



The contribution of subcontracting to the improvement of the financial performance of the economic enterprise

Case study of the ALFADITEX Company in Béjaia.

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Abstract

This research aims to highlight the extent to which subcontracting contributes to improving the financial performance of the economic enterprise, by applying it to one of the Algerian public economic enterprises, which is the "ALFADITEX" company in Béjaia.

The research concluded that the decision of subcontracting the employees transportation activity taken by the company under study actually enabled it to reduce the costs of this activity by 65%, which is a very significant percentage we see its significant impact on the total costs it bears, As well as its positive impact on most financial performance indicators, thus effectively contributing to its improvement.

✓ **Keywords:** Subcontracting. Financial performance. Transportation costs.

1. INTRODUCTION

Subcontracting certain activities, whether domestic or abroad, involving products or services, is a managerial practice increasingly adopted by companies. It has indeed attracted the interest of several researchers who have often attempted to test the influence of Subcontracting on the company's operations or to study working conditions within Subcontracting. It occupies a crucial place in the contemporary business landscape, offering companies unparalleled flexibility and agility. By subcontracting certain functions, services, or activities; Enterprise can focus on their core competencies or on its core activity, or what is known as the heart of the profession, which is the activity that creates the most value for the enterprise and the customer, so that it allows it to exploit the advantages of its surroundings to secure external resources that support its internal resources instead of investing in providing the latter for many considerations, the most important of which is reducing operational costs and improving financial.

1.1.Problem Statement

Since Subcontracting is more common in the case of public enterprises, our research investigates the context of an Algerian public enterprise (ALFADITEX) as follows:

Does subcontracting contribute to improving the financial performance of the economic enterprise?

1.2.Hypothesis

To address our problem statement, we propose the following main hypothesis: Subcontracting contributes to the reduction of costs in the subcontracted activity, implying an improvement in financial performance.

1.3.Research Objectives

This study aims to achieve the following objectives:

- Highlight the role and importance of Subcontracting in improving financial performance through cost control and reduction;
- Identify the current state of subcontracting practices at the ALFADITEX Company and its connection to improving the financial performance of the company under study.

1.4.Research Methodology

In this research, we adopted a descriptive approach by reviewing studies, research, and books related to the research topic, aiming to address it from various theoretical

perspectives. We also examined the financial statements (balance sheet, income statement, etc.) of the studied company from a practical standpoint. Furthermore, we utilized a case study methodology where the theoretical part was applied to the reality of the "ALFADITEX" company in Béjaia during the 2022 fiscal year. This was achieved through direct conversations with the individuals responsible for preparing these documents and their supervisors. Additionally, we adopted an analytical approach, primarily based on cost calculations, to draw conclusions and provide recommendations.

1.5. Research Structure

This study is divided into two main sections:

- Theoretical and Conceptual Framework ;
- Case study of the ALFADITEX company in Béjaia

2. THEORETICAL AND CONCEPTUAL FRAMEWORK

Firstly, we will review the practice of Subcontracting adopted by organizations, and then we will discuss financial performance, particularly as an expected outcome once the Subcontracting practice has been implemented.

2.1. Theoretical Elements on Subcontracting

2.1.1 What is subcontracting?

By definition, Subcontracting is considered "an economic relationship where an entity, known as the contracting party, requests another independent entity, the subcontractor (or supplier), to undertake the production or transformation of material, a component, a part, a sub-assembly, or to provide an industrial service according to the specifications defined by the contracting party" (Morcos & Crombrugghe, 2004, p. 3). Subcontracting is thus a contractual relationship between a contracting party and an executor. Unlike the supplier, the subcontractor manufactures a specific input for the contracting party's production. This specificity leads to a more elaborate contractual relationship than traditionally envisaged between an offeror/supplier and a requester in a given market (Mathieu, Nicolaï, & Tépaüt , 2013, p. 8).

