

Implementation of Outsourcing Technology through Revision of Functions of National Security Governance in Russia



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Abstract: *The authors argue that outsourcing technology should be implemented into governance systems with consideration of their public or private nature. Functional review as a method of the administrative reform study showed lack of market-based governance methods, which proved to be effective in the private sector. Authors consider how market-oriented were introduced into the national security system of Russian Federation. The authors' aim is to find out the reasons for current state of affairs. Outsourcing was considered as such an innovative method of public administration, which was supposed to help to save financial resources and to leave governance structures from their usual functions. An analysis of outsourcing practices in the Russian army shows that instead of saving money, the cost of services received on the market increased by many times, and its use in the Armed Forces increased threats to national security instead of getting preferences.*

Keywords: *outsourcing, national security, governance, technology, government*

I. INTRODUCTION

In modern conditions, outsourcing has become widely used in the world, which involves the refusal of enterprises, organizations, government agencies from some governance functions and the conclusion of contracts with third-party organizations to perform these functions. These organizations are considered to have better resources and capabilities to provide a product or service of the required quality. It should be noted that outsourcing has become widespread in all spheres of life, including the national security sphere and Armed forces of some States [1].

The Russian Federation also began to use outsourcing in the Russian army starting in 2008. It was believed that this technology would improve the quality of governance, save the Armed Forces personnel from uncharacteristic economic activities, allow more time to devote to combat training and reduce the cost of the army maintenance

II. METHODS

Currently, Russian scientists have thoroughly studied the features of outsourcing in the business sector, while the use of outsourcing in the governance of the Armed forces is considered mainly only in the supply of food, in the field of logistics for troops. There are practically no works devoted to the theoretical and methodological grounds for using outsourcing technology in the armed forces of the Russian Federation.

We have previously considered the use of outsourcing in state and municipal governance [2], [3]. Its implementation is based onto the principles and methods of administrative reforms and functional reviews [4]. Russia, Ukraine and other Post-Soviet states have also experienced with systematic and substantial functional reviews. Russia in the course of 2004-05 has carried reviews of all executive powers functions and kept updated the review onwards by the institutions themselves. Moldova has completed its government-wide functional review in 2007 and therefore the existing findings have not lost their value in a year period of time. Kazakhstan has started to use functional reviews since 2004-05, when all executive powers reviewed their functions. Kyrgyz Republic performed in 2002-04 functional reviews in some areas as agriculture, labor, health and justice. Ukraine has started before the crises and has completed important stages of its functional review of all central government institutions by 2009.

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But no comprehensive reviews were made for the sphere of national security regulation, like it was done for western countries by Toporov A.V., Konovalov V. B., Babenkov V. I. and others [4].

In Russia the functional review has started by the President Decree from 23/07/2003. The Concept of Administrative reform and a specialized governmental agency subordinated

to Ministry of Economy have been responsible for carrying out of the functional review activities. The reasons for carrying out of functional review have been: perceived sector inefficiencies, overlapping; efficiency, cost-cutting considerations within institutions; maximization of positive results; impact to beneficiaries, clients. The following methodological approaches have been used: review of all functions and results associated with functions; evaluation of financial cost allocations for identified functions; skills and institutional culture evaluation; review of annual and financial reports, laws and decrees. The review has been undertaken by horizontal and vertical analysis, 4 section analysis: functions, structure, resources, and activities.

Functional analysis of all federal bodies has been carried out in 2004-2005. There were analyzed – 5 634 functions and decided that 1 468 - not needed, overlapping- 263, need to change - 868 functions. The review is updated to all federal executive power bodies annually. Some of the conclusions are: overlap of functions and mandates among institutions (in ministries and agencies), internal inefficiencies-within institutions (time, finances, procedures) – standards and work-schemes and lack of relevant skills. In June 2006, functional reviews have been carried out to monitor regional executive power quality. [3]

The country supports that as the positive impact of the process have been by: improvement of infrastructure across the sector or in some selected institutions, lesser burden on private sector – struggle against administrative barriers and improved functioning or provision of public services – economy of days/hours spent to get service.

During the crises time, the knowledge accumulated through functional review provided relevant insights in approaching financial constraints during the economic downturn.

Outsourcing came to Russia, like many other governance technologies, from the West, where it was initially widespread in business. The use of outsourcing in the business environment is often associated with the following factors: the need to improve the competitiveness of enterprises; the development of specialization in individual business processes with subsequent cooperation, which leads to increased productivity; with saving resources and attracting external resources to solve their own problems; with the rejection of non-core functions, which helps reduce costs; improving the quality of products; the need to concentrate financial and managerial resources in strategic areas.

The use of outsourcing in the private sector can be explained by the ability to use it to form optimal business structures and quickly respond to market conditions. B. A. Anikin's book "Outsourcing: creating highly efficient and competitive organizations" is devoted to this problem [5].

The main factors that determine the need for outsourcing in the Armed Forces were: reducing costs, improving the performance of military institutions and combat training of personnel; the complexity of military equipment entering the army and the inability of conscripts to study and correctly operate it in one year; the ability to more effectively control the costs of activities; focusing the attention of governance bodies on the main activities and improving the quality of services; increasing the availability of new technologies; possibility to reduce the number of military personnel. These effects are described by Borzunova O. A. [6], Kotlyarov I.D. [7] and others.

Based on the spiritual approach to social development [8], Russian school of economic thought [9] we will try to analyze the causes and consequences of the use of outsourcing governance technology in the Russian army.

III. RESULTS OF RESEARCH

At the first stage of outsourcing technology use in the Russian army units, it was applied in the following areas: transfer of military uniforms for washing to specialized institutions; maintenance and repair of buildings; use of third-party organizations for transportation; organization of accounting by specialized organizations; repair of equipment; laboratory research and a number of other non-core functions.

