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PROCUREMENT INSOURCING VS. PROCUREMENT OUTSOURCING: EVIDENCE FROM SERBIA

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Abstract

One of the most important strategic decisions of a company is to choose whether to insource or outsource a particular group of activities or a business function. The trend of outsourcing those activities which do not form a part of the company core competences is becoming more and more present in business practice. The aim of the analysis within this paper is to review the mentioned trend from the position of organizing the company procurement activities. The analysis shows that there is no unique trend concerning outsourcing all logistics activities, which do not form a part of the company core competences. Unlike the majority of other logistics activities, which as non-basic, tend to be outsourced, procurement dominantly stays insourced. Finally, based on the empirical evidence obtained from a survey carried out among 52 companies in Serbia, it is concluded that even if procurement is outsourced, this trend is more present among service than production companies.

Keywords: Procurement, Outsourcing, Insourcing, Logistics, Serbia

1. Introduction

Both when establishing a company or in its everyday running, a great number of decisions has to be made. One of the basic decisions is how to perform a certain task- to do it internally, or by itself, or to hand over that task to a specialized partner. Thus, a company has to opt between insourcing or outsourcing. In contemporary business conditions, companies tend to outsource all activities which do not form a part of its basic pool of core competences (Franceschini *et al.* 2003). This trend is especially present with a majority of logistics activities, such as transport, warehousing and supply management (van Damme and van Marinus, 1996). Therefore it is of

both theoretic and practical interest to review the position of procurement, as one of the most important logistics activities, on this issue. That is precisely the main interest of this paper.

The paper analysis is divided into three parts. Within the *first part* of the paper, the general theoretic advantages and shortcomings of insourcing/outsourcing options are revised for all business activities. The second part of the paper focuses on the specifics of opting to insource or outsource the procurement set of activities, as well as on determining the basic procedure steps when making such a decision. Finally, the *third part* of the paper deals with the specific empirical findings on trends concerning procurement insourcing/outsourcing based on the data obtained from the survey research carried out among companies in Serbia. The general goal of the paper is to determine the position of procurement when it comes to opting between insourcing/outsourcing alternatives, since this is an important starting point when making business decisions and consequently achieving competitive advantage based on those activities.

2. Insourcing vs. Outsourcing: Advantages and Shortcomings of Each Option

The strategic decisions of insourcing and outsourcing are a constantly active process which significantly determines the productivity and competitiveness of a company. The management view on the insourcing/outsourcing issue has changed significantly over the years due to various factors: increased competition, pressures aimed at price reductions, company downsizing, as well as focusing on basic company business (Quélin and Duhamel, 2003). Generally, the tendency is to outsource the majority of those business activities which do not form a basic pool of core competences. Traditionally, the option to insource a certain activity or to perform it by itself in a greater extent, was generally more present within big organizations, which led to their forward/backward vertical integration, the ownership over a vast extent of production and a great number of subsidiaries. Greater outsourced procurement was mostly connected with resources which were then processed internally. On the other hand, the organization of modern companies is aimed at flexibility and has the focus on corporate strengths, partner connection and the tendency to outsource the majority of non-needed activities. Regardless of the general trends, it is always important to see which are the reasons for each of the options. Within the following Tables 1 and 2 the strengths of each of the strategic options (insourcing/outsourcing) are presented:

Table 1. The reasons for insourcing

The Reasons	
1.	The needed quantities are too small, so none of the suppliers is interested in doing business
2.	The demands concerning quality can be so extreme that none of the suppliers can meet them
3.	The expressed need to secure the delivery and its concordance with the demand
4.	The maintenance and securing of technological secrets
5.	Securing a lower price
6.	Complete capacity and equipment usage
7.	Securing uninterrupted operations within a company without too many fluctuations
8.	Avoiding the dependence on only one source
9.	Risk reductions
10.	The option of outsourcing is too expensive
11.	Great distance compared to the first available supplier
12.	Condition which we fulfill as a demand of an important client
13.	Rapid expansion of the future product/service potential

