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IMPACT OF THIRD-PARTY OUTSOURCING ON COMPANY'S PERFORMANCE

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ABSTRACT

Globalization has witnessed a massive upheaval and upswing in recent times which has resulted in building outsourcing as one of the most preferred and popular choice of policy and plan of action for organizations especially in the manufacturing industry in order to streamline operations and deliver exceptional customer experience. It is a good topic to add value to the existing domain of facts by examining the relationship between third party outsourcing and profitability of a company in manufacturing sector. The manufacturing plants of an organization can be on site or outside the vicinity and subcontracted to another company in a totally different locality. To find out the impact of outsourcing we selected garment and shoe industry located in Karachi. We took logistics and manufacturing for our study. The two departments of twenty companies operating in Karachi were selected. Our findings say that outsourcing of logistics and manufacturing have given positive impact on businesses of these selected companies.

INTRODUCTION

There has been an increase in the outsourcing trend during the last couple of decades particularly for a certain organizational processes and functions. Outsourcing does not have a common meaning or explanation which is valid everywhere, in fact it is explained as the kind of strategies of the organization concerning with headhunting, selection and associations with regards to contemporary positions and opening as opposed to the more conventional and full-time situations unoccupied. It is a very smart and effective ploy for an organization as it results in lower labor cost, enhancing and diversifying the manufacturing functions related to products and to reap the benefits of globalization. Outsourcing is usually done of non-fundamental functions and processes within an organization and is a vital contributor to the modern economies (Görg & Hanley, 2004). The outcomes of a research on Kenyan context indicates that the outsourcing cost, quality and technology has a powerful and directly proportional influence on growth of the company. On the other hand, the association between risk and the firm's profitability remains frail and directly proportional (Kamanga & Ismail, 2016). Calia and Pacei (2017) reviewed that according to a research conducted in Italy on the manufacturing industry it was revealed that there exists a linkage between outsourcing and growth. Moreover, the quantum leap in IT has redefined and condensed the logistics and supply chain thus minimizing the limitations of whereabouts and place of manufacturing and has improved the output of operations resulting in higher profitability.

Mwelu, Moya, Muhwezi, Rulangaranga, and Watunduin (2014) argue that the notion and idea of outsourcing is not a new one. As a matter of fact, it is being extensively adopted in the advanced nations. However, in the emerging economies like Uganda, this phenomenon is still recent, nascent stages and not frequently used. Despite the fact that the concept is still in infancy stages, a great number of organizations are emerging which offer outsourcing services of secondary and non-elementary functions of a company. This gave rise to the need of reviewing if the outsourcing of manufacturing functions has their impact the financial performance and growth of the organization.

Intense rivalry for economic performance is compelling organizations to plan and determine the functions better suited for carrying out within the organization and the ones that are more suitable for outsourcing to third party. This has given rise to the need for organizations to sub contract operations like manufacturing and logistics and also those activities related to services that were once done under one roof. Our research focuses on the implications outsourcing of manufacturing and logistic activities having their impact on financial performance of manufacturing companies (Sanchís-Pedregosa, Palacín-Sánchez & González-Zamora, 2014).

Third Party Outsourcing and Its Effect on Company's Performance

Agburu, Anza, and Iyortsuun (2017) wrote that outsourcing has yielded tremendous results for organizations, for instance, Nike Shoe Company the well-known shoe manufacturer has no production plants and facilities and outsources its core production function of shoes to outside vendors. Outsourcing is an option considered by various organizations not just because

it does not have core competency in manufacturing the shoes in house but also due to the fact that it minimizes the equipment costs and quantity, saves significant amount of space requirement and also because it compliments well in increasing the overall efficiency of value chain and the capital. The study covers 700 small manufacturing-based organizations to analyze the impact of subcontracting on growth and profitability of organizations in terms of ROI and ROE.

