started. According to Greaver (1999), the risks are divided into three big groups: risks inherent in any project, general risks that would be present in most Outsourcing projects and specific risks that would confront the specific organization, people, resources, and providers involved

These specific risks are not discussed further just because there are a lot of possibilities depending on the situation. Nevertheless, because it is often the specific risks that threaten a project, this area need a lot of attention from the project team. Furthermore, there is a saying that risks can be transferred completely, to the provider or anyone else. Some of the risks can be transferred to the provider, but not all of them. The company, for example, that outsources its outbound logistics in a fixed price contract to an outside company may have transferred much of the financial risk to the outsourcer. At the point, when contractual liquidated damages may ease the wounds, the risks were real. Contractual impairment is unlikely to recompense for a loss of business reputation, customers, and revenues. Controls beyond the contractual control treatment, such as dealing with the relationship and checking the providers' performance, must be set up to ease these risks. Furthermore, the senior management and project team must manage the general risks in a way that doesn't jeopardize the launching of the activity or the organization's long-term business. However, an Outsourcing consultant that is expert in the process gets related with senior management early in their discussions about Outsourcing, to evaluate the opportunities and the risks. According to Greaver (1999), the general risks can be divided as risks relating to: project design, managing the project, transition to the provider's services and managing the provider's services.

Risks relating to project design are when: the senior management does not support the initiative, the powerful anti-Outsourcing forces defeat the initiative, the employees react very negatively to the Outsourcing initiative, the project team leader and members are poorly chosen or the Outsourcing initiative's scope is not clearly articulated. A good example is the case of Alkaloid Skopje. In the summer 2017, the company hired a partner to define a new organizational structure in the company in the pharmaceutical corporate development department. This means to outsource a part of the HR function that works with defining organization structure. After the reorganization of the organizational structure in the company, some of the middle management and some of the employees had bad evaluation, thus they were given different roles in Alkaloid Skopje. This means that the reorganization in the company increased the risks of having dissatisfied employees and the same employees didn't agree with the new organizational structure that have arisen after hiring the outsource partner. Having dissatisfied workers or even worse, managers, will decrease the productivity of the company.

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To continue with this case, Greaver (1999) risks relating to managing this project arise that the initiative was poorly managed and the Outsourcing initiative was not well aligned with the organization's strategies. Risks relating to managing the project are when: the comprehensive outsourcing initiative methodology is not followed, the project team doesn't have the necessary outsourcing expertise, the outsourcing initiative is not well aligned with the organization's strategies, the promised resources are not available as needed, the requisite information (costs and performance, for example) is either not available or poorly analyzed, the best providers are either not identified or don't respond to the Request for Proposal (hereinafter: RFP), the RFP is poorly prepared, so the proposals are not responsive or comparable the proposals are not properly evaluated and the best provider is not selected, there is insufficient support when problems arise, the initiative is poorly managed.

Some of the risks that Greaver (1999) is mentioning are relating to the transition of the provider's services which are really important for Alkaloid Skopje and its processes. Those risks take place when: the project handoff (knowledge gained during the early phases of the initiative) to the relationship with the manager is poorly handled, the transition is poorly planned, or both, the technical problems cause some delays or missed deliverables and when the organization fails to let go. A good example is that after the reorganization of the organizational structure in Alkaloid Skopje, some of the employees and managers resist the changes. However, the employees need to adapt with the changes and to see if it is for better future of the company.

In the end, the risks relating to managing the provider's services take place when: the provider does not perform (initially) as promised, the performance standards and measures are confusing or don't appropriately assess performance, the organization's key input providers do not cooperate, the problem solving exercises fain and when the relationship does not grow, but deteriorates. A good example is when the outsourcer in not performing good as promised to Alkaloid Skopje while doing the reorganization of the organizational structure in some of the departments.

These risks are managed by developing controls for each risk, to reduce its possible impact. There could be many more risks that can happen in the process of Outsourcing but I explain only the one above.

1.4   Implementation of Outsourcing process (Outsourcing Lifecycle)

There are many books that are having similar Outsourcing lifecycles process. However, the one that I like is presented on Figure 4 on the next page. Furthermore, I explain the Outsourcing lifecycle with the following stages: strategic assessment, preparing (need for analysis), vendor assessment (evaluation), negotiation and contract management (commitment), project initiation and transition, relationship management (optimization) and continuance modification or exit strategies (Power, Desouza & Bonifazi, 2006).

Figure 4: Project Management Streams of Work and Outsourcing Lifecycle
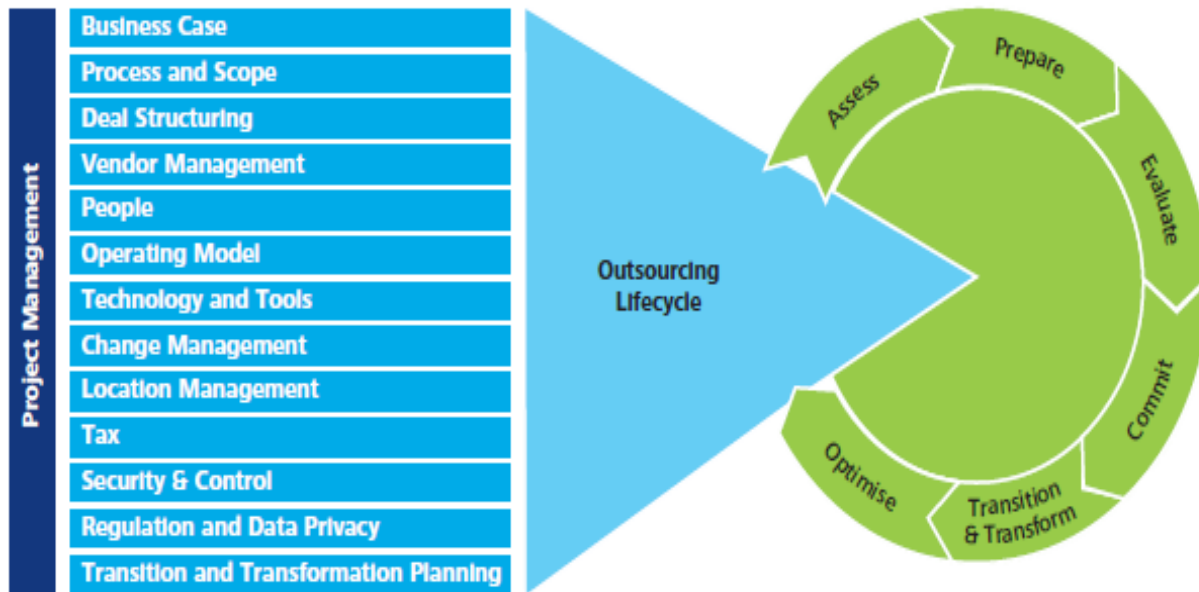
The six phases of activity can be defined as follows:	
Assess: Define objectives and assess capacity.	**Commit:** Contract development and finalisation.
Prepare: Service level definition and RFP creation.	**Transition and Transformation:** New service implementation.
Evaluate: Response evaluation and supplier selection.	**Optimise:** On-going supplier and vendor management.

Source: Deloitte (2013).

Some books having only six steps in the Outsourcing lifecycle procedure. However, I explain further in the paper all of the seven processes that is mentioned before. Although, on Figure 4 are mentioned the streams in the project management, I won't speak about them since their connection with my topic is not so relevant, however they are important to be listed. Streams in project management are: business case, process and scope, vendor management, operating model, technology and tools, change management, location management, tax, security and control, regulation and data privacy and, transition and transformation planning (Deloitte, 2013). On the other hand, all this streams are helping in the Outsourcing lifecycle to continue the process of finishing the procedure of lifecycle (Everett & Dixon, 2006).

1.4.1   Strategic assessment

In the first stage of the lifecycle process, the organization makes a business case clearly identifying the intended benefits of employing Outsourcing as a strategy. Moreover, by doing this

the company will require to analyze its core competencies and identify areas and departments that are suitable for Outsourcing all or some of the processes, then they need to get executive team and in the end they need to make financial and risk assessments. When the business case for Outsourcing is presented and agreed upon, the company is ready to get into the process of actually Outsourcing the businesses (Blommestijn & Verdaat, 2009). For example, if the marketing department in Alkaloid Skopje has unexperienced social media marketing specialist, thus they evaluate the financial compensation for hiring marketing agency that is specialized in social media marketing to do the work for them. Furthermore, they evaluate the risk for hiring the marketing agency, which will do the social media marketing, to see if the process is has any risks or not. There are six key activities in the strategic assessment process where I don't get any deeper in explaining them but I am only listing them. They are: business case, process and scope, deal structuring, vendor management, location management, technology and tools (Deloitte, 2013).

1.4.2   Preparing (Needs analysis)

After the procedure of strategic assessment is completed, the next stage follows. This stage is the process of identifying a suitable candidate for doing the business of Outsourcing. There might be a lot of possible candidate areas or projects within the company that need to be outsourced. Nevertheless, this phase is focusing on finding the right vendor(s) to participate in the process and developing a RFP document .Moreover, this document encompasses the initial vendor selection process through an assessment of the market and the preparation of comprehensive requirements to be involved in the RFP document. Furthermore, during this phase, the fundamental elements of the remaining phases of the lifecycle are defined and agreed (Deloitte, 2013). A good example is if Alkaloid Skopje has two offers, RFP documents, which are from two different marketing agencies, such as McCain and Division to outsource their social media marketing. Thus, in this stage the company is on standby and preparing to see what kind of offers they will get from the marketing agencies to outsource the social media marketing in the company.

1.4.3   Vendor assessment (Evaluation)

The third stage is one of soliciting, evaluating and choosing the right partner (vendor) for company's Outsourcing needs. The vendor selection and contracting phase provides a structured framework to guide the organization through critical vendor determination and contracting activities. The selection for the right vendor is much like choosing a good and experienced partner where the chances are that if it is the right decision from the beginning, the relationship will last long and on the other hand if the partner choice is wrong vendor it could damage and thwart a well-intentioned Outsourcing project (Power, Desouza & Bonifazi, 2006). If Alkaloid Skopje assesses the marketing agencies that offered social media marketing Outsourcing they

will see if McCain is bad for them and after they will see the other company such as Concept Marketing is good for them. The choice for having a good marketing agency to outsource the social media marketing will be hard task for the company and they will need time for evaluation.

1.4.4   Negotiation and contract management (commitment)

The commitment in this phase of the Outsourcing lifecycle is focusing on achieving the best value out of the negotiations and getting the deal "across the line". However, it includes the final pre-contract levels of both internal and external activities across the deal such as vendor management, people and organization work streams. In addition, the Outsourcing agreement itself is developed and negotiated with important internal stakeholder management activities that are required to secure the buy-in and sign-off to complete the agreement. In parallel, the organization design will be finalized and transition plans will be developed. Therefore, this is often the most resource intensive and commercially significant phase from all phases of the Outsourcing lifecycle process (Deloitte, 2013). In this phase, Alkaloid Skopje is choosing one of the agencies, for example McCain, so they can start the negotiations and contract preparation for the process of social media marketing Outsourcing. This is the moment where the organization will have the most commitment for finishing the phase and start to initiate the project of outsourcing its business.

1.4.5   Project initiation and transition

Once the contract is done and negotiated, the Outsourcing project is ready for the fifth phase of project initiation and transition phase. This phase is also known as the most influential stage of the Outsourcing relationship. Furthermore, in this stage the client organization slowly starts to give up control of the work to the outsourcer. Therefore, the beginning stages of the Outsourcing relationship will need industrious attention to deal with emerging matters and smooth out any problems that will arise. This is the stage that marks the foundation of the continued relationship. Furthermore, in this stage it is important to address problems up front rather than letting issues escalate. This is where Alkaloid Skopje slowly starts to give up the work (Outsource the social media marketing) to McCain and the relationship between them will emerge (Power, Desouza & Bonifazi, 2006).

1.4.6   Relationship management (optimization)

The optimization phase of Outsourcing describes which focuses on the steady-state operation of the Outsourcing activity after the change and project initiation stage has been finished. Moreover, inside this stage clients need to focus on managing the vendor relationship, monitoring contractual obligation as well as following the vendor charges against the original business case. By its very nature, optimization is particularly an operational obligation which proceeds all

through the duration of the contract until the contract renewal, renegotiation or the exit process (Deloitte, 2013).

1.4.7   Continuance modification or exit strategies

The big question for the organization whether it should continue with the vendor to outsource its process, or maybe to find a new vendor or in the end if the business process that is outsourced should be exited and performed internally. Furthermore, choosing any one of these possibilities will call for reconnecting to the first level of the Outsourcing lifecycle and that is the strategic assessment. This will lead to repeating the life cycle. This means for Alkaloid Skopje if they are satisfied with the process that is outsourced to McCain, they should continue working with them or maybe do slight modifications and on the other hand if they are not satisfied with the outsourcer, they should start looking for an exit strategy and repeat the process of the Outsourcing lifecycle.

The process of the Outsourcing lifecycle could be very expensive and really long to adapt to. That is why the company needs to make a long term plan and to see if this is going to be cost-effective or not.