Source: Johnson et al. (2011)

Table 2. The reasons for outsourcing

The Reasons	
1.	The company can lack the managerial or technical expertise in creating certain products/services
2.	The lack of production capacities
3.	The wish for risk decreasing
4.	The challenges of sustaining long-term technological and economic feasibility for a non-basic activity
5.	The difficulties of changing the initial decision to perform certain activities in an insourced manner
6.	The insurance of precision of output quality when it comes to performing certain activities
7.	The existence of multiple options concerning potential sources and substitutes
8.	The insufficient volume of needed units in order to start internal production
9.	Future forecasts which indicate significant technological demand uncertainty, thus putting the company into a great risk in case it insources the activity performance
10.	The availability of a supplier of extremely good quality near-by
11.	Outsourcing can open up market possibilities for company products/services
12.	The possibility to deliver the product/service much quicker to the market
13.	A consequence of a demand of a very important client

Source: Johnson *et al.* (2011)

Analyzing the reasons for using each of the options, it can be concluded that there is a great number of similarities concerning the individual explanations just that they are of completely opposite orientation. For example, the demand of an important client (i.e. expressed need to secure delivery) is mentioned in both tables, just that in the first case, insourcing is suggested, while in the second, outsourcing is the needed option. Situation is similar when there is talk about future market trends. Based on all stated, it can be concluded that all the advantages of insourcing are simultaneously the disadvantages of outsourcing, and *vice versa*. Therefore, company managers have a very demanding task when offering information, giving judgments and expert opinions in order to help the company in the best possible way to solve the insourcing/outsourcing dilemma.

An additional element which makes this analysis complex is the so-called "gray" zone, which appears between the two strategic options. The "gray" zone can be especially useful for testing and learning without the need of the company to completely choose one or the other alternative. A good example of the "gray" zone is the situation within the automobile industry, when a company can take upon itself an obligation to design certain components from the very producer. During maintenance, some types of servicing can be performed by the equipment buyer, and some by the producer. It is clear from this short review that the existence of the "gray" zone represents important possibilities or superior options, both for the buyer and the supplier (Halvey and Murphy-Melby 2007).

Having pointed out the options for the activity execution which can be identified for the company as a whole, it is necessary to see which are the precise perspectives of insourcing/outsourcing that refer to procurement activities, as well as the procedure connected to that decision making.

3. Procurement Insourcing vs. Outsourcing: Dilemma and Decision Making

Procurement insourcing is one of the rare logistics activities which trend of effectuation does not seem to fade, differing from opposite tendencies for the majority of other logistics groups of activities. The decision to insource usually appears at the very beginning of company procurement organization or in rare cases, during its restructuring. The reason for this is that there is very little chance that procurement managers, due to numerous demands which are delivered to them and the activities which they have to carry out, will initiate voluntarily this process. Therefore, the most often case is that once a model is established, i.e. the strategic

option of carrying out procurement is chosen, that is the option in which the company will continue performing.

However, seen from the perspective of company procurement, there may appear certain reasons to influence the company to perform insourcing later on, i.e. to produce itself certain input instead of acquiring it externally. The most obvious reason for such a decision is a situation when a company supplier quits doing business or puts out of production a certain product line acquired from it, while it was unique on the market. In this case, the procurement manager can try to find an adequate alternative within the market, although it is very hard, since the unique offer which this supplier had has already been pointed out. Besides this option, the company can always turn to insourcing. Similarly, events such as sudden price rises, buying a specific procurement source from competition, political events or legal changes can influence in the same direction the decision on insourcing (Laradi et al. 2015). Therefore, from all stated examples it can be concluded that the additional decision making on procurement insourcing has as a primary goal the uninterrupted acquisition of needed inputs, even if it means that they were to be produced by the company itself (Welch and Nayak, 1992). There are however, other organizational factors, besides the previously stated, which make internalization an attractive option. For example, developing a unique service or product process; significantly improving the product quality, its delivery or production flexibility. Important issues, such as securing that new materials, components, equipment, energy as well as demanded service, for all that was once procured from the outside, have an adequate resource base for creation within the company also need to be taken into consideration when making insourcing decisions.