In fact, Subcontracting and externalization are deployed either interchangeably or with some disparities. Externalization is distinguished by a longer duration of the relationship (Meier, 2013, p. 39) and assumes that activities to be entrusted to external providers were previously performed internally, and their costs are lower externally (Johnson, Whittington, & Scholes , 2014, p. 72); (Calmé & Polge, 2015, p. 7). Moreover, Subcontracting has gradually given way to co-sourcing, even partnership (Meier, Diagnostic stratégique : évaluer la compétitivité de l'entreprise, 2015, p. 39).

2.1.2 Types and Approaches to Subcontracting

Subcontracting exists in various forms. It would be appropriate to distinguish between (Mathieu, Nicolai, & Tépat , 2013, p. 46): capacity subcontracting, where the contracting firm has the resources needed to manufacture the intermediate product, and specialty Subcontracting when the company lacks the technical capacity to manufacture the subcontracted product. Depending on the case, the underlying logics for resorting to Subcontracting differ for the contracting party. In particular, the risks to be considered are not of the same nature. Capacity Subcontracting allows gaining flexibility to face cyclical risk, while specialty Subcontracting leads to minimizing the risks and costs inherent in innovation production.

Furthermore, subcontracting one of its activities externally rather than performing it internally is a decision that can be explained by several approaches. The cost-based approach is the first motive driving companies to resort to Subcontracting, given the cost differential offered by the external supplier compared to internal production (Garrigós-Soliva, Sarrión, & de Crombrugghe, 1997, p. 121). The transactional approach prioritizes Subcontracting if the sum of its ex-ante and ex-post transaction costs is lower than internal costs (Patry, 1994). Finally, the strategic approach to Subcontracting involves deliberate and thoughtful decisions on how a company outsources certain activities or functions. This goes beyond a simple consideration of costs, encompassing a long-term vision aligned with the strategic objectives of the company. This aligns with Porter and Millar's (1985) idea of Subcontracting secondary activities that do not generate strategic value for the company.

2.1.3 Advantages and Risks of Subcontracting for the Contracting Party

Several reasons can motivate a company (the contracting party) to engage in Subcontracting partnerships as part of a set of converging strategic priorities (Garrigós-Soliva, Sarrión, & de Crombrugghe, 1997); (Morcos & Crombrugghe, 2004). These include the desire to reduce costs, seek better quality (costs and quality are explained by specificities related to the subcontractor, such as high specialization, flexibility, and focus on the work to be done), respond to market fluctuations, and access regions with potential growth prospects. Subcontracting represents a sort of risk externalization for the contracting party regarding the Subcontracted activity (Mathieu, Nicolai, & Tépat , 2013).

However, the contracting party also faces certain constraints. Control over the subcontractor's production (in terms of compatibility, quality, and deadlines) may be more challenging to implement and, therefore, less effective and more costly than if the contracting party decided to internalize this control (Mathieu, Nicolai, & Tépat , 2013). Subcontracting also creates a form of dependence that forces the contracting

party to share certain data (such as manufacturing secrets) with the subcontractor, who may then use them with other partners or for their own benefit (Benloulou & Touil, 2011, p. 251). This has led to some products whose manufacturing was Subcontracted, especially in Asia, now facing competition from former subcontractors who have sometimes become market leaders.

2.2 Subcontracting and Company Performance

Researchers, practitioners, and decision-makers need to understand whether and how subcontracting benefits the company. In other words, it is crucial to determine the impact of subcontracting on overall company performance, particularly on financial performance.

2.2.1 Definition of Financial Performance

According to Dumoulin & al, performance is initially defined by its financial aspects (economic asset profitability, profit level, market share, etc.). Financial performance can be defined as a tool to understand the current financial situation of the company at a given moment, whether as a whole, for a specific aspect of its performance, or for the performance of its actions in the market over a given period (Dumoulin, Guieu, Xavier Meschi, & Tannery, 2010, p. 141),

Financial performance also measures the realization of the income-generating capacity and profit-making capacity of the company. The former refers to the company's ability to generate income from its current activities, capital activities, or exceptional activities, while the latter refers to the company's ability to generate a surplus from its activities to compensate for production factors.

2.2.2 Objectives and Importance of Financial Performance

There are several objectives of financial performance, among which the most important are cited (Alhiali, 2007, p. 138): Increase the company's value; Preserve the company's liquidity; Financial profitability; Achieve an appropriate return on investment; Provide a database and information on the company's performance; Measure the success of the company.