There are several motives for organizations to subcontract or outsource the manufacturing facility i. e cost saving. It saves the heavy expenses related to labor and utilities. Some organizations subcontract temporary workforce for cost cutting. Outsourcing brings agility and diversity in operations. If an organization realizes that its strength is not its primary function and if manufacturing is not their main stream of function then they opt to outsource such processes minimizing production cost and enhancing revenue by focusing and utilizing energies in other areas of the business (Hamlett, 2019).

Kotabe and Mol (2009) are of the opinion that outsourcing is progressing rapidly as an approach of running a successful organization these days. In a research that took place on the outsourcing of manufacturing functions of organizations in Netherlands to study the influence of outsourcing on financial performance of the company, information extracted from 1995 to 1998. The conclusions drawn were that outsourcing of manufacturing function to a third party is directly inversely related to growth of an organization in general and that variations can be expensive. To get the maximum output from outsourcing decision organizations must accurately identify the areas of need so that it can contribute to enhance the profits of the company. Outsourcing therefore is a function of concern for organizations and therefore should be carefully analyzed for the pros and cons in order to ensure financial stability.

Outsourcing has become an imperative especially for small to medium sized enterprises in order to keep pace with the intense market rivalry. The big players often force smaller companies to outsource manufacturing function where they lack efficiency in the manufacturing processes or the cost effectiveness. Many organizations have limited capital to finance costly appliances used for manufacturing. More so when they cannot meet the demand of emerging latest technology for increasing production output. Success of Subcontracting to an outside manufacturer depends on the fact that if the outsourcing move enhances the processes, makes them agile, whether the bond with the contractor is mutually beneficial and appropriateness of pricing strategy ("Manufacturing Outsourcing for Small and Mid-Size Companies: 10 Key Challenges & How to Address Them," 2008).

Examples of Outsourcing and Its Impact on Growth

Heric and Singh (2010) explained a practical example of a manufacturing company benefiting from outsourcing of Acer, a computer company. The company was strong in business development and promotional activities and decided to subcontract manufacturing in which they did not have core

competency and had difficulty in handling it. This strategy resulted in tremendous revenue increase for Acer.

Lakenan, Boyd, and Frey (2001) examined notable example of outsourcing of manufacturing function. The networking giant Cisco decided to outsource their production of mainstream parts and did not alter or align the organizational dynamics accordingly. The traditional methods of manufacturing at Cisco brought tremendous success to the organization were not updates or upgraded according to the new manufacturing procedures. The logistics and value chain were not modified and made responsive to the changes in the procedures and there was no seamless flow of information. Cisco's problem coupled with the growing demand and limited supply of products, started to reduce the profitability. These parts were then sold to the contractors in order to recover the losses. A similar crisis was faced in later part of 1990s by companies like Sony, Philips and Compaq when their in-house manufacturing was no longer upgraded enough to meet the growing technology demand.

In 2013, Samsung, the market leader in mobile phones manufacturing opted to outsource the manufacturing function of the Galaxy phones in order to make superior and technologically sophisticated cell phones. It increased the profitability of Samsung as the contract manufacturer used Samsung brand name and paid licensing charges. It also helped to increase the global supply and reach of the devices in different markets and thus the economic performance of the company increased many folds (Armasu, 2013).

"HP Announces Further Moves to Outsource PC Operations" (2019) article reviewed that Hewlett Packard (HP) has immensely benefited from outsourcing of its personal computer production plants globally with a vision to limit the expenses related to production processes and enhance growth and returns. This move provided HP the cost advantage and more malleability. HP has been benefiting from outsourcing operations since 1993 and continuously looking to contract out manufacturing in different localities. Outsourcing has been used as a tool for growth and financial stability for HP by means of building effective, cost saving, labor saving and time saving processes and an increasingly agile and dynamic logistics and supply value chain.

Merits and Demerits of Outsourcing

China has always been an attractive and profitable market when it comes to outsourcing manufacturing process. The Chinese labor is less expensive, well trained and wage rate is significantly lower. The manufacturing done in Chinese manufacturing plants has global reach and it is a major contributor to international economy. China possesses economies of scale and state of the art and efficient production facilities capable of producing quality finished products. It enhances the profits by providing avenues for growing and penetrating new markets and at the same time shrinking the lead times. All these factors mentioned improve the growth, profitability and financial performance of the company (Resnick, 2018).