What did the actual practice of outsourcing in the Russian military sphere show?

Market technologies in the Russian armed forces began to be introduced on a large scale through «Oboronservice». "Oboronservice" was created in accordance with the decree of the President of the Russian Federation from September, 15th, 2008 n 1359" About joint-stock company "Oboronservice" and resolutions of the Government of the Russian Federation from November 22, 2008 № 875 "On measures for implementation of the Decree of the President of the Russian Federation of 15 December 2008 № 1053 "About some measures on governance of Federal property".

But a lot of scandals and court cases related to the activities of companies that are part of «Oboronservice» led to the fact that Defense Minister Sergei Shoigu recognized the failure in the use of this technology in the Armed Forces of the Russian Federation, as «the tasks of providing troops in combat conditions were not solved. There was no one to feed the military personnel, the equipment was not repaired, fuel and lubricants were not delivered to the areas of field exits» [10]

In addition, financial expenses for the maintenance of the Armed Forces quickly began to grow, which increased annually by an average of 50 billion rubles, and there was also an increase in the cost of all services received in many areas.

And the military Prosecutor's office revealed that the state lost more than 1 billion rubles just from the fact that food was outsourced to the armed Forces of the Russian Federation [11]. Arbitration courts have filed 50 claims for a total of 4.8 million rubles to outsourcing companies that provide military food, due to the poor quality of products.

A significant disadvantage of outsourcing in the Russian Armed Forces is the lack of specialists who can calculate the real cost of performing certain services on the side; problems with the reliability of suppliers; the lack of a quality control system for services provided; and the complexity of the governance process due to the need for numerous approvals [12].

Currently, instead of Oboronservice, a joint-stock company Garrison has been created, which actually performs the same functions,

manages the sub-holdings of Voentelecom,

Voentorg, Oboronenergo, Slavyanka, and GUOV (the Main Department for the arrangement of troops).

Economic activity of military units is currently based on the Order of the Minister of defense of the Russian Federation of June 3, 2014, № 333. Point VII of the Manual is devoted to the specifics of conducting business when transferring certain functions of providing connections (military units) to specialized third-party organizations. According to the document allowed the use of third-party carriers in accordance with the plan of centralized transportation of material values on the basis of state contracts, third party power-wash clothing and equipment, refueling military vehicles with fuel, but all of this is done on the basis of state contracts. There is no definition of outsourcing in this document [13].

Outsourcing is mentioned only in the «concept of building a governance system for Garrison holding». It is noted in clause 1.2 that a number of needs of the Ministry of defense of the Russian Federation can be met «by outsourcing functions that are not typical for the Ministry of defense of the Russian Federation».

Thus, the Russian legislation on the Armed Forces does not contain the concept of outsourcing and there is no clear justification for its necessity.

The practice of using outsourcing as a fashionable governance technology has shown that the main goal of its implementation in the army – saving resources, has not justified itself. But, despite the negative experience of its use in the Armed Forces of the Russian Federation, the Russian army did not finally abandon this technology, but created a number of joint-stock companies that are fully owned by the Ministry of defense of the Russian Federation [14].

It should also be noted that outsourcing contradicts the new Military doctrine of the Russian Federation, since it is intended to strengthen the centralization of public administration in the defense and security sphere, while outsourcing contributes to the decentralization of governance [15].

The decision taken by the Minister of defense to restore the bodies that repair equipment and improve their organizational and staff structure has already led to an improvement in the supply of spare parts to the troops and improved the quality of equipment repair.

Why did this market technology prove ineffective in the Russian army?

In our articles, we have repeatedly noted that the root cause of many problems in the governance of the Russian state is rooted in a one-sided understanding of progress and recognition of Western civilization as a model of development, and, consequently, the denial of national specifics of development and following Western models in governance thus trying to meet international competition

rules [16], but using our own experience in clustering and intersector collaboration not to the full extent [17].

Unfortunately, we thoughtlessly borrow Western concepts of governance without creativity and without taking into account their national and state characteristics, which ultimately leads to sad results.

IV. CONCLUSIONS

1. Using the methodology of historical and genetic analysis, we came to the conclusion that there is a close connection between the theory of governance and the socio-cultural matrix of the civilization in which it is implemented. At the same time, a certain type of governance, traditions and types of economic structures, stereotypes of people's behavior and values are constantly being reproduced with minor changes and demand persistent functional reviews. Therefore, the transfer of governance technologies that have proven themselves positively in other countries to the Russian soil leads to negative consequences.

2. The spread of the principles of the State-Corporation and the introduction of market methods in public administration and in the governance of the Armed Forces of Russian Federation contradicts the essence of the state as a force uniting all layers of society. Based on the work of representatives of the Russian school of economic thought, in particular, on the work of I. Ilyin, who noted that in matters of defense and governance, the state should act as an institution, using administrative methods more than market methods.

3. The transfer in national security sphere of Russian Federation from providing free public goods to commercial services and the rejection of a hierarchical governance system, the transition to contract and network governance systems should not be overwhelming and radical, or it can lead to the negative financial and social consequences to both the state and the army.

4. However, despite the results achieved, more efforts in this direction remain to be done. The analysis of the first results of the outsourcing implementation made it possible to identify problem areas that still need to be worked on. Among the problematic moments of the implementation of this managerial technology the following should be noted: need to create developed outsourcing infrastructure; importance of creating an effective mechanism to stimulate commercialization of innovations in the outsourcing organizations; importance of creating institutional conditions to stimulate productivity growth within the outsourcing entities; need to provide consulting in the field of outsourcing.

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