Furthermore, the importance of financial performance lies in evaluating the performance of companies from various perspectives, in a way that serves users of financial reports with financial interests in the company. This helps determine strengths and weaknesses and leverage the data provided by financial performance for making informed decisions.

The importance of financial performance also lies, particularly, in monitoring the activities of companies, monitoring their situations, evaluating their performance

levels, directing them on the right path, identifying obstacles, proposing corrective measures, and rationalizing investment decisions in line with the overall goals of the company to ensure continuity, survival, and competitiveness.

2.2.3 Link between Subcontracting and Financial Performance

Burkholder reminds us of the imperatives under which the company must act to optimize subcontracting performance and eliminate failures: organization leaders should focus on objectives (not just strategy), develop better and more comprehensive performance measures, and approach all resource decisions holistically to achieve the desired performance (Burkholder, 2006, pp. 30-31).

The effect of subcontracting on company performance does not receive unanimous agreement among researchers. Some researchers believe that subcontracting has a positive impact on performance (GIRMA & GÖRG, 2004, p. 40), while others of them highlight a negative effect (WINDRUM, REINSTALLER, & BULL, 2009, p. 212). Also, some research suggests that the impact of subcontracting on company performance is more related to context, level of analysis, data sources, the company's industry sector, and differences in methods used to measure subcontracting and company performance (LAHIRI, 2016, p. 466).

Moreover, others have found that subcontracting non-essential, central, or strategic activities has a positive influence on financial performance and the hotel activity rate. Interestingly, they observed that subcontracting central or highly strategic activities does not necessarily lead to a decrease in performance (ESPINO, Tomás, & PADRÓN, 2005, p. 718). However, others found that subcontracting has a significantly negative impact on labor productivity, negatively influencing the financial performance of companies (BROEDNER, KINKEL, & LAY, 2009, p. 138).

2.2.4 Indicators of Financial Performance

Financial indicators allow both the measurement of financial performance and cost control (BAS, 2015, p. 44). The calculation of financial performance is often based on two main groups of indicators: financial balance indicators (FBI) and financial ratio indicators (FRI).

❖ financial balance indicators :

The balance sheet, especially the functional one, is built around a central balance between stable resources and stable uses (linked to the concept of working capital), and between current assets and current liabilities (linked to the concept of working capital requirement). The study of the adjustment of these elements reflects the financial balance of the company. There are several indicators on which the financial analyst relies to highlight the degree of balance of the company, among the most important are

working capital and working capital requirements, as well as cash (LEGROS, 2010, pp. 49-54):

✓ **Net Global Working Capital (NGWC):** It is calculated in two ways as follows:

NGWC (from the top of the balance sheet) = Stable resources - Stable uses

NGWC (from the bottom of the balance sheet) = Current assets - Current liabilities

✓ **Working Capital Requirements (WCR):** It is calculated according to the following relationship:

WCR = Operating working capital requirement + Non-operating working capital requirement

WCR = (Current assets - Cash from assets) + (Current liabilities - Cash from liabilities)

✓ **Net Cash (NC):** It is calculated as follows:

NC = (Working capital - Working capital requirement)

NC = Cash from assets - Cash from liabilities

❖ **financial ratio indicators:**

These ratios are defined as a simple mathematical expression between the value of a specific element and the value of another element in the financial statements.

✓ **Liquidity Ratios**

- General liquidity = Current assets / Operating and non-operating liabilities + passive cash
- Relative liquidity = Receivables + cash / Operating and non-operating liabilities + passive cash
- Absolute liquidity = Cash / Operating and non-operating liabilities + passive cash

✓ **Financing Ratios**

- Permanent financing ratio = Permanent capital / Fixed assets
- Equity financing ratio = Equity / Fixed assets
- Financial independence ratio = Equity / Total debts
- External financing ratio = Total debts / Total assets