One of the most important decisions manufacturing organization have to make is that whether to produce internally or to opt for offshore subcontracting. The feasibility of the decision depends on the product type being produced or the market in which the company is operating in. Most of the companies are interested in increasing the revenues by minimizing the cost and the fact that outsourcing brings changeability, adaptability and variability in the processes of the company. Success of outsourcing is dependent on efficient utilization of resources and manufacturing. Mexico is considered a good market for outsourcing as it allows establishing manufacturing facility exactly alike the current production operations of an organization (Big 2017).

“Outsourcing: The Good, the Bad, and the Plain Honest Truth” (2014) conducted research that took place in Ireland to determine the influence of outsourcing on organization. It was observed that the profit of the organization surged by 80 % because of outsourcing. Firms opt for outsourcing in order to bolster the financial performance. There has been a significant impact of outsourcing especially on manufacturing industry, there has been a revival of outsourcing in recent past as companies look to recruit more skillful labor force for bigger production functions like in United States which offers better wages to workers and enhances safety of employment with aim to maximize profits.

A research explored the connection between outsourcing and growth on 10 manufacturing organizations in Kenya, Nairobi. The study suggested that organization need to assess whether the benefits of outsourcing outweigh the disadvantages. For instance, the outsourcing strategy must be such that it enhances the manufacturing capacity of a company. The conclusions reached were that outsourcing of operations boosts growth and profitability of organizations in Nairobi. However, the authors suggested that for manufacturing companies whose strength lies in manufacturing, outsource manufacturing may not be a suitable option, instead outsourcing non-core functions like software, IT, back-office procedures and customer support services is more beneficial (Kung and Eunice, 2016).

“Five Simple Methods to Reduce Manufacturing Costs” (2018) analyzed that ultimate goal of any business is to maximize production with minimum cost. One way of decreasing cost is increasing the volume of production. Another common approach is outsourcing the noncore manufacturing function to a third party which results in less occupation of area and premises of the organization, overhead expenses are divided between the company and the contractor, getting benefit from production capabilities of the outside supplier and more competent work force for manufacturing function.

In manufacturing company, the secondary functions usually outsourced are logistics, maintenance, skill development, scrubbing and so on. If the function has less strategic significance more are the chances of it being outsourced. As outsourcing is becoming a trend setter, the functions which were previously thought only to be performed under the roof of the organization are now widely being sub contracted to third parties like the manufacturing and

product innovation etc. For instance, Aiwa outsourced mainstream electronic parts and circuits to a third-party producer because of lower production expenses and large volumes. Third party suppliers are empowered these days when the core activities are subcontracted to outside vendors and manufacturer, the move can result in huge success and can also result in disaster if the right strategic alliance partner is not chosen by the organization (Jackson, Iloranta, & McKenzie, 2001).

Alan (2014) studied that outsourcing is a lifeline for companies struggling to maintain financial wellbeing. Another mobile manufacturer HTC turned to the same strategy of outsourcing the manufacturing function as adopted by many of the competitors. The move was to retain the growth and recover in the emerging markets of Taiwan. The costs were significantly high when HTC produced the phones internally as the selling price was \$230 per unit and subcontracting it led to decrease in cost and hence the selling price went down to around \$ 150 to \$200 per unit. Despite HTC lost \$12 million on advertisements, it still maintained that it will still not outsource its best-selling phones.

Outsourcing the Manufacturing Function and Its Financial Results

Outsourcing of manufacturing sector worldwide has climbed to astonishing \$ 360 billion revenue in 2011, which is forecasted to swell up to \$426 billion in 2015. Off shoring the manufacturing and technical functions is a practice visible in United States, Japan and Western Europe with the benefits of lower production cost and fewer wage rates but for the local workers it is not an attractive proposition as 2.9 million local job cuts occurred and 2.4 million increased foreign hiring in 2000 because of outsourcing in US. Furthermore, off shoring resulted in production facilities to reduce by 51000 and 12.5% during 1998 to 2009, which dented the profitability of local in-house manufacturing in US (Lach, 2012).