1.5   Linking Outsourcing to Business Strategy

According to Eberfeld (2001), the goal of organizations that aggressively outsource most functions is to increase competitiveness by reaching a higher return on assets through less capital commitment and expanding the ability to adapt speedily to a changing environment through less commitment to internal resources. However, in order to do more with less, the organization must be focused in its limited resources and especially focused on those activities that are essential to survive. Nevertheless, the result of this is a greater use of partnerships, collaborations and simple buying substitutes for in-house capabilities. Unfortunately, there are some Outsourcing pitfalls that are often encountered as the strategy is pushed downward into operations. This could easily lead to the development of dependencies that create unforeseen strategic vulnerabilities (Insinga & Werle, 2000). In the next page, on Figure 5 is the performance of the activity's value and the enterprise's internal capability. Furthermore, this matrix is developed by a team of corporate, consulting and academic specialists. Their assignment was to define appropriate actions for a corporate research center to take when faced with options of internal development versus external relationships. It is to map out strategic actions based on an activity's position. However, this is only the simple matrix that is only the part of the matrix on Figure 6. Numerous organizations have effectively utilized Outsourcing to bring down expenses. In any case, except if the organization's endeavors are curiously great, genuine upper hand is transient when contenders start Outsourcing and accomplishing comparative outcomes (MacCornack, Forbath, Brooks & Kalaher, 2007).

Figure 5: Activity's Value and the Enterprise's Internal Capability to perform it
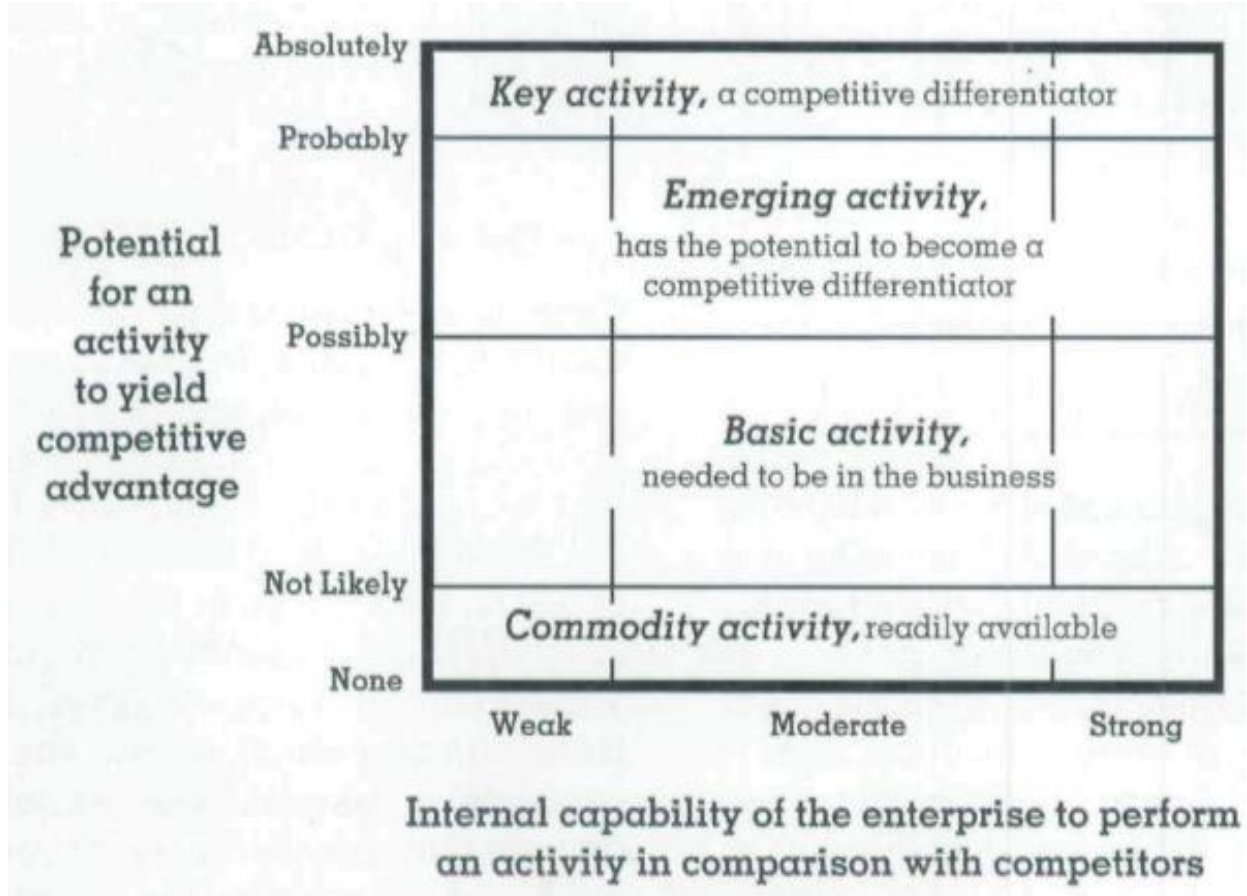
Source: Insinga and Werle (2000).

In short, this means that if the activity yields a competitive advantage it is a key activity, on the other hand if the competitive advantage is weak it is commodity activity etc. However, on the next figure I give answers in some of the questions such as: Which of the enterprise's activities must remain in-house? For those activities that can be done externally, what form of relationship is most appropriate? On Figure 5, the activities are separated into four major categories. First of all, the key activities provide the enterprise with a sustainable competitive advantage in the marketplace. Afterwards, the emerging activities have some probability to become sources of sustainable competitive advantage. Then, the basic activities are needed simply to be a player in the enterprise's business field and are not significant sources of competitive advantage and in the end the commodity activities are readily available in the marketplace and cannot be sources of competitive advantage. In general logically the key activities should be done in-house and the rest are "candidates" for Outsourcing them or do some form of external relationship. From this I can move on with the next figure that is kind of developed version of the previous figure. On Figure 6 in the next page is described the planning guide to identify appropriate actions.

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Figure 6: Planning Guide to Identify Appropriate Actions

Source: Insinga and Werle (2000).

In cells 1, 2 and 3 from Figure 6, the activity is categorized as key and it belongs inside the firm, because the activity is considered essential to sustaining competitive advantage. From this I explain the first 3 cells:

- **Cell 1:** Get capability means that if the organization's internal capabilities are weak but on the other hand there is an absolute potential the activity to hold competitive advantage, the enterprise should move to obtain full ownership and acquire the capability to be in-house. For example, Alkaloid Skopje doesn't have social media marketing associate, thus the company should hire a specialist on digital and social media marketing activities.

- **Cell 2:** Build strength is similar to cell 1 where the only difference is that the internal capability of the organization to perform an activity in comparison with competitors is moderate. From this the enterprise should invest more and build internal strength to move in

Cell 3. Alkaloid Skopje should invest on trainings to improve the knowledge of the social media marketing specialist.

- **Cell 3:** Do in-house is when the competitive advantage is high and the internal capability to perform the activity is strong, the organization should be performing the activity in-house under strict control. Alkaloid Skopje have in-house digital and social media marketing specialist.

In the next row of Figure 6 are explained the cells which activities to hold a competitive advantage are between probable and possible. Those are:

- **Cell 4:** In this cell there are two possible options for the company. The first possible option is to get a partner. This is when there is a big probability the activity to have competitive advantage and weak internal capability to perform it in-house, it should seek to partner with a more capable group in order to remain competitively viable. In addition, the second one, the only difference is that there is small possibility the activity to have competitive advantage. In this case the enterprise should collaborate where the goal is to strengthen the enterprise's position, while limiting the risks intrinsic in a dedication, until the possibility of competitive advantage becomes more determined. Alkaloid Skopje needs to be a partner or collaborate with McCain.

- **Cell 5:** In this cell there are three possibilities for the company. The first possibility is to find a suitable partner when there is high probability the activity to yield a competitive advantage and the internal capability to perform the activity in-house is moderate. As in the previous cell the recommendation is to find a partner with a more capable group. The second option is to collaborate. In this middle ground, collaboration with a more capable group is warranted to strengthen the capability in case the potential for competitive advantage increases. In the end, the last option is to share the risk if the level of potential for competitive advantage diminishes. This means the company recognizes that it might not ever need full ownership in-house for this activity and it also allows the company to maintain a level of involvement in the activity while conserving its resources for application elsewhere.

- **Cell 6:** This cell is a nice and strong position to be in for activities that are part of strong sources of competitive advantage. They need to be carefully observed until they become critical activities in the near future. The first possible way is to do the business in-house**.** If the company has high in-house capability and the potential for competitive advantage is strong, it should continue the work in-house with full control and ownership. The second way is to share risk if the potential for competitive advantage is less. This is allowing the company to maintain a level of involvement with the activity, but to conserve its resources for

application elsewhere, or when this activity shows clearer potential for competitive advantage.

In the row of basic activities of Figure 6 the cells are part of activities that hold a competitive advantage that are possible or not likely to become. Those cells are:

- **Cell 7:** The Company needs to buy if the potential for competitive advantage is on low level and the internal capability is weak. Relinquishing a weak in-house capability avoids any further drain on the company's resources. In this case McCain should do the business for Alkaloid Skopje.

- **Cell 8:** There are two possibilities in this cell where there is a moderate capability the activity to be performed in-house. The first one is to develop second source (external) which could help to reduce the internal capabilities. Because the possibility of competitive advantage still exists, the internal capabilities should be maintained to help the enterprise be a smart buyer in the marketplace. The second option is to buy if the competitive advantage is not likely.

- **Cell 9:** If there is strong internal capability the company to do the business in-house there are two options to be considered. The first option is to make it a profit center where there is some possibility of competitive advantage. The company should reduce the level of investments in this area, as appropriate for an activity with a low potential for competitive advantage. If advisable, the company could create a profit center, selling to the market in order to generate cash to continue its strong position and for investment elsewhere. In the event that the enterprise chooses to make no further investment in this activity, its strength might be allowed to diminish, moving toward the left in the guide. The second option is to consider selling/buying when the company has a strong capability that is unlikely to hold a competitive advantage.

The last row of Figure 6 is the commodity activities that have almost none or none competitive advantage. Those are:

- **Cell 10:** The organization needs to buy its process when there is neither competitive advantage nor significant internal capability. Any in-house activity should be stopped as quickly and cleanly as possible to avoid any further drain on the enterprise's resources. Instead, the enterprise should buy what it needs in the marketplace.

- **Cell 11:** The organization needs to exit or buy its process if there is none competitive advantage and there is moderate resident strength, thus the organization should exit those activities.

- **Cell 12:** If the company has strong capability but low competitive advantage it should consider selling off the capability and invest elsewhere. On the other hand, it should buy something that is needed in the market.

All explained cells are helping me to see how one company is assessing its processes. Furthermore, this helps me with writing my master thesis since it is connected with the strategic role of Outsourcing in Alkaloid Skopje.

2 MANAGERIAL MODELS FOR OUTSOURCING

2.1 Basic Sourcing Models

In this chapter I mention few basic sourcing models. First I explain the basic sourcing models that are most known and understandable. According to Vagadia (2012), the number of sourcing models that are available to organizations with Outsourcing being just one. Most of the organizations, certainly the financial sector, originally started by using captives in an attempt to manage the operations closely and manage the risks from moving from their traditional organizational structures. These basic sourcing models are detailed on Table 1. In addition, they are shortly explained.

Table 1: Basic sourcing models

Captives	Direct Captive – a firm using its own resources to create, own, manage and control an organisation within an offshore destination, often known as captive centres – i.e. offshoring but not outsourcing
Joint Ventures	Joint Venture – a local firm may partner with an offshore entity for shared control of the offshore operation – again offshoring but not necessarily outsourcing
Pure outsourcing	Direct Third Party – firms outsource to a third party service provider located offshore. Control of the working arrangement is governed strictly by the contract terms agreed with the third party service provider – i.e. offshore outsourcing
Local partnerships	Indirect Third Party – an organisation may enter into a contract with a domestic outsourcing service provider, who then subcontracts out all, or a part of the work, to an offshore company – essentially the indirect third party may bear some of the risks for a given payment consideration – i.e. an outsourcing arrangement, whose objective is to offshore, but whose agreement may be based with an onshore outsourcing intermediary

Source: Vagadia (2012).

The third and fourth models are the more risky ones and they are requiring greater attention to the written contract, as this remains the only real means of control. Furthermore, the third model is the more typical one, especially for small and medium sized enterprises that want to benefit from offshoring. Nevertheless, the first and second model are essentially followed by large multinational corporations who may have the resources to make use of consultants and lawyers to identify, evaluate and minimize some of the risks that may be obvious. According to Vagadia (2012), beyond these broad sourcing models, there are different operational models, in terms of how the organization engages with the service provider, from the basic staff augmentation model to the more comprehensive managed service model and the many other variations.

Operation models are:

- **Staff augmentation:** This is the simplest engagement model and mostly has been the model of choice so far. In addition, it is fundamentally driven by the desire for cost reduction through labor arbitrage, as opposed to the more extensive business benefit.

- **Managed services:** The managed services model can deliver extensive business transformation but require straightforward duty from both organizations. Also, time and materials model is similar to the staff augmentation model, fundamentally driven by the desire for cost reduction.

- **Managed capacity model:** This model can give better budget control and financial planning for the customer's company and acquire from innovation advancement delivered by the outsourcer.