✓ Activity (Management) Ratios

- Inventory turnover ratio = Cost of goods sold / Average inventory during the year at cost (once), with: Average inventory = (Initial stock + Final stock) / 2
- Accounts receivable turnover ratio = Annual sales including taxes / Average accounts receivable, with: Average accounts receivable = Clients and related accounts at the beginning and end of the period / 2
- Accounts receivable collection period = 360 days / Accounts receivable turnover ratio
- Accounts payable turnover period = Annual purchases / Average accounts payable where the average accounts payable = Suppliers and related accounts at the beginning and end of the period / 2
- Payment period to suppliers = 360 days / Suppliers turnover ratio
- Total assets turnover ratio = Annual sales / Total assets
- Fixed assets turnover ratio = Fixed assets / Annual sales
- Current assets turnover ratio = Annual sales / Current assets

✓ Profitability Ratios

- Return on sales = Net profit after taxes $\times$ 100 / Net sales
- Return on equity ratio = Net profit $\times$ 100 / Equity
- Return on investment ratio = Net profit $\times$ 100 / Total assets

✓ Rentability Ratios

A profitability ratio establishes a correlation between the results of an action or activity and the resources mobilized for it. These resources can be either economic capital or financial capital (LA BRUSLERIE, 2010, pp. 192-199) :

- Economic rentability = Total surplus exploitation / Stable resources
- Financial rentability = Ordinary profit before taxes / Equity

3. CASE STUDY OF THE “ALFADITEX” COMPANY IN BEJAIA**3.1. Presentation of the Company under study:**

The "Algeria, Various Textile Manufacturing: ALFADITEX" company is a specialized economic public enterprise engaged in the production and sale of non-woven textile products. The company was commissioned in 1982 by the national textile

industries company SONITEX. In 2017, it became affiliated with the TDA Spa group, a joint-stock company with a capital of 2 billion DZD. The company is located on National Road N°26 in Remila, Fenaia municipality, in the Béjaia province. It is strategically positioned 35 km from the port and the international airport of Bejaia. The company is situated on a plot of land covering an area of 189,829 m².

3.2. Reality of Subcontracting Implementation in the Company under study:

The transportation activity in the studied company involves three types of transportation: employees transportation, purchases transportation, and sales transportation. To carry out this activity, the company needs to possess a fleet of various transportation means, consisting of 40 vehicles, including trucks, employees buses, and other transportation means. Additionally, a considerable number of workers, up to 48, are required for this activity. Consequently, the overall costs of the transportation activity occupy a significant place in the company's cost structure. This is due to the diversity of elements related to these costs, primarily including:

- ✓ **Material Cost Element:** Involves lubricants, oils, fuel, various spare parts, and various non-stored purchases of materials, supplies, gas, water, maintenance supplies, and cleaning supplies.
- ✓ **Wage Cost Element:** Encompasses all amounts paid by the enterprise to all employees, whether their work is directly related to the transportation operation or not. This includes the salaries of vehicle drivers, wages of loading and unloading workers, wages of maintenance and repair workers, in addition to paid subscriptions and social charges related to employees.
- ✓ **Other Services Element:** Includes amounts borne by the enterprise, not falling under the previously mentioned elements. It covers maintenance and repair expenses, insurance, taxes and fees, depreciations, garage management costs, in addition to the costs of opportunity lost (interest on the large capital invested in purchasing transportation equipment).

Due to the complexity of elements related to transportation costs and its relative importance within the cost structure, especially the employees transportation activity representing 80% of the total transportation costs incurred by the company, the company has the following options:

- Continue with its own means of employees transportation, bearing the very high transportation costs that have become burdensome. This option no longer meets the requirements and aspirations of the company in the field of employees transportation, in addition to other requirements for updating transportation means

and acquiring new buses for this purpose, along with significant financial investments.

- Cease the employees transportation activity with its own means and provide transportation compensation for each worker within their wage statement.
- Cease the employees transportation activity with its own means and delegate an external service provider to handle the employees transportation activity (subcontracting for employees transportation).

The following is an attempt to estimate the cost of each option among the three aforementioned options:

A.Determine the cost of the first option: Continuing with employees transportation using its own means.