Ashe-Edmunds (2017) found that once the profitability targets are achieved through outsourcing, next step is to analyze that how bringing the operations in house will affect profitability. Elimination of the intermediary is an instant benefit of which will save cost but not the only one. One of the drawbacks of outsourcing is that it's hard to keep check and balance on the contract manufacturer unless a company representative is present at the manufacturing facility. On the other hand, the benefits of third-party outsourcing is quality check expertise, production operations for extended time periods, seamless supply chain and logistics administration and inventory and product handling, manufacturing supervisor and better handling of staff and labor. Timely delivery of end products to consumers and retaining them, all of these benefits boost profits of the organization.

Organizations opt for outsourcing because otherwise the products being manufactured internally shrink the profit margins and are costlier. Off shoring the manufacturing to underdeveloped countries where the rules are not too stringent and the manufacturing cost is much lower results in growth and higher returns as compared to produce the same goods in a developed country

like United States. Outsourcing arrangement is mutually beneficial to both the contract manufacturer and to the company which outsourced in terms of profitability. Other merits of outsourcing are free trade, globalization, and value for shareholder return, investor benefit and cheap finished products (REH, 2018). Third party outsourcing for development of software application is quite common in Pakistan (Rizwan, Bhatti, 2020, pp. 16-23).

According to "Contract Manufacturing Price Model: Cost Plus" (2019) before deciding on an outsourcing decision of manufacturing function, organization carry out an analysis on the expenses that will be incurred and the revenues and margins expected had the product being manufactured by the organization itself and then contrast it with that if the services are to be outsourced to sub-contractor. The subcontractors also perform the same analysis before expressing their pricing to the outsourcer. The cost components for third party in providing outsourced manufacturing function are Factory Overheads which include gas, water, & electricity bills, the variable cost which vary with the level of production activity, fixed costs, direct and indirect labor cost, cost of direct and indirect raw materials and Work in progress etc. and then the and gross and profit margins is summed to it.

When big organizations suffer from declining profits outsourcing is one of the most common remedy they adopt. Outsourcing the manufacturing function enables organizations to not only cut labor expenses but also discharge Assets and capital enhance output and efficiency, and the saved resources and energies can be utilized on other functions within the organization like product development, innovation, promotion and so on. Sub-contractor possesses better engineering capabilities, fewer wages and economies of scale. This allows the organization to be profitable by concentrating on its areas of strength and out sourcing the weaker functions (Arruñada, & Vázquez, 2006).

Short (2019) wrote that on one hand where the outsourcing offers so many benefits, it also has some perils like failing to abide by the rules and regulations of the offshore country and fulfilling the legal requirements and potential loss. Whereas there are more reasons to outsource like cost saving, rapid delivery nimble processes, and moldable operations and revenues increase. According to Gartner survey 65 % of Original Equipment Manufacturers outsource the core function of manufacturing to third party; where as 21% of OEMs are considering the option of outsourcing.

Outsourcing increases logistics and conveyance expenses and time. If a function is outsourced it should be pre analyzed whether the function was more profitable when it was manufactured internally and to have sufficient capital available for further product improvement. Majority of outsourcing arrangement are based on feasibility in terms of cost of hardware if produced within the company contrasted to outside manufacturing. A common issue which arises is substandard productions when the function is outsourced. 55% of organizations in United States were not happy with outsourcing of manufacturing, 34% feel delighted with outsourcing results and 41 % were contented with the profits and financial performance of outsourcing operations (Snapp, 2013).