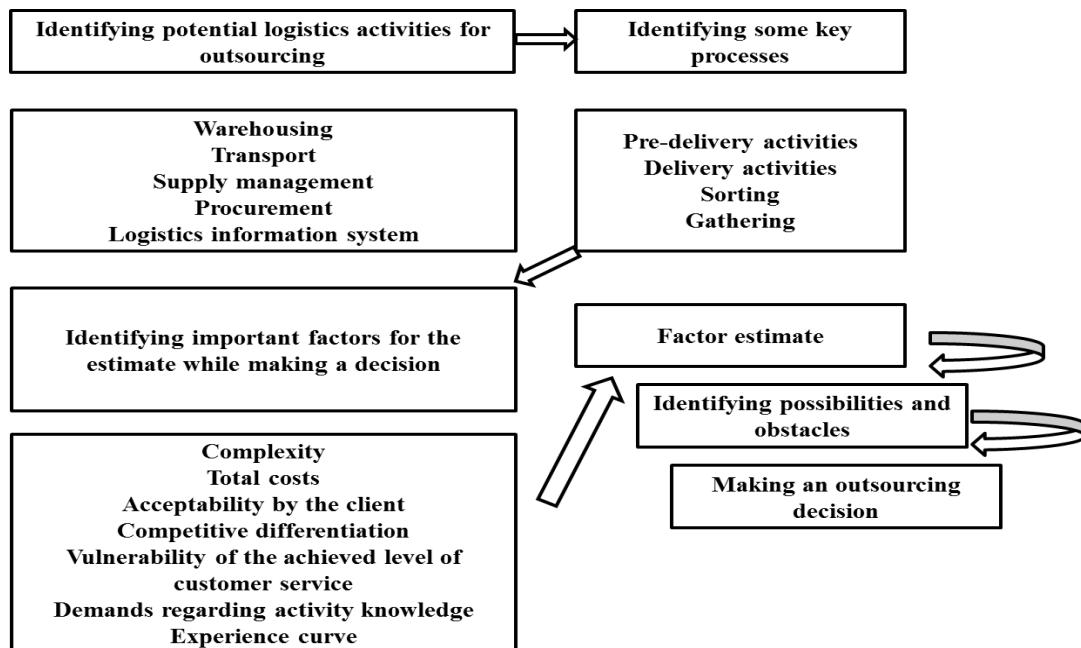


Figure 1. The decision making algorithm on outsourcing the logistics activities

Source: The Progress Group (n.d.)

Before talking about procurement outsourcing, the general trends of outsourcing the complete logistics function of a company are revised. Analyzing this issue, it can be stated that there is no unique, general trend for all activities from this group. Revising the biggest number of practical solutions given within the CAPS study, where data were gained based on an interview with more than 1000 logistics managers around the world, it can be seen that within the category of logistics activities which are outsourced the most, supply management, ordering and transport can mostly be distinguished. Additionally, about 60% of survey participants expected the additional growth of outsourcing popularity within the categories of warehousing

and logistics information systems (CAPS, 2013). Baring in mind the results of this study which is surely one of the most comprehensive analyses on this topic developed in the past few decades, it can be concluded that a great number of activities belonging to the logistics function is being outsourced if it does not form a strategic core competence of business or if it is cheaper that way. Once again, this refers to the majority, but not to all logistics activities. So a logical question arises: "Why isn't there a unique trend for all logistics activities?" The answer is that while making this strategically important decision, there are many individual factors for every logistics activity, which are different and which need to be taken into account in order for that decision to be a good one. Summing up the key elements and steps which need to be included during the decision making, this process could be illustrated by the above Figure 1.