Table 1. Cost of employees transportation by the company using its own means for the year 2022

Account Number	Description	Amounts (DZD)
60	Consumed Purchases	2 865 932
61	External Services	1 664 763
62	Other External Services	26 798
63	Personnel Expenses	9 004 944
64	Taxes & Duties	120 214
65	Other Operating Expenses	6 557
66	Financial Charges	7 489 214
68	Depreciation Allowances	8 943 947
Total Personnel Transportation Charges		30 122 369

Source: Prepared by the researcher based on the balance sheet of the company

Through the above table, we note that for each cost element according to its nature (Accounting codes 60 to 68), there is a specific share for the employees transportation activity. The total costs for the year 2022 amounted to 30.122.369 DZD, without taking into account other additional burdens such as the heavy investment burden in transportation equipment and the associated opportunity costs, as well as garage

management expenses.

B.Determining the cost of the second option: Ceasing the employees transportation activity with its own means and providing transportation compensation for each worker within their wage statement:

This can be clarified by preparing the following table:

Table 2. Cost of employees transportation by the company in case a transport allowance is provided to each worker on their pay statement for the year 2022

Account Number	Description	Amounts (DZD)
631200	Transport Allowance	17 318 400
Total Personnel Transportation Charges		17 318 400

Source: Prepared by the researcher based on documents from the company's payroll department

Through the above table, we observe that in the case of the industrial company ceasing the employees transportation activity with its own means and providing transportation compensation for each worker within their wage statement, the total cost of employees transportation amounts to 30.122.369 DZD. This calculation adopts a compensation amount of only 200 DZD per worker for each working day. The number of workers in the year 2022 was 328, and thus the calculation of the total amount due is as follows:

$$200 \text{ DZD} \times 328 \text{ Workers} \times 22 \text{ Days per month} \times 12 \text{ months} = 17.318.400 \text{ DZD}$$

It is worth noting that other additional burdens, such as costs of absenteeism and the hidden costs resulting from covering the production shortfall through overtime, compensations paid to absent workers, costs of corrections and settlements for various disruptions related to the reorganization of the company, were not taken into account.

C.Determining the cost of the third option: Subcontracting for employees transportation activity:

This can be clarified by preparing the following table:

Table 3. Cost of employees transportation by the company in the case of subcontracting for employees transportation for the year 2022

Account Number	Description	Amounts (DZD)
611	General Subcontracting (Transportation)	10 616 424
Total Personnel Transportation Charges		10 616 424

Source: Prepared by the researcher based on the balance sheet of the company

Through the above table, we observe that in the case of ceasing the employees transportation activity with its own means and subcontracting to an external service provider for employees transportation activity (subcontracting for employees transportation), the total cost of employees transportation is 10.616.424 DZD. This calculation does not include other additional burdens such as the management burden of subcontracting contracts.

Based on the above, and for further clarification, we summarize the total costs of employees transportation by the industrial company according to the three scenarios in the following table:

Table 3. Cost of employees transportation by the company in the three scenarios

Case	Description	Amounts (DZD)
1	Transport par les propres moyens	30 122 369
2	Paiement d'indemnité de Transport	17 318 400
3	Sous-traitance Transport de personnels	10 616 424

Source: Prepared by the researcher

From the table above, it can be observed that in the case of discontinuing the in-house transportation of employees and Subcontracting the transportation activity to an external service provider (subcontracting for the transportation of employees), it is the optimal choice as it achieves the lowest possible cost for the transportation activity. This also enables a reduction in the costs of this activity by an amount of 19.505.945 DZD (30.122.369 – 10.616.424), which corresponds to a percentage of 65%. This percentage is considered highly significant, and its impact is evident on the total transportation costs and, consequently, on the overall costs borne by the industrial company.