Lu (2013) assessed that subcontractor is in the driving seat and in a dominant position while discussing the terms and condition of an outsourcing contract, this power of supplier can deteriorate the profitability and growth of OEM. Powerful suppliers put them in a monopolistic position and they can dictate the prices by getting a total amount as well as particular amount on per unit production, this hampers the growth and financial output of organization. Contract manufacturers capable of producing large scale volumes exercise power which can be curbed by not entering in a vendor agreement and keep the options open to outsource to the cheapest and best supplier to curb the cartel and ensure profits.

Outsourcing seems a good option and provides many benefits aforementioned but it has got some uncertainties as well. According to the Deloitte 2014 survey 49% feel that manufacturers were found to be responsive but not dynamic and 48% feel that manufacturing solutions provided were not up to the mark. The various setbacks of outsourcing which may hamper profitability are supplier problem as mentioned before, and if the standards are not met it becomes increasingly difficult and to rectify it due to geographical distance and conveyance. Countries with lenient Intellectual property rights risk the confidentiality of product information and hinder outsourcing. The dynamics and regulations of every country vary and if compliance with labor and environmental practices is not done, it can damage the goodwill of organization and henceforth the growth (Hyatt, 2016).

“Pros and Cons of Offshoring What is Offshoring?” (2018) illustrated that while tax saving, profits and round the clock operation are motives of outsourcing. The demerits are also there like speech and interaction blockades, difference in values, norms and traditions, quality control issues, downsizing of local employment and difference in working hours between the two territories.

METHODOLOGY

Objectives of The Study

To assess the impact of outsourcing of logistic and manufacturing businesses in Pakistan.

Motivation of The Study

In the modern times of new millennium outsourcing has become a norm than exception. The motivation behind the research was to know how far this is being practiced in Pakistan and with what impact.

To assess the impact of outsourcing we decided to study the logistics and manufacturing of ten garment and ten shoe industries. We interviewed thirty-two executives from the garment industries and twenty-nine executives from shoe industries responsible for outsourcing in logistics and manufacturing. In addition, we also interviewed their key management personnel responsible for

finance and profit making for the organizations. Interviews were conducted through a closed ended questionnaire. Some of executives obliged us during our visit while others advised us to leave the questionnaires with them and collect during the following week. Thus, the responses include both types.

The following variables were identified:

Dependent Variables:

Third party outsourcing in logistics has given positive impact in our business
Third party outsourcing in manufacturing has given us positive impact in our business

Independent Variables

Third party outsourcing is the modern way of doing business, third party Outsourcing increases customer satisfaction, third party Outsourcing acquires custom solutions, third party Outsourcing increases reach to the customer, Third party Outsourcing reduces reaching time to the customer, Third party Outsourcing increases efficiency, Third party Outsourcing increases sales, Third party Outsourcing focuses on core business, Third party Outsourcing reduces cost.

Hypothesis

H1: Logistic outsourcing impacts businesses positively
H2: Manufacturing outsourcing impacts businesses positively

Sample Size

Garment industry (10): 32 respondents. Shoe industry (10): 29 respondents.
Total: 61 respondents
Period of survey: April – May: 2019

RESULT

Hypothesis

H1: Logistic outsourcing impacts businesses positively
H2: Manufacturing outsourcing impacts businesses positively

Reliability Statistics	
Cronbach's Alpha	N of Items
.922	11

The above results show that all measurement scale taken for the variables are appropriate and reliable to use in this study.

Descriptive Statistics

	Mean	Std. Deviation	N
Third party outsourcing in manufacturing has given us positive impact in our business	3.8525	.57260	61
Third party outsourcing is the modern way of doing business	3.8852	.68553	61
Third party Outsourcing increases customer satisfaction	3.8689	.59091	61
Third party Outsourcing acquires custom solutions	3.8197	.56297	61
Third party Outsourcing increases efficiency	3.7213	.71019	61
Third party Outsourcing increases sales	3.9180	.49312	61
Third party Outsourcing focuses on core business	3.8361	.68752	61
Third party Outsourcing increases reach to the customer	3.8689	.61848	61
Third party Outsourcing reduces cost	3.7541	.72240	61
Third party outsourcing in logistics has given positive impact in our business	3.9180	.45808	61

The above table shows the mean, standard deviation and sample size of each variable.