Having pointed out the difference in treating the decision concerning the outsourcing of different activities, as well as having pointed out which activities are mostly outsourced in practice, the question remains: which is the status of the procurement activity concerning this trend? Most simply put, differing from the majority of other logistics activities, procurement does not have an expressed tendency towards outsourcing. The explanation of this relatively adverse trend, lies in the following facts: a) procurement is most often directly linked to the company core competence, thus making its outsourcing more harmful than useful; b) the accounting treatment of this activity directly influences certain positions within the balance sheet, as well as the income statement, thus making it necessary for the company to have dominant control over it. Thus, despite the total increase of outsourcing other logistics activities, procurement outsourcing is less than 2% of totally outsourced activities (Slelatt, 2011). However, it was not always believed that procurement would have such a trend concerning outsourcing. In Figure 2 a gap is shown between projections made in 2007, by the leading experts in the field contacted by the consulting firm ATKerney, while making a study on this subject and the real state, three years later, i.e. in 2010:

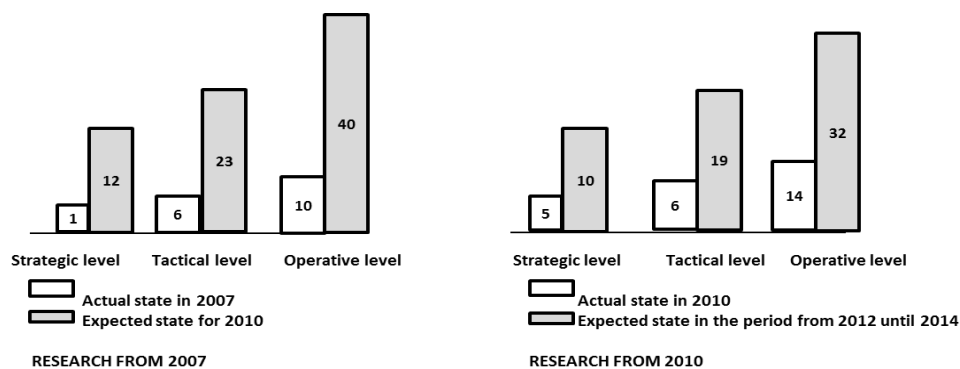


Figure 2. The differences in forecasting concerning procurement outsourcing-expected vs. realized state

Source: Slelatt (2011)

Based on Figure 2 it is clear that previous expectations concerning the trend of outsourcing the logistics function of procurement were too optimistic, regarding all levels of decision making. Today, a very small percent of companies can be considered to be an expert in outsourcing procurement, and even with these companies, we are talking about indirect forms. Therefore, it can definitely be stated that the expectations on the procurement outsourcing growth trend, which have existed only a couple of years back, are not valid any longer.

Bearing in mind all the stated facts, a logical question must be asked: Do previously stated information assume that the companies tend no longer to outsource procurement, i.e. to find external partners which shall realize this activity and supply the company with a certain resource, which they themselves would otherwise produce. The answer is absolutely negative. The previous analysis has only as a purpose to demonstrate that, differing from other logistics activities, procurement by its characteristics, is not prone to be outsourced; at least, not in the extent as all other logistics activities. Also, the analysis points out that the companies which do

get involved in the outsourcing procedure or which do want to intensify this activity, must do so very carefully. A proof that the procurement outsourcing trend has not been abandoned, are the companies, "champions" in outsourcing. Although these companies come from different surroundings, they do have certain similarities. Namely, in the majority of cases these are companies which have not had a particular competitive advantage in procurement, before they outsourced it. Simply, this competence has not formed the most narrow core of their expertise. Another mutual characteristic of these companies is the rule of caution applied in outsourcing activities. Namely, while outsourcing procurement, the procedure is carried out gradually, first for less important resources, in form of pilot projects, and then for those which concern the primary business process of a company (Dwyer, 2010).