3.3. Subcontracting and its Relationship with the Improvement of the Financial Performance of the "ALFADITEX" Company

Organizations, regardless of the nature of their activities, seek to maximize profits through improving financial performance. Therefore, certain financial performance indicators for the company under study will be calculated for the year 2022. This will be done before deciding to outsource to an external service provider who will take over the transportation of the company's employees (subcontracting for the transportation of employees). Subsequently, the same financial performance indicators for the company during the same year will be calculated after the decision to subcontract from an external provider. This aims to highlight the contribution of subcontracting to the improvement of the financial performance of the company. The following are the calculations for these indicators:

➤ Calculating some company's financial performance indicators for the year 2022 before deciding on Subcontracting:

Based on the balance sheet and income statement for the year 2022 for the company, some financial performance indicators can be calculated as follows:

- Working Capital = Fixed Resources - Fixed Employments

$$\text{Working Capital} = 12.976.990.070 - 13.493.538.824 = -516.548.754 \text{ DZD}$$

- Working Capital Requirement = (Current Assets - Cash in Current Assets) + (Current Liabilities - Cash in Current Liabilities)

$$\text{Working Capital Requirement} = (474.929.739 - 5.756.989) + (991.478.493 - 0) = 1.460.651.243 \text{ DZD}$$

- Net Cash = Cash in Current Assets - Cash in Current Liabilities

$$\text{Net Cash} = 5.756.989 - 0 = 5.756.989 \text{ DZD}$$

- Quick Ratio = Cash in Current Assets / Current Liabilities

$$\text{Quick Ratio} = 5.756.989 / 991.478.493 = 0.58\%$$

- Financial Independence Ratio = Equity / Total Debts

$$\text{Financial Independence Ratio} = 12.663.876.278 / 1.304.592.285 = 971\%$$

- Return on Sales = Net Profit After Taxes x 100 / Net Sales

$$\text{Return on Sales} = -105.023.300 \times 100 / 377.352.370 = -27.83\%$$

- Economic Return = Total Operating Surplus / Total Assets

$$\text{Economic Return} = 2.177.544 / 13.968.468.563 = 0.02\%$$

- Financial Return = Ordinary Income Before Taxes / Equity

$$\text{Financial Return} = -105.023.300 / 12.663.876.278 = -0.83\%$$

➤ **Calculating some company's financial performance indicators for the year 2022 After deciding on Subcontracting:**

Based on the budget and results calculation for the year 2022 for the company and taking into account the amount of costs that could be reduced by deciding to subcontract the transportation of personnel, amounting to 19.505.945 DZD, some financial performance indicators can be calculated as follows:

- Working Capital = Fixed Resources - Fixed Employments

$$\text{Working Capital} = 12.976.990.070 - 13.493.538.824 = -516.548.754 \text{ DZD}$$

- Working Capital Requirement = (Current Assets - Cash in Current Assets) + (Current Liabilities - Cash in Current Liabilities)

$$\text{Working Capital Requirement} = (474.929.739 - 5.756.989) + (991.478.493 - 0) = 1.460.651.243 \text{ DZD}$$

After taking into account the amount of costs that could be reduced by deciding

to subcontract the transportation of personnel from the company, which amounts to: 19.505.945 DZD, this will have an increased impact on the cash in current assets and consequently on the total current assets.

Therefore:

- Net Cash = Cash in Current Assets + Subcontracting Impact
$$\text{Net Cash} = 5.756.989 + 19.505.945 = 25.262.934 \text{ DZD}$$
- Current Assets = Current Assets + Subcontracting Impact
$$\text{Current Assets} = 474.929.739 + 19.505.945 = 494.435.684 \text{ DZD}$$
- Working Capital Requirement = (Current Assets - Net Cash)
+ (Current Liabilities - 0)
$$\text{Working Capital Requirement} = (494.435.684 - 25.262.934)$$
$$+ (991.478.493 - 0) = 1,460,651,243 \text{ DZD}$$
- Net Cash = Cash in Current Assets - Cash in Current Liabilities
$$\text{Net Cash} = 25.262.934 - 0 = 25.262.934 \text{ DZD}$$
- Quick Ratio = Cash in Current Assets / Current Liabilities
$$\text{Quick Ratio} = 25.262.934 / 991.478.493 = 2.55\%$$
- Financial Independence Ratio = Equity / Total Debts
$$\text{Financial Independence Ratio} = 12.683.382.223 / 1.304.592.285 = 972\%$$
- Return on Sales = Net Profit After Taxes x 100 / Net Sales
$$\text{Return on Sales} = -85.517.355 \times 100 / 377.352.370 = -22.66\%$$
- Economic Return = Total Surplus exploitation / Total Assets
$$\text{Economic Return} = 21.683.489 / 13.968.468.563 = 0.16\%$$
- Financial Return = Ordinary Income Before Taxes / Equity
$$= -85.517.355 / 12.663.876.278 = -0.67\%$$

