

Outsourcing of Supply Chain Processes and Activities: Evaluating the Synergy Between Strategic Outsourcing Drivers and Competitive Priorities

James Kroes
Georgia Institute of Technology
College of Management
Atlanta, Georgia 30308
james.kroes@mgt.gatech.edu
404-385-4891

RESEARCH SUMMARY

Outsourcing has become an integral component of many manufacturing firm's competitive business strategies. In the past, firms typically only considered non-core functions as candidates for outsourcing. Now nearly every function in a firm's supply chain is a candidate for outsourcing. While the purported goal of outsourcing is usually to derive a competitive advantage, it is not clear whether the outsourcing decisions of firms are always strategically aligned with their overall competitive strategy. This study proposes to investigate the role that the synergy or alignment between a manufacturing firm's business strategy (competitive priorities) and the strategic drivers that influence the outsourcing of the firm's supply chain activities and processes plays in the success of the firm. Specifically, this study will:

- i) Identify the different strategic outsourcing drivers currently utilized by manufacturing firms in making outsourcing decisions related to its supply chain processes and activities.
- ii) Evaluate the outsourcing synergy or fit between a firm's strategic outsourcing drivers and its competitive priorities.
- iii) Assess the impact of the outsourcing synergy between the firm's strategic outsourcing drivers and its competitive priorities on both supply chain performance as well as business performance.

To conduct this investigation, we first develop a methodology to measure the alignment or fit between the strategic outsourcing drivers emphasized by a firm and the firm's competitive priorities. We designate this degree of alignment as the level of outsourcing synergy of a firm. Using this fit measure along with empirical data collected through a survey based process, we will determine the level of outsourcing synergy in each of the business units in our sample and how the level of outsourcing synergy affects a firm's supply chain as well as business performance.