Having analyzed both strategic options of procurement realization, it is clear that it is a real challenge for the procurement manager to make the right decision concerning this issue. Therefore, the procurement managers must carry out a particular decision making process on procurement realization, which contains certain typical phases. Under these phases the following are assumed: a) matching the procurement strategy with the general company strategy; b) the alternative cost analysis for procurement realization; c) the decision implementation on the chosen manner of how to carry out procurement (Gottfredson *et al.* 2005). Within the first phase of the decision process it is necessary to revise how the strategic decision on procurement insourcing/outsourcing fits into the wider company strategic plans. The focus is on strategic alignment, where every long-term procurement plan must fit other business and functional company strategies. For example, if the company production function develops the strategy of technological leadership which assumes the creation of a product of superior design, then maybe the best decision is to internalize procurement, i.e. to produce specialized components (Welch and Nayak, 1992). Within the cost analysis, as the second phase of the process, it is needed to determine which alternative (insourcing/outsourcing) gives the best value. Although the strategic options set by top management are the basic context setting, for outsourcing the majority of activities, including procurement, still a certain level of costs is the key determinant for action. Therefore, numerous examples are known of companies which outsource their production to China, IT management to India, clothes and footwear production to Indonesia etc. since that is the cheapest option for those companies (Cavinato, 1988). The final phase is the decision implementation on the chosen manner of how to carry out procurement. Regardless which option the company chooses, it is needed to realize it uninterruptedly. This means to pay special attention to the following factors: a) adequate resource allocation, b) information sharing and c) efficient and effective selection of external partners i.e. suppliers (Monczka *et al.* 2010).

4. Procurement Insourcing vs. Outsourcing: Evidence from Serbia

4.1. Research Methodology

The way procurement is organized in Serbian companies, has been tested as a part of a wider research analyzing in depth the current way of operationalization and valuing the set of logistics procurement activities¹. The mentioned wider research was aimed to find out how Serbian companies organized procurement activities, were there adequate procedures and policies, as well as codes connected to procurement realization, what was the information support for procurement activities, in which manner were the suppliers treated and what were the actual strategic options in this field of procurement management, as well as to find out the general company treatment as a whole towards the logistics segment of procurement activities. For the purpose of the specific analysis in this part of the paper, a particular hypothesis has been developed:

¹ For further details on similar research, as a part of a wider, integral research see Acimovic and Mijuskovic (2015).

H1: In case of procurement outsourcing in Serbian companies, this trend is more present with service than production companies.

Such a hypothesis has been constructed based on thorough knowledge of the circumstances concerning procurement organization within the Serbian business market. The data for the empirical research was collected using the survey method. Namely, for the needs of the research and data gathering, a special, adjusted questionnaire was posted on a link of a particular webpage. The link containing the questionnaire was distributed electronically to the e-mail addresses of the chosen, convenient sample consisting of professionals exclusively or dominantly involved in procurement activities in companies doing business in Serbia. The research was carried out during a period of one month, from 30th September 2015 until 30th October 2015 by sending a request by e-mail to potential participants to fill out the on-line questionnaire. This period was estimated as convenient since the majority of employees by that moment had already finished with their annual holidays, so the possibility for them to be on the job was bigger, and also the possibility to answer the questionnaire. Continuing, the examples of statements used in this part of the survey are given within Table 3:

Table 3. The example of the used statements in the questionnaire aimed at researching the procurement outsourcing/insourcing

d1	My company independently performs procurement activities.	1	2	3	4	5
d2	In my company procurement is organized as an independent department.	1	2	3	4	5
d3	In my company procurement is performed within the logistics department.	1	2	3	4	5
d4	In my company there are employees exclusively in charge of procurement activities.	1	2	3	4	5
d5	In my company decisions concerning procurement are made in one place.	1	2	3	4	5
d6	In my company, procurement teams comprised of employees from different parts of the company are used.	1	2	3	4	5