All variable show mean is more than 3, this mean that most of the respondent satisfied with the business.

Regression Results with Third party outsourcing in logistics has given positive impact in our business

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.888 ^a	.789	.756	.22619	2.270

a. Predictors: (Constant), Third party Outsourcing reduces cost, third party Outsourcing increases sales, third party Outsourcing increases customer satisfaction, third party Outsourcing increases efficiency, third party Outsourcing acquires custom solutions, third party outsourcing is the modern way of doing business, third party Outsourcing increases reach to the customer, third party Outsourcing focuses on core business

b. Dependent Variable: Third party outsourcing in logistics has given positive impact in our business

The above table show the model summary of the collected data. $R = 0.888$, shows that there is a strong positive relationship between dependent and independent variables. Adjusted R-Square = $0.756 = 75.6\%$ mean that

independent variables explain 75.6 % variation in the dependent variable. Remaining 24.4% variation unexplained due to other reason or variables not taking in the model. Durbin Watson value 2.27, shows that there is no autocorrelation between the variables.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.930	8	1.241	24.260	.000 ^b
	Residual	2.660	52	.051		
	Total	12.590	60			

a. Dependent Variable: Third party outsourcing in logistics has given positive impact in our business

b. Predictors: (Constant), Third party Outsourcing reduces cost, third party Outsourcing increases sales, third party Outsourcing increases customer satisfaction, third party Outsourcing increases efficiency, third party Outsourcing acquires custom solutions, third party outsourcing is the modern way of doing business, third party Outsourcing increases reach to the customer, third party Outsourcing focuses on core business

The ANOVA Table F-Statistics = 24.26, with Sig value $0.000 \leq 0.05$, which means that model is good fit. Results also shows that dependent and independent variables have a relation and test must be run between these independent variables.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.817	.289		6.291	.000
	Third party outsourcing is the modern way of doing business	.564	.132	.844	4.274	.000
	Third party Outsourcing increases customer satisfaction	.107	.099	.138	1.079	.285
	Third party Outsourcing acquires custom solutions	.251	.131	.308	1.916	.061
	Third party Outsourcing increases efficiency	-.009	.055	-.014	-.171	.865
	Third party Outsourcing increases sales	-.345	.129	-.371	-2.671	.010
	Third party Outsourcing focuses on core business	-.449	.152	-.674	-2.948	.005
	Third party Outsourcing increases reach to the customer	.542	.122	.731	4.455	.000
	Third party Outsourcing reduces cost	-.119	.063	-.188	-1.893	.064

a. Dependent Variable: Third party outsourcing in logistics has given positive impact in our business

The coefficient table show that beta values, T-statistics, and sig values. Results shows that if we not taking all these variables for outsourcing used in logistic department has a positive impact on doing business. Third party Outsourcing

increases efficiency, increases sales and focuses on core business has negative impact on the business of firm. All other variables have a positive impact on doing business with logistics department using outsourcing. Most of the variables have a significant relationship at sig value less than 10% with logistics department using third party outsourcing for business but only two variables such as increases efficiency as well as increases customer satisfaction.

Regression Results with Third Party Outsourcing in Manufacturing Has Given Us Positive Impact in Our Business

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.988 ^a	.976	.972	.09630	2.010

a. Predictors: (Constant), Third party Outsourcing reduces cost, third party Outsourcing increases sales, third party Outsourcing increases customer satisfaction, third party Outsourcing reduces reaching time to the customer, third party Outsourcing increases efficiency, third party Outsourcing acquires custom solutions, third party outsourcing is the modern way of doing business, third party Outsourcing increases reach to the customer, third party Outsourcing focuses on core business

b. Dependent Variable: Third party outsourcing in manufacturing has given us positive impact in our business