- **Fixed price model:** This model is capable of security and financial control, however vendor choice becomes essential.

- **Co-managed model:** This model is giving the company control while acquiring benefits from the outsourcer in terms of cost and flexibility. However, this needs well-assembled governance structures for it to work properly.

2.2   Business Process Outsourcing Models

The regular Outsourcing models of on-shoring, near-shoring and offshoring are seen in BPO as well. According to Tutorial Reports (2013), a sourcing advisory, has noticed that in addition to on-shoring, near-shoring and offshoring, BPO operations are also managed through the following three business models: transactional BPO model, niche BPO model and comprehensive BPO model.

2.2.1 Transactional BPO Model

According to Sundar (2008), the transactional BPO model handles one part of a process only. Moreover, the customer needs to execute an important piece of the process internally and subsequently the customer is piece of the risk of the process. Additionally, Outsourcing numerous parts of the process in a transactional mode prompts to a complex fragmentation which can act as a threat to productive delivery. This model relates to one type of transaction (for example: check writing) that is described by minimal or risk sharing by the outsourcer, short term periods of contract (1-2 years) work at client area and performance measurement by the transaction process.

2.2.2 Niche BPO Model

Hence the niche BPO carries out three or four aspects of a process. This model, which also makes determined investments in the customer's process, focuses at enhancing the efficiency and productivity of the process. Furthermore, the outsourcer in a niche BPO works in close coordination with the company, sometimes looking the services of the customer's employees. Both the outsourcer and the company are sharing the risk of the process. According to Sundar (2008), the model includes more than one of business process (between two and four), equal risk sharing by the client-provider, in duration between 3-5 years and performance measurement identified to process results.

2.2.3 Comprehensive BPO Model

According to Sundar (2008), the comprehensive BPO model is the most perplexing, strategic, long term, and demanding relationship a company can have with an outsourcer. This model handles both transactional and administrative assignments in a process and takes 70 percent responsibility of the output. Furthermore, it is the transformational BPO that envelops at least ten processes in a function and sometimes more than one function. Moreover, the vendor purchases the company's assets and also hires most of its employees. In addition, this model has bulk deals going on for 7-10 years, individuals are located both client and provider locations, disproportionate risk sharing by the provider firms and measurements based on results. When BPO is taking off, the vast majority of the arrangements that are made is transactional or niche models. As the quantity of providers has increased, the tendency has been to specialize and offer unmistakable capabilities that differentiate them. The client firms have additionally became savvy in outsourcer determination and evaluation and partnership management. Therefore, BPO is becoming increasingly tricky, shifted, often times involving multiple functions and multiple vendors, giving rise to different set of desires among the client firms and providers. BPO is relied upon to grow to all business sections of firms sooner rather than later with expansive inclusion.

2.3   Theoretical Outsourcing models

In this part, my master thesis is more about theoretical Outsourcing models that I found in the research books and papers. I separated two of them which I think are good to be mentioned in the paper. In this part I am explaining the Outsourcing Management Maturity Model (hereinafter: OMMM) and the Model of the decision making on Outsourcing based on six factors.

2.3.1   Outsourcing Management Maturity Model

The OMMM had become before from an alternate model. However, this model is the point at which the knowledge management and devising adequate measurements are indications of a developed Outsourcing process (Power, Desouza & Bonifazi, 2006). The model that was made before this one was developed by the Software Engineering Institute at Carnegie Mellon University to streamline the management of software projects – the Capability Maturity Model (Paulk, Curtis, Chrissis & Weber, 1993). All things considered, this model has been refined, adjusted and applied by a number of institutions to enable them carry on their software projects. The model has five sections that are starting from chaotic process till optimized process. Different parts starting from the lowest are indicating how there is an improvement in the company such as in the initial level the company is characterized as chaotic and functioning with ad-hoc. This model is utilized for assessing companies when offers are requested on software engineering projects and also as a benchmarking tool to help in process improvement. Using this model it is possible to devise an OMMM. On Figure 7 are the steps of the OMMM.

Figure 7: Outsourcing Management Maturity Model (OMMM)

Source: Rao (2011).

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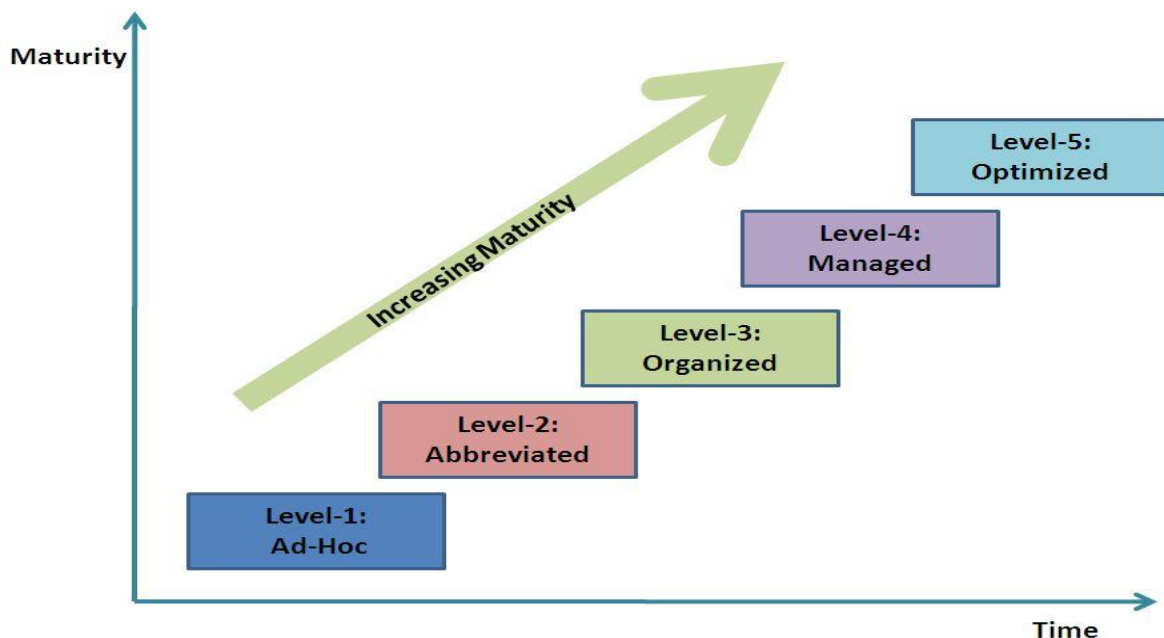
The first stage, as I already mentioned, is the chaotic stage where the company is lacking a thorough understanding of what comprises the whole life cycle of Outsourcing and will not know any one part of the process more in detail. Furthermore, the company will witness minimal or not at all benefits in utilizing Outsourcing as a strategic tool.

The second level is when the organization starts to become reactive by improving some parts in the Outsourcing process owing to external pressures. For example, the company may expand energies to improve the process of vendor assessment or contract management.

The appreciative or organized level is when the company has assembled a basic, but fragile, Outsourcing program. Now the stages of Outsourcing are linked and connected allowing for a real process-centric view of Outsourcing. By these connections the managers have better view of how each stage affects the succeeding one. In this stage metrics are beginning to emerge as managers can conceptualize the Outsourcing process.

At the fourth stage the company has an organized and well-defined process in place. Furthermore, it will begin to reap the benefits of the Outsourcing program. In this stage more complex forms of metrics can be developed as companies have a better definition of the Outsourcing process.

In the last stage the focus is on improving the Outsourcing methodology. Here the knowledge-management activities are beginning to reap value as new experiences and insights are beginning to contribute to the improvement of the process. However, constant updating and reinforcement is critical to sustaining a level 5 maturity.

To sum up the mentioned before, one company such as Alkaloid Skopje, that is moving through the Outsourcing maturity stages must attend some matters like: must work out and put in place a well-defined Outsourcing process, the company must realize that this is only temporary and can be remedied if it works. Furthermore, once a process is the going on phase the next job is to start refining and improving it and in the beginning the process will be really chaotic and feasibly so.

2.3.2   Model of the decision making on Outsourcing based on six factors

The Outsourcing decision process is taking into account four dimensions of the Outsourcing which are: planning stage, evaluation stage, analyzing stage and selecting stage (Bajec & Jakomin, 2010). This could be explain as building an incentive to outsource where before we need to explore for strategic implications, analyze the performance and the cost and in the end to select providers. According to Doval (2016), the factors facilitating Outsourcing for enhancing the company's competitive advantage and the types of the Outsourcing is proposing a model

based on six factors, as a tool to make decisions on Outsourcing. This model of the decision making on Outsourcing based on six factors is presented on Figure 8.

Figure 8: The model of the decision making on Outsourcing based on six factors
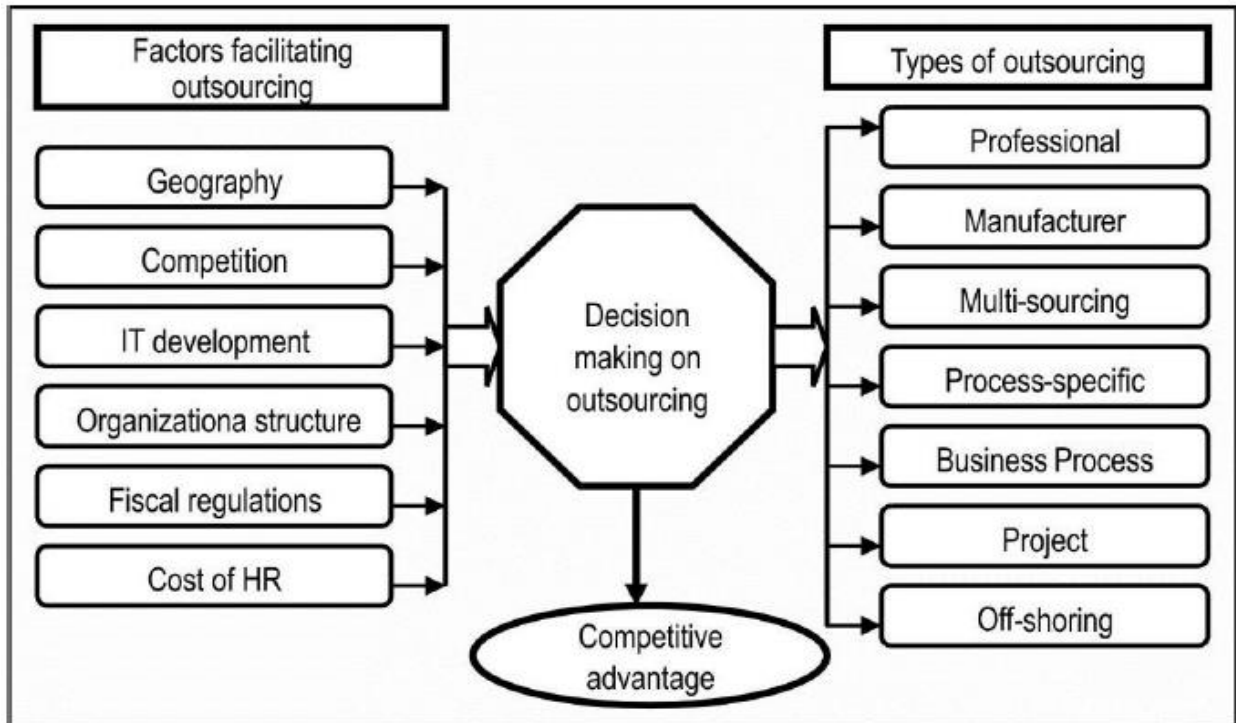
Source: Doval (2016).

There are six factors that may facilitate the decision making regarding the use of different types of Outsourcing. One of the most important factors is the geographical distance between the headquarters, the subsidiaries and the Outsourcing partners may be a factor for the decision for Outsourcing, depending on the level of the costs. Also really important factor is the competition in the country of origin market may constitute the factor for Outsourcing on a market with less competition that is decreasing the costs. The continuing development of the IT systems is a factor for the Outsourcing that influence the time effectiveness and costs decrease, as well. A flexible with few levels organizational structure may influence the decisions for Outsourcing aiming to decrease the overhead costs (Lacity, Willcocks & Feeny, 1995). These are the six factors that affect the Outsourcing. Furthermore, the type of the Outsourcing that may be chosen is linked to the organization's strategy and the type of industry is which the organization is running its business.

These are the managerial models that are studied in the books of the Outsourcing processes. There are many more, but I only explain the ones that I see them most important and most interesting.

3 QUALITATIVE RESEARCH

3.1 Basic information about Alkaloid Skopje

The beginnings of the company are taking back on the 15th of August 1936. The company has started its work with two plants and only 15 workers who produced 350kg of pharmaceutical raw materials. Its main business was making opium alkaloids since in Republic of Macedonia were the best quality opium poppy seeds in the world. After ten years, the company has increased its production volume ten times. After this the company started to grow rapidly through the years to be as it is today. In the late 1980, the management of Alkaloid Skopje, headed by Trajče Mukaetov appointed as director of the company in 1985, which was known as "the man that made Alkaloid that is today", began the process of reorganization, and the foundations of modern corporate governance were laid in 1994. At that time, with the financial support of the European Bank for Reconstruction and Development and the International Finance Corporation, Alkaloid Skopje started big investment cycle.