Accompanying the questionnaire, a cover letter was also sent in order to explain the manner in which the questionnaire was intended to be filled out. All participants of the survey were asked to attentively revise all the statements within the questionnaire, and regarding their personal opinion to state the degree of agreement/disagreement within the classical five-degree Likert scale, where the participants of the survey could choose from 1 to 5 for each of the given statements. The survey participants had to choose an opinion for every of the given statements, among the following five alternatives: I completely disagree (1); I partially disagree (2); I am not sure (3); I partially agree (4); I completely agree (5). Apart from choosing an opinion regarding the statements, the survey participants were also asked to provide in a standard offered form some general data on the company they come from (the company size and general business area) and some personal data (gender, level of education, age, years of work, type of job engagement and the company managerial level). The questionnaire for the survey was created within the application Google drive and an option was set that it could not be sent back, if it were not fully filled out. Thus, the potential issue of partially missing data was surpassed and consequently there were no problems with the next step- the statistical analysis of the gathered data. As can be seen from the offered statements in Table 3, the data obtained in the survey were used both to test the precise hypothesis of this paper, but also to be able to carry out a more comprehensive analysis of the general procurement status within Serbian companies.

As already mentioned, the next step in the analysis was the usage of specific chosen statistical methods and techniques onto the gathered data. Previously, the process of coding, categorization and gathered data systematization was performed. All mentioned activities were performed by the usage of a specialized software for statistics- *Statistical Package for Social Sciences* (SPSS), version 22.0 (IBM, 2016). The initial statistical analysis referred to defining

the structure and specifics of the very sample, regarding the general attributes of the participants' firms (company size and general business area), but also the personal characteristics of survey sample participants (gender, level of education, age, years of work, type of job engagement and the company managerial level). Cronbach's Alpha coefficient was used as a tool to test and confirm the reliability of the measuring scale implemented within the questionnaire (Laerd Statistics, 2016a). Having performed the test, a coefficient value of 0.721 was obtained, which proved that the questionnaire could be treated as a completely reliable instrument. The following analysis was the descriptive statistical analysis, i.e. the test of statement expressiveness presented within the survey questionnaire using the measures of central tendency (the mean) and the measures of dispersion (standard deviation). The last statistical analysis assumes the usage of a specific, non-parametric test, so it was first necessary to establish full confidence that the usage of such a test was needed. Besides the sample size, the distribution normality is one of the determining factors when selecting a statistical test (parametric or non-parametric). Thus, the normality was tested by the usage of *Kolmogorov-Smirnov* test (Tools for Science, 2016) Casting away the assumption on distribution normality for the answers obtained to given statements needed to test the set hypothesis, and due to a relatively small sample size ($n=52$) conditions were created to use a non-parametric statistical test. Finally, the Mann-Whitney test was used for the basic hypothesis testing (Laerd Statistics, 2016b). For testing the stated hypothesis we used the following statement:

For the mentioned statements we tested the interdependence with the variable general business area (production/service). The results of this test are given in the following part of the paper dealing with the integral empirical research results.

During the one-month period of the survey, in the time interval of 10 days, i.e. two times in total, a reminder e-mail was sent to the survey participants, assuring that they did not forget to fill out the questionnaire. Initially, the questionnaire used in the research was delivered to 96 e-mail addresses of companies, i.e. 96 individuals employed at those companies. The research was aimed at those individuals who were completely or at least dominantly responsible for activities within procurement. The e-mail addresses of those individuals were collected using desk research, i.e. the following precise sources: business social networks, official company sites and the data available within them as well as personal contacts (only in a small percentage). Aiming to assure that the company differentiation would be present within the respondents sample, the questionnaire was distributed to companies belonging to a wide range of general business areas. No specific business area could thus be identified present more than 15% in the sent questionnaires, nor in the sample. In that way no business area was enabled to have a dominant influence nor to disturb the general correctness of the drawn conclusions

4.2. Research Results

The general feedback, i.e. the percentage of the answered questionnaires was 54%, meaning that out of 96 companies which received the e-mail with the embedded link containing the survey, 52 of them completed it. Such a percentage can be regarded as a high response rate bearing in mind the status of other similar research carried out on-line. All individuals that answered the survey come from companies belonging to the private sector, excluding one whose company deals with monetary intermediation.