Based on the above and to highlight the contribution of Subcontracting to improving the financial performance of the company, this can be summarized by preparing the following summary table:

Table 4. Financial Performance Indicators for the Company in 2022

Type of financial performance indicators	Value of financial performance indicators (DZD)		%
	Before Subcontracting	After Subcontracting	
Working Capital	-516 548 754	-516 548 754	0
Net Working Capital Requirement	1 460 651 243	1 460 651 243	0
Net Cash Position	5 756 989	25 262 934	+338,82%
Quick Ratio	0,58%	2,55%	+339,65%
Financial Independence	971%	972%	+0,10%
Return on Sales	- 27,83%	- 22,66%	+22,82%
Economic Return	0,02%	0,16%	+7%
Financial Return	- 0,83%	- 0,67%	+23,88%

Source: Prepared by the researcher

Through the above table, we observe that, considering the amount of costs that can be reduced by deciding to subcontract the transportation of employees within the company during the year 2022, which amounted to: 19.505.945 DZD, it directly impacted most of the performance indicators for the company. For the net cash position indicator, it increased significantly by a considerable percentage of 338.82%, and the same applies to the current liquidity ratio, which increased by 339.65%. As for the return on sales indicator, it also increased significantly by a considerable percentage of 22.82%, and likewise for the economic and financial performance indicators by percentages of 7% and 23.88%, respectively.

4. CONCLUSION

Subcontracting from the ground up is a collaborative and complementary relationship where a stage or process of production is delegated by one organization to another according to pre-prepared terms to achieve the final product. Its effective use

has been demonstrated in improving the financial performance of economic entities in several areas, especially in cost reduction, quality improvement, and enhanced productivity.

Through both theoretical and practical aspects discussed in this study, various results have been obtained, with the most important summarized below:

Results: Through the theoretical and applied aspects covered in the study, a set of results has been obtained, with the most important outlined below:

- ✓ Financial performance is a mechanism that enables the success of an enterprise in the optimal utilization of available financial resources in the context of various internal and external variables;
- ✓ Delegating certain tasks from ordering enterprises to handling enterprises with expertise and efficiency exceeding their own in the same field plays a fundamental role in reducing the costs of the economic institution. This leads to the transformation of a significant portion of fixed costs into variable costs, making it the most appropriate and cost-effective option, allowing the institution to acquire resources and skills without possessing them internally;
- ✓ Despite the advantages of subcontracting, it entails unavoidable risks, primarily in knowledge and competence loss, dependence on the supplier, opportunistic behavior, and social risks;
- ✓ The application of subcontracting from within significantly contributed to reducing the costs of the studied institution. By deciding to subcontract the transportation of employees during the year 2022, the company "ALFADITEX" achieved a substantial reduction in the costs of this activity, amounting to 19.505.945 DZD, representing a 65% reduction. This is a considerable percentage that clearly influences the overall transport costs and, consequently, the total costs borne by the company;

- ✓ The decision to subcontract the transportation of employees within the company during the year 2022 directly impacted most financial performance indicators of the company.

Based on the above results, it can be stated that the decision to subcontract the transportation of employees within the company made a significant and effective contribution to reducing its costs to the lowest possible limits. This had a positive impact on most financial performance indicators with very substantial percentages, indicating its effective contribution to improving the financial performance of the company. **This confirms the acceptance of the main hypothesis of the research.**

Recommendations: In light of the obtained results, some recommendations can be included, such as:

- ✓ Raising awareness among economic institutions about the benefits of using subcontracting from within;
- ✓ The necessity of establishing specific criteria in the selection process of specialized external suppliers;
- ✓ Taking hidden costs into account when making decisions about subcontracting from within;
- ✓ Providing authorities with all available means to benefit from the advantages offered by subcontracting from within to improve the financial performance of economic institutions.

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