In 2003 year, Alkaloid Skopje was released into operation a new microbiology laboratory in 2005 new chemical laboratory in 2009 opened the Institute for Research and Development in 2014 was open laboratory "AlkaLab" in Ljubljana and in 2016 was founded the Center for quality control. As an expression of social responsibility, in May 2007 it was established Foundation "Trajče Mukaetov" which until 2016 provided scholarships for 344 students of pharmacy and medicine at the University "Ss. Cyril and Methodius" in Skopje, and 34 scholarships of students were employed in Alkaloid Skopje. Moreover, since its establishment in 2016, the foundation awarded grants in the amount of 63.2 million Macedonian dinars. Through the years, this multinational company has been introducing the market with new products that had become real brands which are used even today such as: Proculin, Becutan, Cafetin, BlackUp, Good Nature etc.

Today, Alkaloid Skopje is multinational pharmaceutical company which is operating for more than eight decades. Mostly it is operating in the field of: manufacturing drugs, cosmetics, chemical products and processing botanical raw materials. Alkaloid Skopje has two profit centers, two subsidiaries in the country as well as 16 subsidiaries, 3 representative offices abroad and one foundation. Therefore, Alkaloid Skopje has dominant capital is held around 5110 private shareholders physical and legal entities, out of which almost 8% of the total number are owned by foreign investors. The products of Alkaloid Skopje are placed in the markets of over 30 countries. Besides its proper production, Alkaloid Skopje cooperates with more than 20 multinational companies in terms of contracts for representation, distribution, as well as consignment stocks encompassing approximately 1500 pharmaceutical products. In 2016, the company sold licenses for its products to renowned foreign companies in Scandinavia, Slovenia, Romania and South Africa.

The vision of the company is to develop as an export oriented pharmaceutical company with a stable market position, open to new markets and new partnerships, a company which manufactures and sells generic drugs of the highest quality by implementing the state-of-the-art manufacturing technologies and business standards. The mission is to accomplish their vision only through a continual pursuit for a healthier world, the superior quality of our products and services, but also with the professionalism and success of the business operations.

3.2   Corporate structure

The Corporate structure of Alkaloid Skopje has two profit centers which are Pharmaceuticals as the main source and Chemicals, Botanicals and Cosmetics as second source of profits. Furthermore, the company has subsidiaries around the world and one daughter company Alkaloid KONS. Ranked as 6th pharmaceutical industry in South Eastern Europe, Alkaloid employs 1450 people in Macedonia and 350 in the subsidiaries abroad (in Serbia, Montenegro, Kosovo, Albania, Bosnia and Herzegovina, Croatia, Slovenia, Switzerland, Bulgaria, Turkey, Ukraine, the Russian Federation, and the USA).

3.3   Research objective, design and methodology

The objective of the thesis is to examine the subject of master's thesis through a professional and scientific literature of foreign authors, articles, analysis, websites, reports, and statistics. The thesis is structured in three parts. The first part examines the relationship between Outsourcing and business strategy, the second part scrutinizes the managerial models of Outsourcing and the third part observes Alkaloid Skopje as a case. Primary goal of this research work would result in my contribution to the body of knowledge about social media marketing Outsourcing with special reference in Business Process Outsourcing for international pharmaceutical companies such as Alkaloid Skopje. The research will help how to resolve the problem of social media marketing Outsourcing, is it cost effective to have in-house team, how relevant social media marketing Outsourcing is for the future and what are the dominant factors for choosing the right partner.

In the primary research I made questionnaire with three basic questions to know more about the respondents (their work experience, departments where they work and their job title). Furthermore, the next ten questions were about how the process of social media marketing Outsourcing is working in Alkaloid Skopje. This research will show what the managers and employees of Alkaloid Skopje think about social media marketing Outsourcing in their company and how they manage it. The research will provide answers to two following research questions:

- How the process of social media marketing Outsourcing is in relation with the business (risks, cost-effectiveness and health awareness) of Alkaloid Skopje?

- What are the dominant factors for choosing a partner to outsource the process of social media marketing in Alkaloid Skopje?

3.4 Design of the questionnaire

There is one questionnaire distributed among the employees in Alkaloid Skopje. The questionnaire was consisted with three basic short open questions to get more acquainted with the respondents such as: the work experience in Alkaloid Skopje, the departments where they work and their job title. Furthermore, the main part was consisted of ten questions about how the process of social media marketing Outsourcing is working in Alkaloid Skopje. Through these questions my aim was to understand the effects of social media marketing to the business in Alkaloid Skopje such as: cost-effectiveness of Outsourcing the business, increase of health awareness, risks and critical points for the business. Additionally, I wanted to know more about the dominant factors for choosing the partner that outsources the process of social media marketing in Alkaloid Skopje and what are the key points and aspects.

Following the preparation of the questionnaire, I distributed them to the Alkaloid Skopje employees with the support of the CEO of Alkaloid Skopje. The survey covered managers and employees, four groups of employees were requested to participate in the survey. The groups were: high level managers, middle level managers, low-level managers and non-managerial employees. The departments that I covered in the research were employees in: Marketing Communications, Pharmaceutical Corporate Development, FMCG Export Sales, Procurement of finished dosage forms and sourcing, Logistics-Purchasing, Sales of Cosmetics and Botanicals, Pharmaceuticals - Marketing and Sales – Macedonian market and Marketing and sales in Alkaloid KONS. Furthermore, the respondents (employees) were requested to express their genuine opinion and assessment for the statements set forth within the questionnaire. Furthermore, in the questionnaire I explain the purpose and the aim of the study to the employees and ensured them that the survey would be anonymous and their responds would be kept confidential. I benevolently asked the employees to respond the questions with their independent conviction, without cross-checking among them. The employees were given fifteen days to complete and return the surveys.

From fifty questionnaires that were distributed in the company, 38 were returned. The unanswered questionnaires were due to not enough knowledge and experience in the topic of Outsourcing social media marketing or the employees didn't have time to answer the questionnaire.

3.5 Analysis of data and results

In the following part is the discussion on the results that are collected through the questionnaire about Outsourcing social media marketing in Alkaloid Skopje that were with the help of my

colleagues. The first part of analysis is about the open questions that were given in the questionnaire where I got more knowledge about the sample of respondents such as: the work experience in Alkaloid Skopje, the job titles of the respondents and the departments that they are working in Alkaloid Skopje.

3.5.1   Analysis of data and results from open questions

In the next three tables I will present the results from the first three basic questions that are explaining the: work experience in Alkaloid Skopje, job titles of the respondents and the departments that they work in Alkaloid Skopje. On Table 3, I am explaining all the departments / employees in Alkaloid Skopje that were involved in the questionnaires responses. Furthermore, I am thanking them for the unconditional support for helping me collect the answers and of course for explaining me how to social media marketing is outsourced in Alkaloid Skopje.

Table 2: Departments and employees involved in the questionnaires responses

Deparments	Percentage from total respondents (N=38)
FMCG Export Sales	5.3%
Logistics	15.8%
Marketing Communications	23.7%
Pharmaceutical Corporate Development	36.8%
Pharmaceuticals, Cosmetics and Botanicals - Marketing and Sales – Macedonian market	7.9%
Marketing and sales in Alkaloid KONS	10.5%

Source: own work.

I concluded that the biggest percentage of given answers is from the Pharmaceutical Corporate Development (hereinafter: PCD), 14 employees – 36.8%, because that is the largest department in Alkaloid Skopje which includes smaller important departments such as: Research and Development, Regulatory of drugs, Over-the-counter (hereinafter: OTC) products etc. Furthermore, OTC department is connected to social media marketing because the promotions of OTC products are doing with the power of social media marketing. In addition to this table, the

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second biggest percentage of given answers is Marketing Communications, 9 employees – 23.7%. Thus, the social media marketing could be really new topic for the departments because they are Outsourcing it. On Figure 9, I am presenting the different job titles and position that I conducted in the questionnaire. In addition, I wanted this question to be in the questionnaire because it is explaining how experienced the employees are, thus it will give me broad picture of the sample.

Figure 9: Work experience of respondents and number of respondents
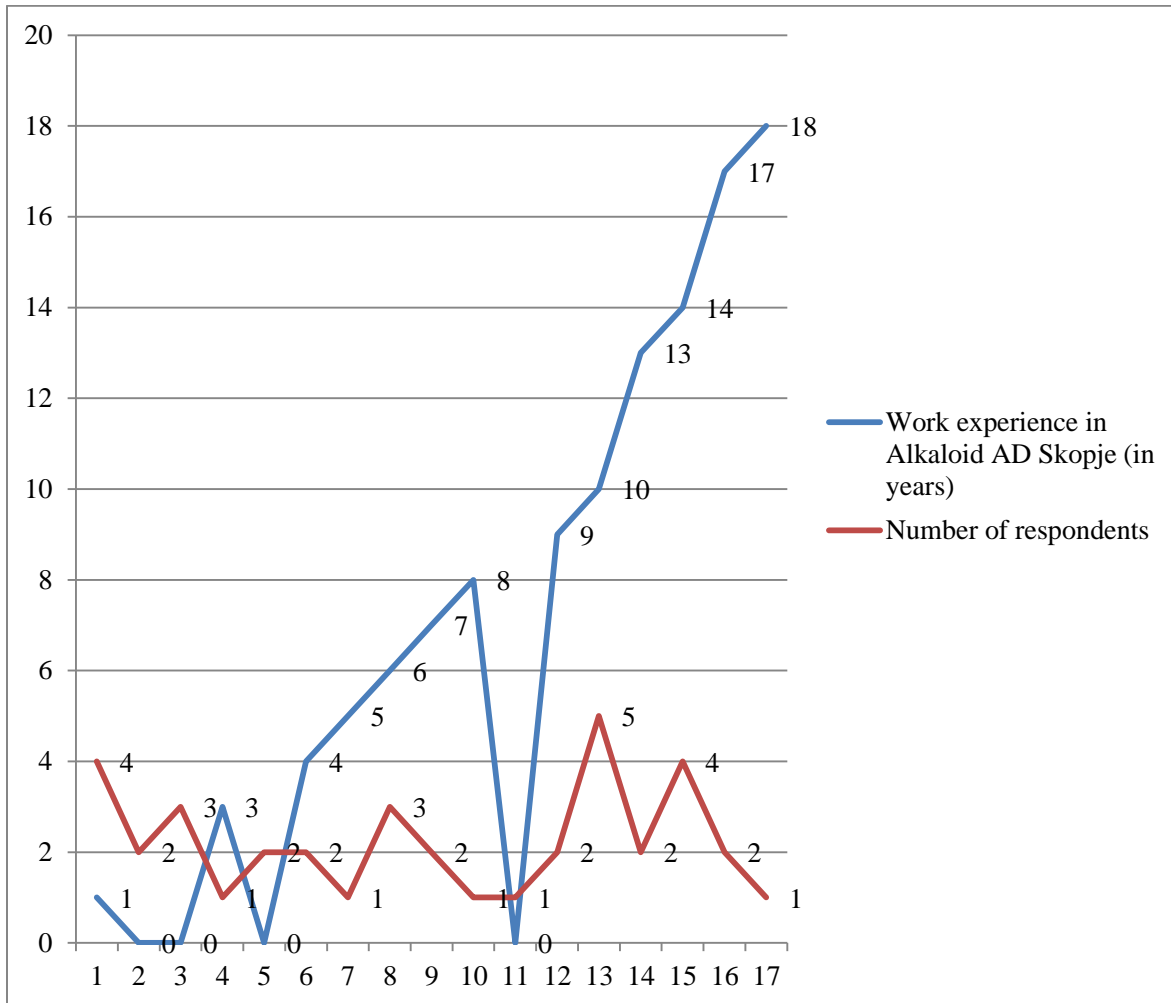
Source: own work.

Presented in Figure 9, I concluded that the respondents are from different age experience. I wanted to know more about this because the purpose is also to see the difference of answers in the work experience which I will present those later using SPSS statistics.

Table 3 is on the next page and it is showing the job title of the respondents. I am curious about the job titles where I compared the difference of thinking in the given answers.

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*Table 3: Departments and job titles of the respondents*

Deparments	Job Titles
FMCG Export Sales	Manager of FMCG Export Sales and Commercial Sales Representative for new markets
Logistics	Sourcing Manager, Procurement Specialists, Referent Officer, Purchasing Officer and Administrator
Marketing Communications	Marketing Communications Manager, Brand Managers, BTL Manager, Media Coordinator, Digital Communications Specialist and Marketing Communications Coordinator
Pharmaceutical Corporate Development	Head of Pharmaceutical Corporate Development, Head of Business Development, Head of Market Access, New market coordinator, Project Managers, Trade Marketing Supervisor, OTC Division Manager and Manager of Medical Marketing
Pharmaceuticals, Cosmetics and Botanicals - Marketing and Sales – Macedonian market	Commercial Representative and Product Manager
Marketing and sales in Alkaloid KONS	Sales & Marketing Director and Product Managers

Source: own work.