Regarding the sample structure and focusing on company size, a conclusion can be drawn that it includes 15 big companies (which account for 29% of the sample), 17 middle-sized companies (which account for 33% of the sample) and 20 small-sized companies (which account for 38% of the sample). Focusing on the general business area of the respondents belonging to the sample, it can be concluded that 17 individuals come from production companies (accounting for 33% of the sample), while 35 individuals belong to service companies (which account for 67% of the sample). Finally, if attention is focused on the personal characteristics of the individuals which responded to the questionnaire, within Table 4 data are presented indicating their gender, age, level of education as well as years of work:

Table 4. The sample structure according to gender, age, level of education and years of work

Characteristics of analysis		Frequency	% of the sample	% cumulative
Gender	male	22	42	42
	female	30	58	100
	Total	52	100	-
Age	18-25	2	4	4
	26-35	34	65	69
	36-45	7	13	82
	46-55	5	10	92
	more than 55 years of life	4	8	100
	Total	52	100	-
Level of education	Secondary school	9	17	17
	High school	4	8	25
	BSc studies	24	46	71
	Msc studies	15	29	100
	Total	52	100	-
Years of work	Up to 2 years	13	25	25
	From 3 to 5 years	15	29	54
	From 6 to 15 years	10	19	73
	From 16 to 25 years	7	13	86
	From 26 to 30 years	4	8	94
	31 years and more	3	6	100
	Total	52	100	-

Within Table 5 the sample structure concerning type of job engagement and the company managerial level is also presented:

Table 5. The sample structure according to type of job engagement and the company managerial level

Characteristics of analysis		Frequency	% of the sample	% cumulative
Type of job engagement	Procurement activities only	29	56	56
	Procurement, but also other activities	23	44	100
	Total	52	100	-
The company managerial level	First line manager	22	42	42
	Middle manager	21	41	83
	Top manager	9	17	100
	Total	52	100	-

The results of the descriptive statistical analysis of the sample are presented within Table 6. Analyzing the survey statements, it can be seen that the statement d1 had the biggest expressiveness (M=4.34), followed by the statement d5 (M=4.03), while the least expressiveness was noted for the statement d6 (M=2.78). The interpretation of such shown expressiveness goes as follows: there was the highest concordance degree between the participants about the fact that their company independently organized and performed the procurement activities and that decisions concerning procurement were made in one place. That was the situation with the majority of companies of the sample members. On the other hand, the lowest concordance degree was achieved concerning the issue that procurement teams were comprised of employees from different parts of the company, meaning that this is a seldom practice within companies.

Table 6. Descriptive statistical analysis for the given sample

Statements	N.	Min.	Max.	M.	Sd.
d1 My company independently performs procurement activities.	52	1.00	5.00	4.3462	0.86057
d2 In my company procurement is organized as an independent department.	52	1.00	5.00	3.3654	1.78258
d3 In my company procurement is performed within the logistics department.	52	1.00	5.00	3.2115	1.64896
d4 In my company there are employees exclusively in charge of procurement activities.	52	1.00	5.00	3.5577	1.70827
d5 In my company decisions concerning procurement are made in one place.	52	1.00	5.00	4.0385	1.02826
d6 In my company, procurement teams comprised of employees from different parts of the company are used.	52	1.00	5.00	2.7885	1.44625

Note: N-number of sample members, Min- minimum, Max-maximum, M-mean, Sd- standard deviation.

Mann-Whitney test was used as a basis to test the main paper research hypothesis. Since the usage of Kolmogorov-Smirnov test confirmed that the variable of interest for testing the main paper hypothesis, i.e. the statement d1, has not got a normal distribution, Mann-Whitney test was then used to check the main paper research hypothesis. Thereby, the general statistical hypotheses set by this testing are the following:

H0: The median of the first group of statements is smaller than the median of the second group of statements.

