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Issues and Challenges for Global Outsourcing Efforts by Manufacturing Firms

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Abstract: Transactional cost factors have been posing new challenges to organizations in the wake of globalization. Outsourcing is considered as one of the crucial, strategic tools for companies to reduce operational costs, focus on core competencies, etc. Sophistication of collaborative technology solutions is another factor contributing to advancements in global outsourcing. Counter to its advantages, dependence on suppliers, unidentified hidden costs, socio-cultural issues, etc., are a few of the risks associated with outsourcing. The supplier selection process is one of the major strategic phases, which is usually prone to errors. Furthermore, outsourcing any task without considering its effectiveness and costs will result in loss of valuable resources in quest of capabilities that can be readily procured from suppliers, and force firms to reevaluate the decisions. Outsourcing is an extremely dynamic and recurring process which largely depends on propositions of socio-technical theory including open systems and contingency theories. Therefore, one deterministic and unambiguous process to be followed for manufacturing outsourcing to meet requirements of all the stakeholders cannot be developed. A combination of hypothetical amalgamation, longitudinal case study, and complete action research contributes to emphasizing the scientific authenticity of the project in its entirety. This paper discusses the rationales that underscore generic solutions, and outlines central considerations in the outsourcing process.

Keywords: Manufacturing, Outsourcing, Vendor Selection Process, Global Manufacturing