3.5.2   Analysis of data and results from SPSS analysis

Most of the questions were conducted with Likert scale. Thus, the response choices were: (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; and (5) Strongly agree. The first four questions are the answer for my first research question and that is "How the process of social media marketing Outsourcing is in relation with the business (risks, cost-effectiveness and health awareness) of Alkaloid Skopje?" In the next page on Figure 10 are the answers for the relation of cost effectiveness of social media marketing Outsourcing vs. building in-house team in the company.

Figure 10: Cost-effectiveness of SMMO
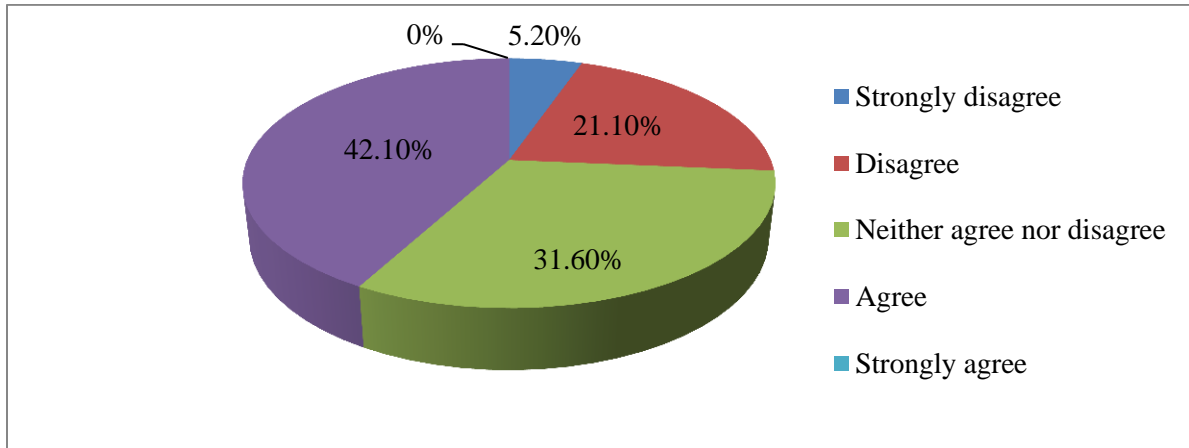
Source: own work.

Figure 10 shows that 42.1% of the respondents agree that the process of social media marketing Outsourcing is more cost effective that building in-house team. This means that having in-house team to do only social media marketing is more expensive than Outsourcing it. Additionally, large 31.6% have the neutral opinion of this question and 26.3% are disagreeing or strongly disagreeing with the cost effectiveness of Outsourcing the social media marketing.

The next relation is the improvement of health awareness with the help of social media marketing. Figure 11 explains the results from the employees' opinion on the statement that the process of social media marketing program (Outsourcing) will improve the health awareness over the competition.

Figure 11: Improvement of health awareness over the competition
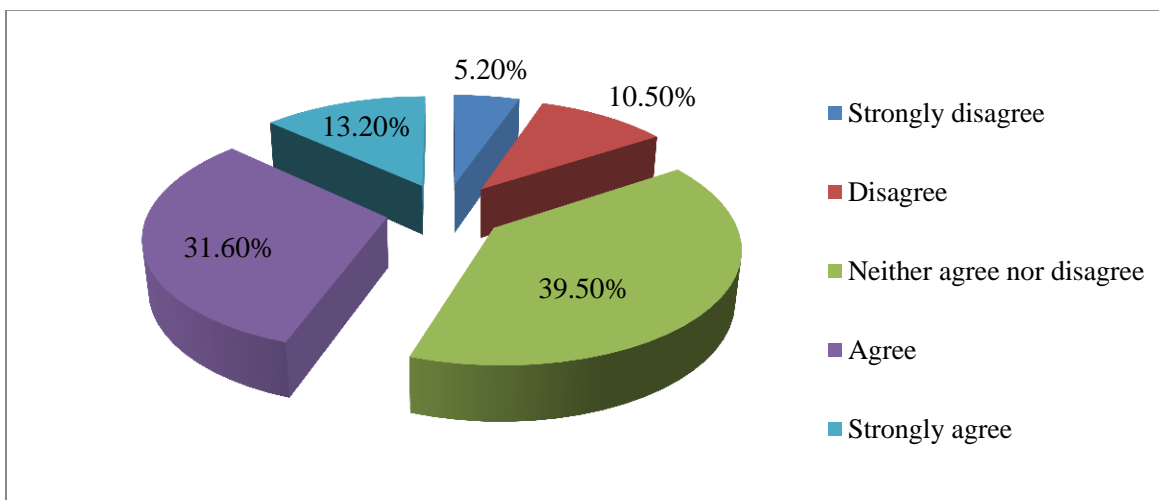
Source: own work.

From Figure 11 the highest in total, 44.8% are agreeing or strongly agreeing that the social media marketing program will improve the health awareness over the competition. However, big percentage of the respondents, 39.5% answered that they neither agree nor disagree that the social media marketing program will improve the health awareness over the competition and only 15.7% are disagreeing or strongly disagreeing with the statement.

The third statement that is connected with the first research questions is associated with the critical point for future development of the competitiveness in Alkaloid Skopje and how social media marketing Outsourcing is relevant. In the next page, Figure 12 is giving the answers from the employees to this question.

Figure 12: Critical point for future development of competitiveness
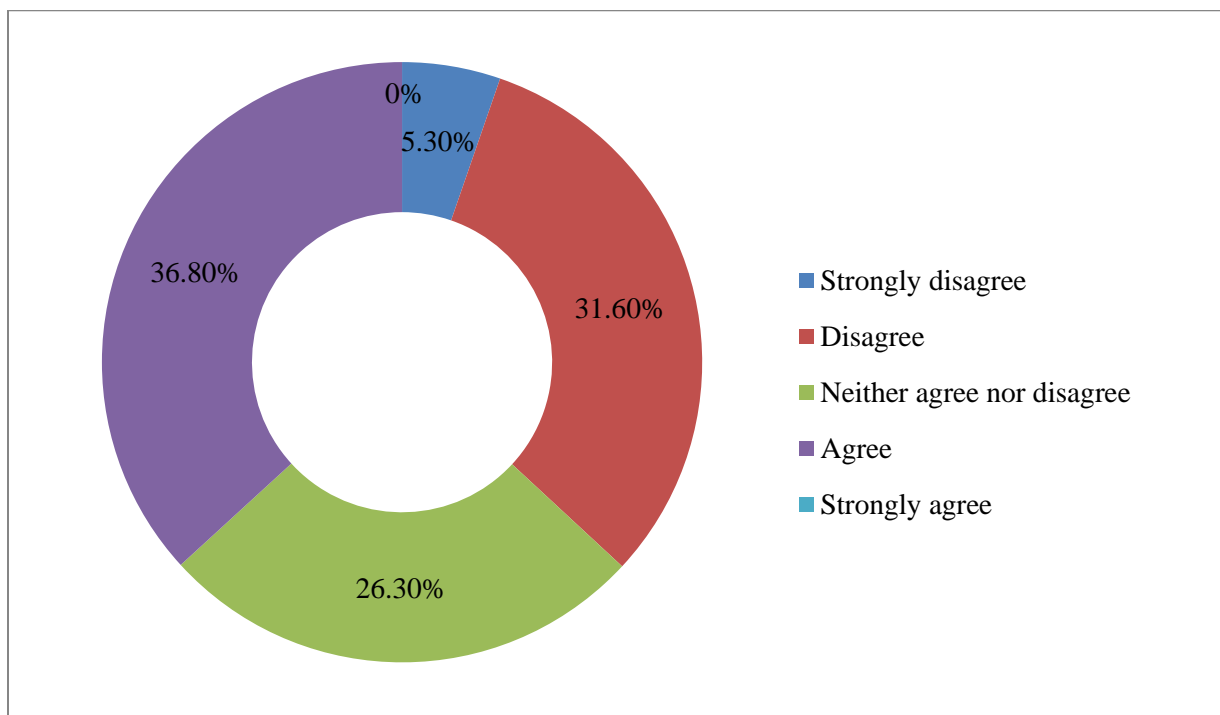
Source: own work.

This is the most neutral question and has unclear view about the answer of the statement. However, there is slight difference in the results. In total 36.9% are disagreeing or strongly disagreeing that social media marketing will be one of the critical point for future development of the competitiveness in Alkaloid Skopje compared to 36.8% of the employees are agreeing to the statement. Furthermore, 26.3% are giving the neutral statement.

The last statement is answering the statement if continuous monitoring and evaluation of standardization criteria in the process of Outsourcing social media marketing in Alkaloid Skopje is what keeps them at low risk. The results are on the next page on Figure 13

Figure 13: Monitoring and evaluation criteria
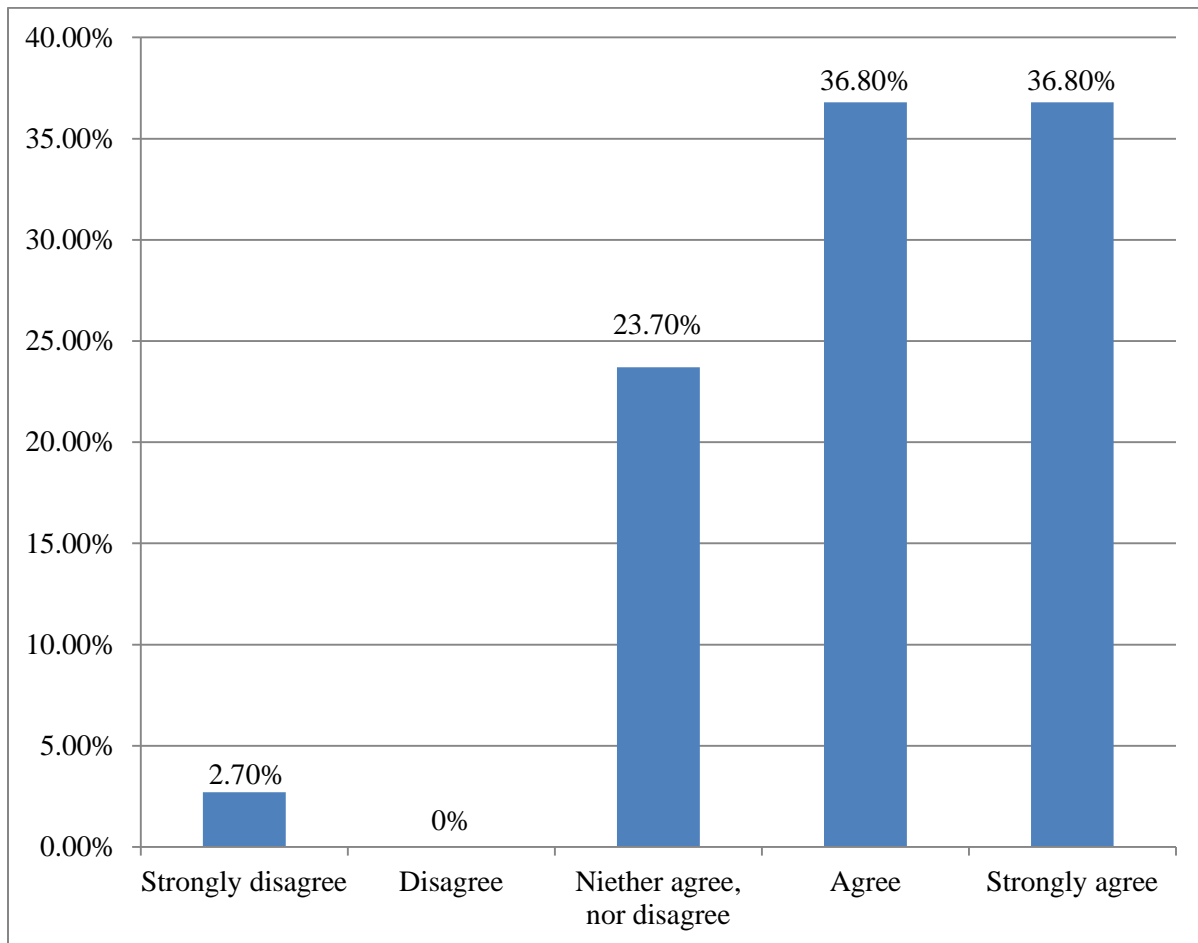
Source: Own work.

From Figure 13, I conclude that 76.5% of the employees are agreeing or strongly agreeing that there needs to be continuous monitoring and evaluation of standardization criteria in the process of Outsourcing social media marketing in Alkaloid Skopje to keep them at low risk. On the next part I will do some SPSS analysis to research the connection of the statements and find the similarities in the answers.

For the one way ANOVA analysis I wanted to see if some of the four statements are dependent from the different departments that are answering the questionnaire. Therefore, I separate three big groups of departments.

The first group is the PCD department where I have answers from 14 employees. The second group is the marketing communications department with answers from 9 employees and the third one are the others with answers from 15 employees. The results from the one way ANOVA analysis are explained in the next page on Table 4.

Table 4: One way ANOVA analysis for the first four statements

		Sum of Squares	df	Mean Square	F	Sig.
Cost effectiveness of SMMO	Between Groups	5.909	2	2.955	4.028	.027
	Within Groups	25.670	35	.733		
	Total	31.579	37			
Health Awareness	Between Groups	8.252	2	4.126	4.721	.015
	Within Groups	30.590	35	.874		
	Total	38.842	37			
Critical point for future development of the competitiveness	Between Groups	17.958	2	8.979	19.720	.000
	Within Groups	15.937	35	.455		
	Total	33.895	37			
Low risk of monitoring and evaluation of standardization criteria	Between Groups	1.804	2	.902	1.049	.361
	Within Groups	30.090	35	.860		
	Total	31.895	37			

Source: own work.