H1: The median of the first group of statements is bigger than the median of the second group of statements.

For the precise variables of interest, the set statistical hypotheses are the following:

H0: In case of procurement outsourcing in Serbian companies, this trend is less present with service than production companies.

H1: In case of procurement outsourcing in Serbian companies, this trend is more present with service than production companies.

The results of the Mann-Whitney test are shown in Table 7:

Table 7. Mann-Whitney test results	
Statement	d1
Mann-Whitney test	93.500
p value	0.03

Bearing in mind that the p value was less than 0.05, the 0 hypothesis was discarded, and the alternative hypothesis accepted. In this manner, the implementation of the Mann-Whitney test confirmed the main paper research hypothesis. Based on such a result, the following conclusions were drawn: there was an evident difference in the outsourcing trend of procurement activities between production and service companies with analyzed subjects in Serbia. This difference was also noted on a global level. The reason lies in the fact that within

production companies, procurement as a part of the total business cycle is narrowly strategically connected to the company core competence, thus making it harder to outsource, than is the case with service companies. Generally seen, in the theoretical part of the analysis, it was already concluded that procurement, differing from other logistics activities, precisely due to its strategic importance, mostly remains realized internally. Therefore, a general paper conclusion was drawn that procurement was seldom outsourced, and when that was the case, this trend was more present with service than production companies. This data are an important and useful indicator for all companies which consider passing over the realization of procurement activities to an external partner.

4.3. Research Limitations

No empirical research can be realized in conditions that can be marked as ideal. In order to give the research a realistic perspective, the most important limiting factors must be stated, since these factors can significantly affect the degree of plausibility of the conclusions that are derived from the main research questions and paper hypothesis.

Focusing the attention to the limitations of the empirical research dealing with identifying the insourcing/outsourcing trends of procurement within Serbian companies, a following few limitations that have been identified are pointed out:

a) The time period during which the research has been effectuated. The analysis of the insourcing/outsourcing trends of procurement within Serbian companies was realized during a month's period of research. Focusing the analysis on a single month, one can obtain only the image of the current state of treating procurement activities within Serbian companies included in the research. In such a setting, a trend cannot be followed regarding the development path of such a process;

b) Operative issues connected to research effectuation. During the realization of the research presented within this paper, researchers have come against the insufficient openness of the professional community towards research efforts of the participants of the academic community. First of all, there was a very weak interest shown by the companies participating in the research survey, since company members did not see any precise use of the results in their everyday business. The other issue was connected with reluctance and fear shown by the survey participants since they considered that some information could be regarded as business secrets;

c) The very research design. The form of sending a link with the embedded questionnaire excluded the possibility to communicate in a direct way with the participants and to offer additional explanations about any issues or dilemmas that might appear. Despite all the previously stated limitations, it is the opinion of the authors of this paper that the conclusions cannot be questioned, nor can that be done with the general results of the research. Even though these limitations have been stated, it is not said that there are no other. However, in the opinion of the authors, the most important ones have been pointed out.

5. Conclusion

The analysis within the paper has shown that the company procurement activities, unlike other logistics activities, tend to be dominantly insourced. A similar trend has also been recognized on a global scale, thus it can be contributed to the strategic importance of procurement management, for which reason it remains realized internally.

The empirical research carried out among companies in Serbia has confirmed that if procurement outsourcing does exist, it is more present with service than production companies. The reason for this most probably lies in the fact that within production companies' procurement as a part of the total business cycle is narrowly strategically connected to the company core competence, thus making it harder to outsource, than is the case with service companies.

Future research shall tend to clarify other trends when it comes to insourcing/outsourcing procurement activities within Serbian companies and shall try to

establish relationships among other factors (for example, company ownership, size etc.) which could influence these activities.

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