The above table show the model summary of the collected data. R = 0.988, shows that there is a strong positive relationship between dependent and independent variables. Adjusted R-Square = 0.972 = 97.2% mean that independent variables explain 97.2 % variation in the dependent variable. Remaining 2.8% variation unexplained due to other reason or variables not taking in the model. Durbin Watson value 2.010, shows that there is no autocorrelation between the variables.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.199	9	2.133	230.033	.000 ^b
	Residual	.473	51	.009		
	Total	19.672	60			

a. Dependent Variable: Third party outsourcing in manufacturing has given us positive impact in our business

b. Predictors: (Constant), Third party Outsourcing reduces cost, third party Outsourcing increases sales, third party Outsourcing increases customer satisfaction, third party Outsourcing reduces reaching time to the customer, third party Outsourcing increases efficiency, third party Outsourcing acquires custom solutions, third party outsourcing is the modern way of doing business,

third party Outsourcing increases reach to the customer, third party Outsourcing focuses on core business

The ANOVA Table F-Statistics = 230.033, with Sig value $0.000 \leq 0.05$, which means that model is good fit. Results also show that dependent and independent variables have a relation and test must be run between these independent variables.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.395	.163		-2.421	.019
	Third party outsourcing is the modern way of doing business	.712	.065	.853	10.905	.000
	Third party Outsourcing acquires custom solutions	.122	.058	.120	2.114	.039
	Third party Outsourcing increases reach to the customer	-.013	.061	-.014	-.215	.830
	Third party Outsourcing reduces reaching time to the customer	.180	.059	.144	3.049	.004
	Third party Outsourcing increases efficiency	.047	.023	.059	2.031	.048
	Third party Outsourcing increases sales	.045	.059	.038	.761	.450
	Third party Outsourcing focuses on core business	-.225	.070	-.270	-3.215	.002
	Third party Outsourcing increases customer satisfaction	.109	.043	.113	2.562	.013
	Third party Outsourcing	.120	.028	.152	4.328	.000

	reduces cost					
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a. Dependent Variable: Third party outsourcing in manufacturing has given us positive impact in our business

The coefficient table show beta values, T-statistics, and sig values. Results show that all the independent variables mentioned for outsourcing used in manufacturing department has a positive impact on doing business. Only two variables such as third-party Outsourcing increases reach to the customer and focuses on core business has negative impact on the business of firm. All other variables have a positive impact on doing business with manufacturing department using outsourcing. Most of the variables have a significant relationship at sig value less than 0.05% with manufacturing using third party outsourcing for business.

Empirical Conclusion

Based on the above findings, decision about acceptance or rejection is given below:

H1: Logistic outsourcing impacts businesses positively (Accepted).

On the basis of the above results, Hypothesis 1 is accepted as the findings show that there is a moderate positive relationship between firm business and logistic department used the third-party outsourcing.

H2: Manufacturing outsourcing impacts businesses positively (Accepted)

On the basis of the above results, the hypothesis 2 is accepted and it is concluded that there is enough evidence to suggest a significant association between organizations of the third-party outsourcing in manufacturing and doing good business now a days.

CONCLUSION

The research was conducted to find out Impact of third-party outsourcing in logistic as well as manufacturing department for doing smooth business activities of the firms. Now a days, many companies prefer to use services of third-party outsourcing in the departments having capacity constraints. Therefore, outsourcing is a norm than exception. This study used a survey questionnaire of primary data with sample of 61 respondents of the managers who uses the services of the third-party outsourcing for their business in logistic and manufacturing departments. Most of the respondent has a positive response on the survey questions. Reliability test using Cronbach Alpha show a value 0.92 with 11 items which means that measurement scale is reliable and valid for these questions used in this study. Findings show that there is strong positive relationship between logistic and manufacturing on doing business. F-Statistics with sig value is less than 0.005 shows the model is a good fit. Most of the variables show a positive significant relationship with logistics as well as manufacturing department of the selected businesses who use third party outsourcing.

Recommendation for Further Study

The research covers only logistics and manufacturing and did not cover outsourcing for sales, marketing and other business functions. The interested researchers may work on this aspect.

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