Table 4 shows that three out of four statements are significant, where the significance of α is smaller than 0.05. This means that the answers given in the statements for cost effectiveness versus in-house team of SMMO, improve in health awareness by SMMO and SMMO as critical point for future development are dependent from the different departments. Thus, the answers would be different if I would evaluate only one department. Only the statement for low risk of monitoring and evaluation of standardization criteria has significance bigger that 0.05 and is not important in the evaluation. On Table 5, I compare the similarity in the means and Std. deviation.

Table 5: Descriptive Statistics for first four statements

	Mean	Std. Deviation	N
Cost effectivness of SMMO	3.11	.924	38
Health Awareness	3.37	1.025	38
Critical point for future development of the competitiveness	2.95	.957	38
Low risk of monitoring and evaluation of standardization criteria	4.05	.928	38

Source: own work.

The mean of cost effectiveness, health awareness and low risk of monitoring and evaluation of standardization criteria of social media marketing Outsourcing is showing that the answers of the employees are agreeing that social media marketing Outsourcing will improve the health awareness, will lower the risks if Alkaloid Skopje monitors and evaluates and it will be more cost effective than building in-house team. On the other hand, the mean for SMMO as critical point for future development explains that employee's answers don't agree that SMMO will be one of the critical point for future development of the competitiveness and Alkaloid Skopje should care. Furthermore, I made bivariate correlations analysis of the answers to compare the similarity of the given answers in the statements presented in Table 6.

Table 6: Bivariate Correlations for the first four statements

		Cost effectiveness of SMMO	Health Awareness	Critical point for future development of the competitiveness	Low risk of monitoring and evaluation of standardization criteria
Cost effectiveness of SMMO	Pearson Correlation	1	.301	.587**	.498**
	Sig. (2-tailed)		.067	.000	.001
	N	38	38	38	38
Health Awareness	Pearson Correlation	.301	1	.296	.206
	Sig. (2-tailed)	.067		.071	.214
	N	38	38	38	38
Critical point for future development of the competitiveness	Pearson Correlation	.587**	.296	1	.399*
	Sig. (2-tailed)	.000	.071		.013
	N	38	38	38	38
Low risk of monitoring and evaluation of standardization criteria	Pearson Correlation	.498**	.206	.399*	1
	Sig. (2-tailed)	.001	.214	.013	
	N	38	38	38	38

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: own work.

The similarity of the answers that were given by the employees in the questionnaire is biggest between the cost effectiveness versus building in-house team for SMMO and the Critical point for future development of the competitiveness with similarity of 58.7% where the correlation is significant at the 0.01 level (2-tailed).

Next six statements are connected to the second research question explaining the dominant factors for choosing a partner to outsource the process of social media marketing in Alkaloid Skopje. Therefore, Figure 14 explains the answers for the expertise and capabilities of the partner as dominant factors for maintaining low business risk in the process of SMMM.

Figure 14: Expertise and capabilities of the partner
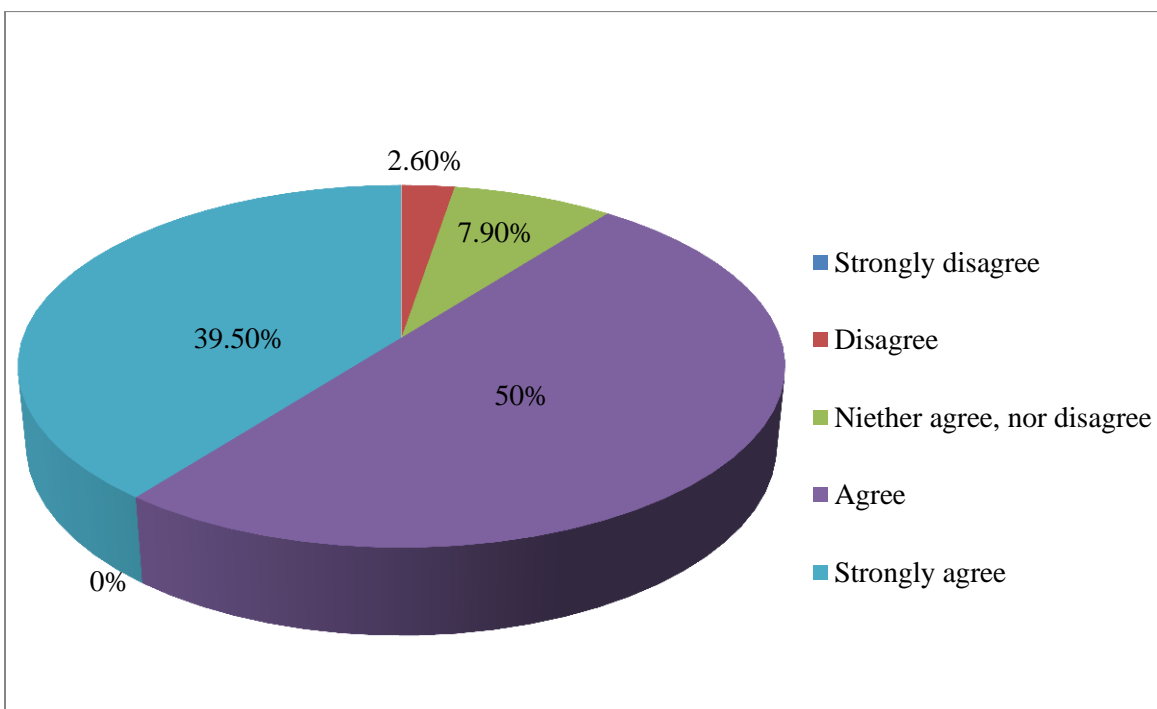
Source: own work.

Figure 14 shows that 89.5% of the employees are agreeing or strongly agreeing that the expertise and capabilities of the partner are dominant factors for maintaining low business risk in the process of Outsourcing social media marketing. Only 2.6 disagree with this and just 7.9 are neutral with the statement.

Since the world is changing and social media marketing is one of the most important channel to promote the company, my next statement is connected to the right choose of a partner that increases the potential for changes in Alkaloid Skopje is one the most important factors in the process of Outsourcing social media marketing. The results from this statement are presented on the next page on Figure 15.

Figure 15: Partner that increase the potential for changes
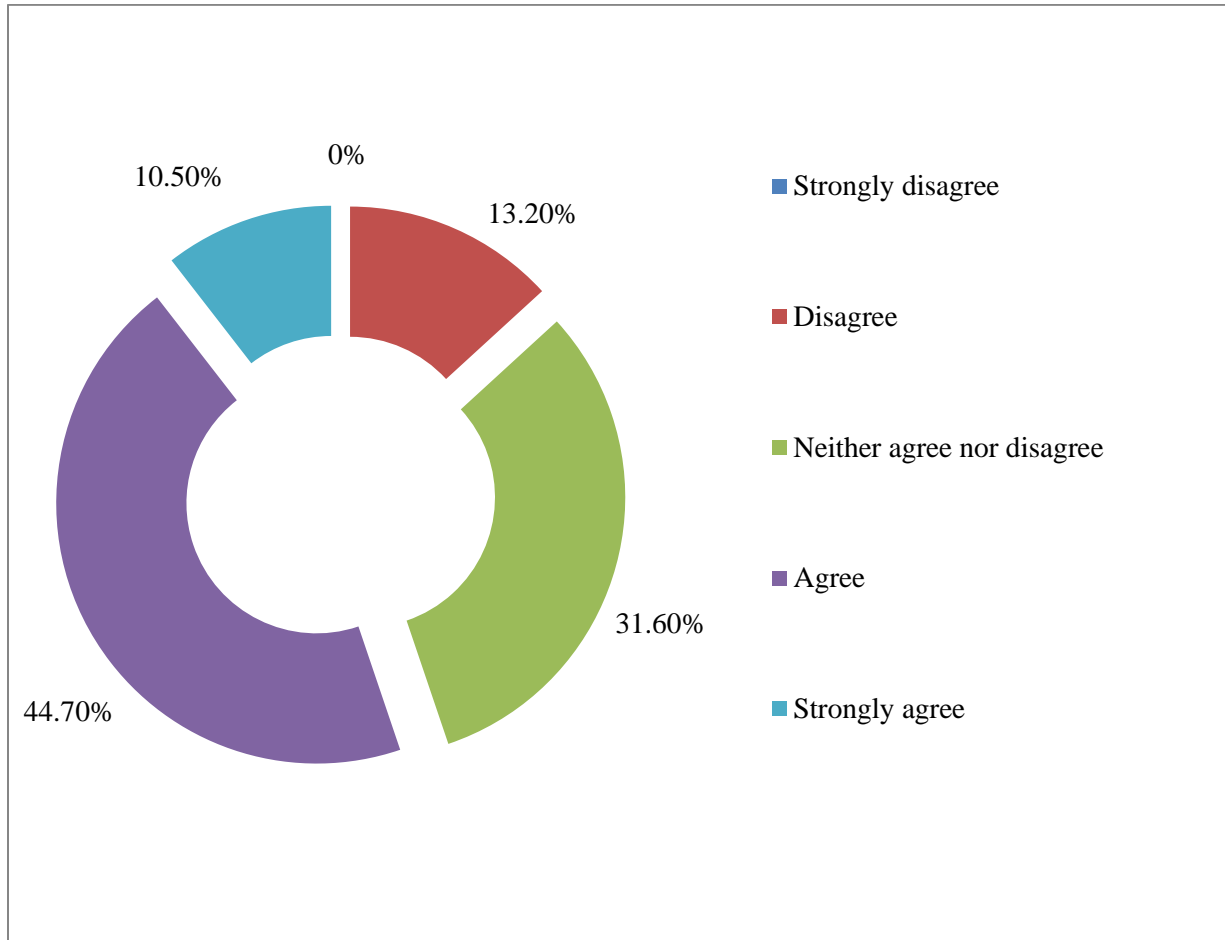
Source: own work.

From Figure 15 I concluded that 55.2% are agreeing or strongly agreeing that choosing a partner that increases the potential for changes in Alkaloid Skopje is one the most important factors in the process of Outsourcing social media marketing. However, 13.2% of the employees disagree with the statement and 31.6% are neutral with the statement.

This opens a question for my next research to explore what is the most important factor that the partner needs to provide for the company to keep the satisfaction on high level. The investment in social media marketing is getting higher and higher because promotion on this media is getting more expensive.

My next statement is explained in the next page on Figure 16. It is giving the answers for the statement if the justifiable investment in the social media marketing is one of the most important factors for choosing the right partner in the process of Outsourcing social media marketing or it is not.

Figure 16: Justifiable investment in the social media marketing
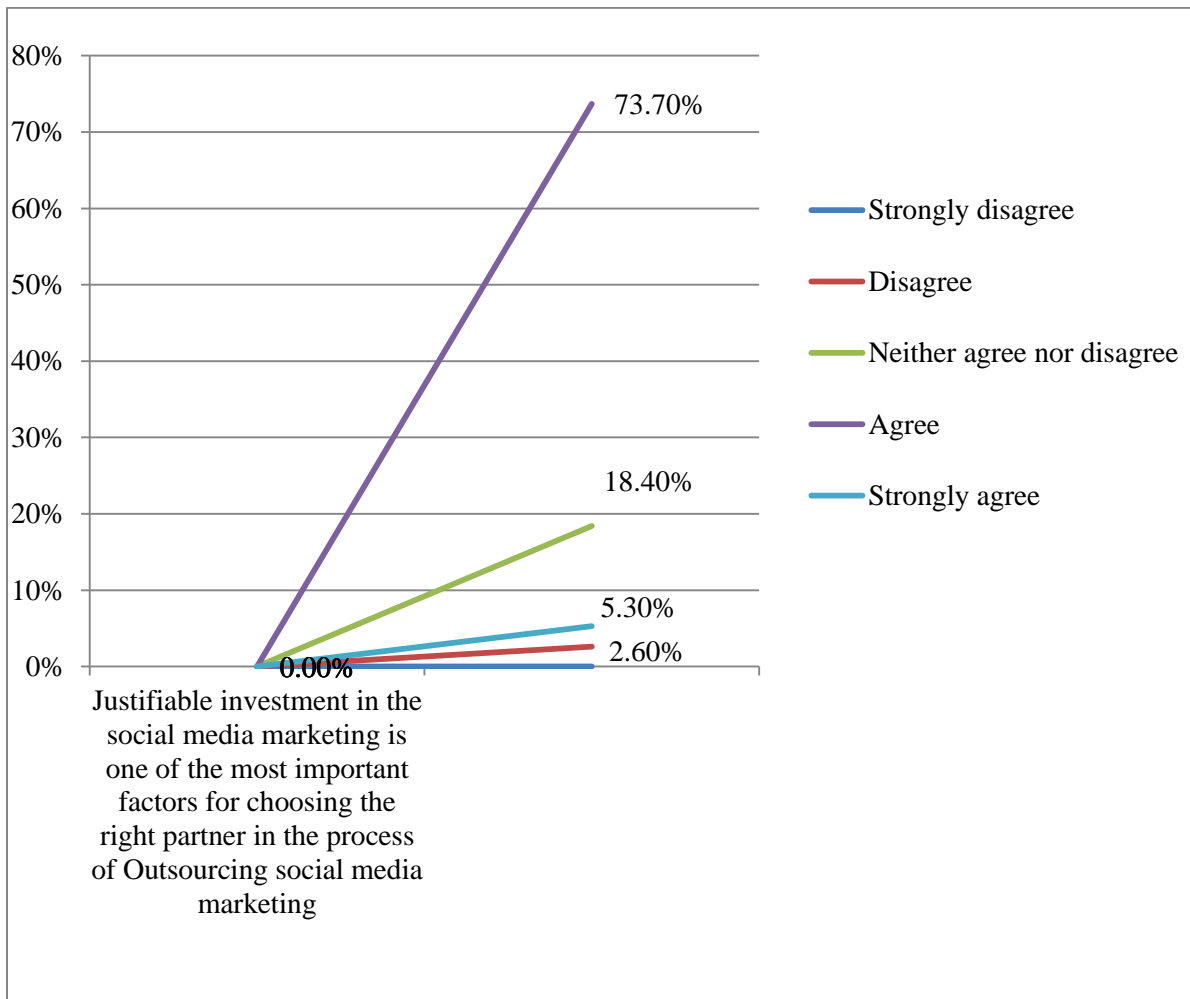
High 73.7% agree that justifiable investment in the social media marketing is one of the most important factors for choosing the right partner in the process of Outsourcing social media marketing and if we add the 5.3% that strongly agree with this, it brings me to the fact that 79% are totally positive with this. Only 2.6% are disagreeing and 18.4% are neutral with the statement.

For me the most important key factor that the partner should have is a professional attitude and behavior. Without it the communication between the company and the partner on long term would be chaotic. Therefore, on Figure 17 in the next page I present the results from the statement that gives the answers to the fact that Professional attitude and behavior of the partner's company are the key points for continuing the partnership between the Outsource partner and Alkaloid Skopje.

Figure 17: Professional attitude and behavior of the partner's company
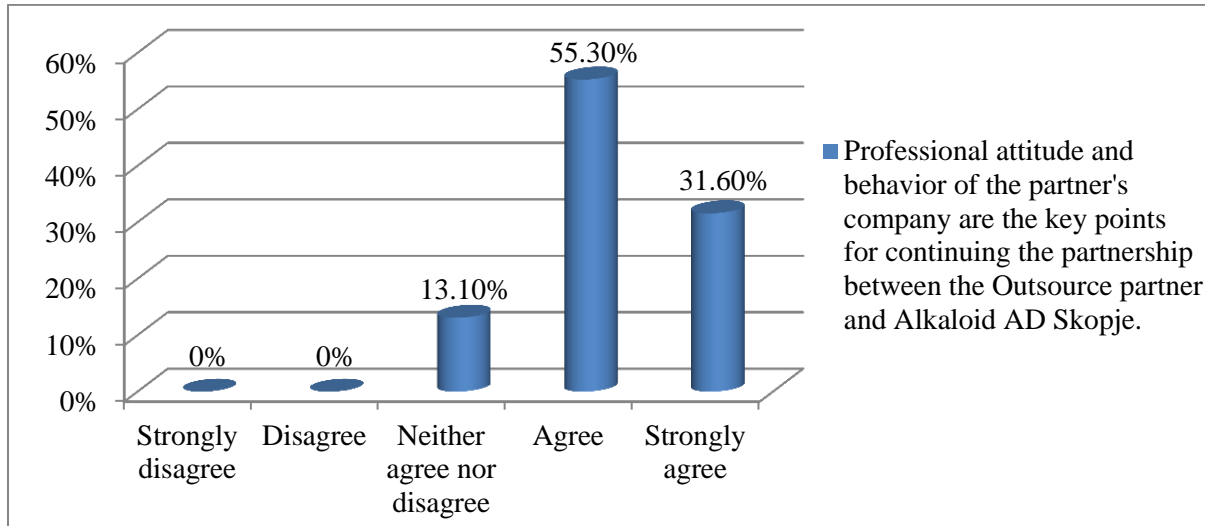
Source: own work.

Expected, a high 86.9% in total are agreeing or strongly agreeing that most important key point for continuing the partnership between the Outsource partner and Alkaloid Skopje is the professional attitude and behavior. Furthermore, none of the respondents are disagreeing or strongly disagreeing with this statement. However, 13.1% are neutral and didn't give exact answer to this statement. Before starting the Outsourcing business that is managed though the partner, there needs to be a good contract with prospective potential between them. That is why my next statement is answering why Possessing contract with prospective potential is important in continuing the partnership between the Outsource partner and Alkaloid Skopje. The results are on the next page on Figure 18.

Figure 18: Contract with prospective potential
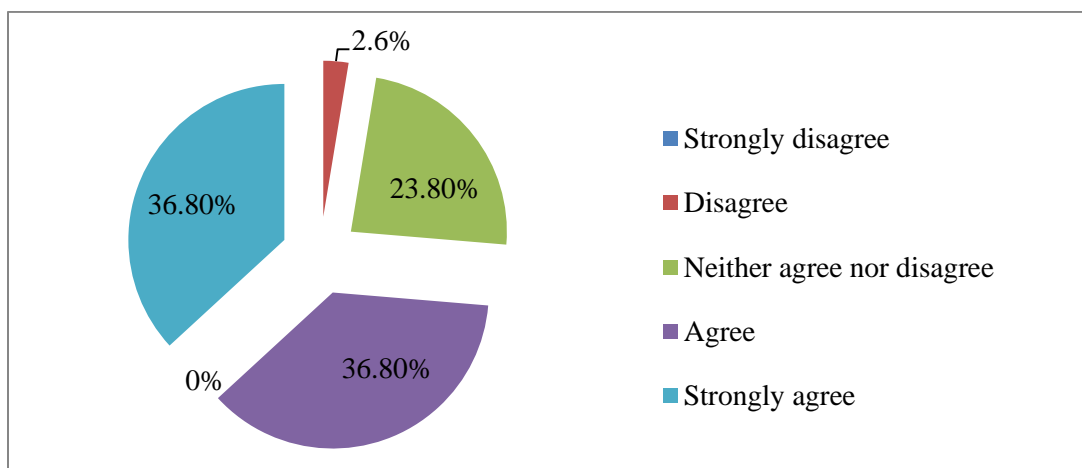
Source: own work.

Employees with 73.6% agree or strongly agree that having a contract with prospective potential is important in continuing the partnership between the Outsource partner and Alkaloid Skopje. Only 2.6% disagree with this statement and 23.8% are neutral. This means that the company needs to focus on the contract because maybe it will be on long term, thus will be more complex.

The last statement is connected with the organizational culture. Furthermore, it is associated with the trust between the partner and the organization. Therefore, Figure 19 gives the answers to the last statement that explains why the organizational culture of mutual trust between each other is the main aspect for continuing the partnership between the Outsource partner and Alkaloid Skopje.
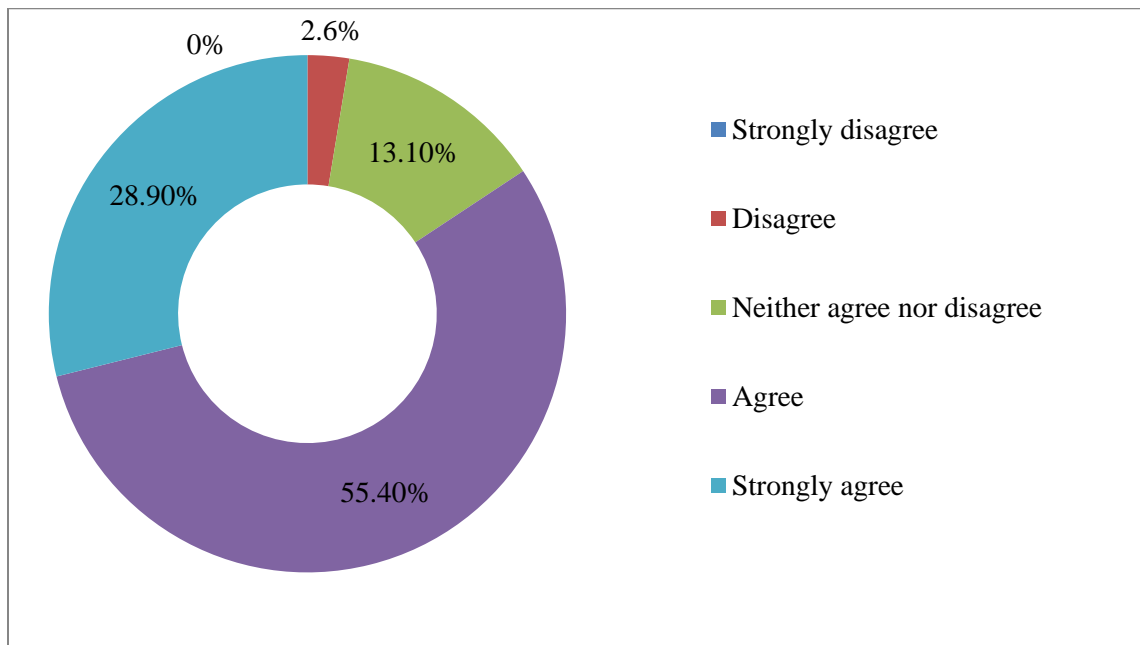
Figure 19: Organizational culture of mutual trust

Source: own work.

Expected, high 84.3% are agreeing or strongly agreeing that organizational culture of mutual trust between each other is the main aspect for continuing the partnership between the Outsource partner and Alkaloid Skopje. Just 2.6% are disagreeing with this statement and 13.1% are neither agreeing nor disagreeing with the statement.

The SPSS statistics analysis in the research for the last six statements is to see the means of the statements and the one way ANOVA test. First, I started the SPSS analysis with the one way ANOVA analysis.

For the one way ANOVA analysis I wanted to see if some of the six statements are dependent from the different departments that are answering the questionnaire. Therefore, again I separated

three big groups of departments. The first group was PCD where I had 14 employees, the second group was marketing communications with 9 employees and the third group was others with 15 employees. The results are on Table 7.

Table 7: One way ANOVA analysis from the last six statements

		Sum of Squares	df	Mean Square	F	Sig.
Expertise and capabilities	Between Groups	1.868	2	.934	1.868	.169
	Within Groups	17.500	35	.500		
	Total	19.368	37			
Partner that increases the potential for changes	Between Groups	.756	2	.378	.495	.614
	Within Groups	26.717	35	.763		
	Total	27.474	37			
Justifiable investment	Between Groups	.420	2	.210	.651	.528
	Within Groups	11.290	35	.323		
	Total	11.711	37			
Professional attitude and behavior of the partner	Between Groups	3.349	2	1.674	4.740	.015
	Within Groups	12.362	35	.353		
	Total	15.711	37			
Possessing contract with prospective potential	Between Groups	2.712	2	1.356	1.974	.154
	Within Groups	24.051	35	.687		
	Total	26.763	37			
Organizational culture of mutual trust	Between Groups	1.216	2	.608	1.538	.229
	Within Groups	13.837	35	.395		
	Total	15.053	37			

Source: own work.

Only the importance of professional attitude and behavior of the partner have significance below 5%, in our case α=0.015 and is below 0.05. This means that departments have significantly different opinions while giving the response for the professional attitude and behavior of the partner to outsource social media marketing. Afterwards, on SPSS I made descriptive statistics analysis to compare the means and to see which mean is higher or lower than 3 (neither agree nor disagree) of the last six statements. Results from the analysis are on Table 8.

Table 8: Descriptive Statistics of the last six statements

	Mean	Std. Deviation	N
Expertise and capabilities	4.26	.724	38
Partner that increases the potential for changes	3.53	.862	38
Justifiable investment	3.82	.563	38
Professional attitude and behavior of the partner	4.18	.652	38
Possessing contract with prospective potential	4.08	.850	38
Organizational culture of mutual trust	4.16	.638	38

Source: own work.

In all six statements the mean is higher than 3. This means that all the statements were answered positive by the employees, thus all are agreeing or strongly agreeing with the statements. The highest mean is for the expertise and capabilities where employees are strongly agreeing that the expertise and capabilities of the partner are dominant factors for maintaining low business risk.

In the end, I used four age work experience groups: 1-4 years, 5-9 years, 10-14 years and 15-19 years made for the purpose to see if there is dependence with the experience and the given answers from the employees in all statements in the questionnaire. However, all statements were irrelevant because the rule of thumb in one way ANOVA analysis is that α needs to be lower or equal from 5% or 0.05. In our case for all statements α was higher than 0.05. This means that the work experience doesn't affect the answers given from the employees in the research for social media marketing Outsourcing.

3.6   Tendencies of the results

Before I recommend some practice for Alkaloid Skopje, I will discuss on the selected subject based on the results of the research. From the analysis that I gathered through the questionnaire about Outsourcing social media marketing it can be seen that Outsourcing social media marketing in Alkaloid Skopje is more cost effective, improves the health awareness over the competition and the continuous monitoring and evaluation is what keeps the company at low risk. Employees respond that 0% strongly agree, 42.1% agree that Outsourcing social media marketing is more

cost effective than having in-house team, 31.6% are neutral, 21.1% disagree with that and 5.2% strongly disagree with the statement. Improvement of health awareness over the competition where the results from the employees are that 13.2% are strongly agreeing, 31.6% are agreeing, 39.5 neither agree nor disagree, 10.5% are disagreeing and 5.2% are strongly disagreeing with the statement. Continuous monitoring and evaluation of standardization criteria in the process of Outsourcing social media marketing is what keeps Alkaloid Skopje at low risk where 36.8% of the employees strongly agree with that, 36.8% agree, 23.7 neither agree nor disagree, 0% disagree and 2.6% strongly disagree with the statement.

Furthermore, for the right choice of the partner that outsources the social media marketing the results from the questionnaire are answering the dominant and most important factors in the process, the importance of contract with prospective potential and the importance of organizational culture of mutual trust. The expertise and capabilities of the partner as dominant factors for maintaining low business risk in the process of Outsourcing social media marketing where 39.5% of the employees strongly agree, 50% agree, 7.9% neither agree nor disagree, 2.6% disagree and 0% strongly disagree. Choosing a partner that increases the potential for changes where 10.5% strongly agree, 44.7% agree, 31.6% neither agree nor disagree, 13.2% disagree and 0% strongly disagrees with the statement. Possessing a contract with prospective potential is important in continuing the partnership where 36.8% of the employees strongly agree, 36.8% agree, 23.8% neither agree nor disagree, 2.6% disagree and 0% strongly disagree. Organizational culture of mutual trust between each other as main aspect for continuing the partnership where 28.9% strongly agree, 55.3% agree, 13.2% neither agree nor disagree, 2.6% disagree and 0% strongly disagree.

3.7   Recommendation for practice

Based on the results of the questionnaire herein are some of the suggestions and recommendations for Alkaloid Skopje which may improve the Outsourcing social media marketing in the company.

- Alkaloid Skopje should continue Outsourcing social media marketing because it is more cost effective and it is improving the health awareness over the competition, however soon they need to build in-house team because it will be more loyal to the company, it will bring higher efficiency in operations of social media marketing and it will be more tailored to the future developmental needs.

- Alkaloid Skopje needs to continue monitor and evaluate the standardization criteria in the process of Outsourcing the social media marketing so they can keep the company with low risk.

- Alkaloid Skopje needs to choose a partner that increases the potential for changes in the process of Outsourcing social media marketing, otherwise it would not be worthwhile having a partner that works only for the compensation which is an intermediary phase in the internal specialization in performing social media marketing.

- Alkaloid Skopje must possess a contract with prospective potential if they want to continue the partnership with the Outsource partner.

- Alkaloid Skopje must build strong organizational culture of mutual trust and respect with the partner if they want to continue the partnership for Outsourcing social media marketing in the future.

3.8   Limitations of the research and further implications

The final part of my master thesis covers the limitations of the research and further implications. Facing the limitations of the research that I conducted for the purpose of this thesis, further implications need to be done. Those implications are:

- The reality that the concept of Outsourcing social media marketing is somewhat new in Macedonia and in Alkaloid Skopje, thus the employees in the questionnaire may lack acquaintance with it.

- Some of the employees may feel unfamiliar with the practice of the questionnaire being used. Therefore, there might have been some difficulties in responding the questions appropriately and as expected.

- Some of the employees in different departments were cautious in full cooperation to my questionnaire, thus they were asking their subordinates for authorization in responding to each of my requests.

- The employees might have not reflected their genuine opinion when responding the questionnaire, for not ruining the reputation of their own department.

- An anonymous questionnaire would bring better results that will reflect more genuine opinions.

- Some of the departments that were included in the questionnaire were not that much connected with the field of study and work of the Outsourcing social media marketing in Alkaloid Skopje, thus their answers are not so relevant.

CONCLUSION

This master's thesis is primarily focused on the strategic role of Outsourcing, especially the business process Outsourcing with specific research on the strategic role of social media marketing Outsourcing in Alkaloid Skopje. My primary objective was to provide an overview of how the process of social media marketing Outsourcing is in relation with the business (risks, cost-effectiveness and health awareness) of Alkaloid Skopje and what are the dominant factors for choosing a partner to outsource the process of social media marketing in Alkaloid Skopje.

The thesis is divided into three chapters where the first chapter is primarily focused on the relationship between Outsourcing and business strategy. This part lays down the types of Outsourcing and the possible risk that can arise from the process. Furthermore, this part explains how the process of Outsourcing (The Outsourcing Lifecycle) is done step by step with all stages in the process and how that same process is implemented and linked to the business strategy in the real world.

The second chapter of the thesis is explaining the managerial models for Outsourcing. This chapter is split on three parts. Starting on short with the basic sourcing models in the first part, continues with the main business process Outsourcing models on the second part with particular explanation on transactional, niche and comprehensive business process Outsourcing managerial models. Last part of the chapter is focused on the theoretical Outsourcing models such as the Outsourcing Management Maturity Model (OMMM) and the model of the decision making on Outsourcing based on six factors.

The last chapter of the thesis begins with basic information about Alkaloid Skopje and the corporate structure of the company. Afterwards, the chapter continues with the research objective, the design and the methodology of the research, including conduct of the research are detailed afterwards.

The research questions we distributed to 50 employees that are high level managers, middle level managers, low-level managers and non-managerial employees on March 2018 and collected 3 weeks after. The conclusion of the answers to the research questions disclosed that the Outsourcing social media marketing is more cost effective than building in-house team, improves the health awareness over the competition and the continuous monitoring and evaluation is what keeps the company at low risk. Furthermore, the right choice of the partner that outsources the social media marketing depends on the importance of contract with prospective potential, the importance of organizational culture of mutual trust and the expertise and capabilities of the partner.

Therefore, the proposed recommendation for the company will include that Alkaloid Skopje should continue Outsourcing social media marketing because it is more cost effective and it is

improving the health awareness over the competition, however soon they need to build in-house team because it will be more loyal to the company. Alkaloid Skopje needs to continue monitor and evaluate the standardization criteria in the process of Outsourcing social media marketing so they can keep the company at low risk. Furthermore, Alkaloid Skopje needs to choose a partner that increases the potential for changes in the process of Outsourcing social media marketing, otherwise it would not be worthwhile having a partner that works only for the compensation. In addition to, Alkaloid Skopje must possess a contract with prospective potential if they want to continue the partnership with the Outsource partner. In the end, Alkaloid Skopje must build strong organizational culture of mutual trust with the partner if they want to continue the partnership for Outsourcing social media marketing in the future.

These recommendations will very likely improve the process of Outsourcing social media marketing in Alkaloid Skopje.

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APPENDIXES

Appendix 1: Summary of the thesis in Slovenian Language

Kratek povzetek magisterskega dela v slovenskem jeziku

V svojem magistrskem delu se osredotočam na preučevanje strateške vloge zunanjih izvajalcev (*ang. »Outsourcing«*) v podjetju Alkaloid d.d., Skopje. Največji poudarek outsourcinga posvetim družbenim medijem, ki se dandanes uporabljajo kot glavno trženjsko orodje. Svojo kvalitativno raziskavo sem naredil na podlagi zaposlenih v podjetju Alkaloid d.d., ki so značilno prispevali mojemu delu v celoti.

Prvi del magistrske naloge obravnava odnos med outsourcingom in poslovno strategijo, kjer najprej definiram življenski cikelj outsourcinga. Nato definiram obstoječe vrste outsourcinga in možne posledice/tveganja kot rezultat le-tega. Ugotovitve v prvem delu kažejo, da kljub temu, da obstajajo ogromne prednosti outsourcing, se je še vedno potrebno zavedati, da prav tako obstajajo tudi določena tveganja, ki lahko povzročijo negativni učinek na poslovanje.

V drugem delu pojasnjujem upravljalske modele outsourcinga, ki so podrobneje pojasnjeni s strani različnih avtorjev. V začetku drugega dela najprej govorim o osnovnih modelih, pri čemer pomembnejšo vlogo pripisujem outsourcingu v poslovnih procesih (ang.). Ob koncu tega dela govorim o bolj teoretičnih modelih, kot npr. »model zrelosti za upravljanje z outsourcingom« in »model za definiranje outsourcinga na podlagi šestih dejavnikov«.

Tretji del magistrske naloge predstavlja raziskovalni del, ki skuša preučiti outsouricing socialnih medijev v podjetju Alkaloid d.d., Skopje. Glavni vprašanji, na kateri sem se osredotočil in želel odgovoriti, sta:

- Ali obstaja korelacija med procesi za outsourcing socialnih medijev in poslovanjem (tveganje, rentabilnost in samozavest) v podjetju Alkaloid d.d., Skopje?

- Kateri so dominantni dejavniki, ki vplivajo na izbiro partnerja za outsourcing ki bi ga izbralo podjetje Alkaloid dd, Skopje?

Da bi dobil odgovor na zgornji dve vprašanji, sem oblikoval vprašalnik in ga razdelil med zaposlene (v podjetju). Prvi del je splošen, saj sem najprej želel ugotoviti delovne izkušnje zaposlenih in njihovo pozicijo. Preostali del (slednjih deset vprašanj iz vprašalnika) ugotavlja delovanje procesov socialnih medijev v omenjenem podjetju.

Raziskava je bila opravljena marca 2018, v kateri je sodelovalo 50 zaposlenih iz različnih nivojev upravljalne strukture. Dobil sem sedemintrideset odgovorov, na podlagi katerih lahko sklepam, da je mnenje večine zaposlenih v podjetu, da je outsourcing socialnih medijev poslovno bolj opravičljiv v primerjavi s formiranjem posebe ekipe v sklopu podjetja, ki bi delal na istem področju. Glavni razlog za to je, da outsourcing družbenih medijev pozitivno vpliva na samozavest v odnosu s konkurenco kin neprekinjeno sledenje in ocenjevanje kriterijev pri standardizaciji, kar pa kar pa vpliva na zmanjšanje tveganja nepredvidenih dogodkov. Izbor partnerja za vlogo zunanjega izvajalca temelji na pomembnosti in potencialu pogodbe obeh strani v dogovoru. Zaradi tega menim, da mora Alkaloid zgradibi »zdravo« organizacijsko strukturo, ki bo temeljila na medsebojnim zaupanjem in ekspertizo. Z vsemi potencialnimi partnerji, ki bi bili v vlogi zunanjih delavcev v določenih procesih.

V kolikor se ta priporočila uresničijo, možnost za poboljšanje v procesih outsourcinga socijalnih medijev je značilno višja.

Appendix 2: Strategic role of Outsourcing Social media marketing in Alkaloid Skopje Questionnaire

Respectfully, I would like to thank you for deciding to take a time to complete this questionnaire, with which you will help me in preparation of my Master's thesis on the topic: The strategic role of Outsourcing in the case of Alkaloid Skopje. This questionnaire is about Outsourcing the social media marketing in Alkaloid Skopje. Please give the answers on the asked questions with writing the answer according to your knowledge. Questionnaire is anonymous and your personal data and answers will be used only for the purpose of making the thesis and will be showed as an overall research and won't be quoted individually. Please give complete answers on every question and with that contribute to reliability and quality of the research. Thank you for the cooperation. Please circle the number associated with the statement to which you agree most. Response choices are: (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; and (5) Strongly agree.	

How long is your work experience in Alkaloid AD Skopje?	
In which department you are working in Alkaloid AD Skopje?	
What is your job title?	

Strategic role of social media marketing Outsourcing in Alkaloid Skopje	**Scale**				
1. The process of Outsourcing social media marketing in Alkaloid AD Skopje is more cost effective versus building in-house team.	1	2	3	4	5
2. The social media marketing program (Outsourcing) will improve the health awareness over the competition.	1	2	3	4	5
3. The process of Outsourcing social media marketing will be one of the critical point for future development of the competitiveness in Alkaloid AD Skopje.	1	2	3	4	5
4. The expertise and capabilities of the partner is dominant factor for maintaining low business risk with the partner in the process of Outsourcing social media marketing.	1	2	3	4	5
5. Continuous monitoring and evaluation of standardization criteria in the process of Outsourcing social media marketing in Alkaloid AD Skopje is what keeps them at low risk.	1	2	3	4	5
6. Choosing a partner that increases the potential for changes in Alkaloid AD Skopje is one the most important factors in the process of Outsourcing social media marketing.	1	2	3	4	5
7. Justifiable investment in the social media marketing is one of the most important factors for choosing the right partner in the process of Outsourcing social media marketing.	1	2	3	4	5
8. Professional attitude and behavior of the partner's company are the key points for continuing the partnership between the Outsource partner and Alkaloid AD Skopje.	1	2	3	4	5
9. Possessing contract with prospective potential is important in continuing the partnership between the Outsource partner and Alkaloid AD Skopje.	1	2	3	4	5
10. Organizational culture of mutual trust between each other is the main aspect for continuing the partnership between the Outsource partner and Alkaloid AD Skopje.	1	2	3	4	5

Appendix 3: Corporate structure of Alkaloid Skopje