

Outsourcing strategies for SMEs

Although outsourcing has been a part of business for centuries, the recent trend of globalization and emergence of information technology have caused industries to revisit this issue with a fresh perspective. During the past two decades, many industries changed their manufacturing structure as a strategic response to the globalization of markets and consequent increase in competition. For many companies, the key to successful restructuring has been to focus on core competencies or strategically important activities and to withdraw from noncore functions. This approach led to the mushrooming of outsourcing options. Now more companies are pursuing outsourcing strategies, and not only have the frequency and volume of outsourcing transactions increased but also the terms and forms of outsourcing have matured. Outsourcing has become a crucial part of supply chains.

Outsourcing is a viable proposition for companies that lack the expertise and infrastructure to manage all functions and activities in-house. By outsourcing, companies can focus on core competencies and leave the management of outsourced products or services to others. Although outsourcing is mainly practiced by multinational corporations, SMEs are also involved. SMEs are the most valuable part of supply chains, and their role is interesting in this aspect. They are the major beneficiaries of outsourcing but at the same time, outsourcing as a strategy could also enable them to be more competitive in markets. While the lack of manpower and the need to focus on core competency are key reasons for outsourcing, it also enables companies to save on costs. Moreover, with outsourcing companies can take advantage of the latest technologies while avoiding the high costs associated with installing, maintaining, and upgrading machinery, equipment, and systems. Taking into consideration the importance of outsourcing for SMEs, the APO held a seminar on Outsourcing Strategies for SMEs, 12–15 April, in Seoul.



Participants in the seminar

The seminar was attended by 18 participants from 14 APO member countries. The participants heard presentations on: Outsourcing as a competitive tool for SMEs; Guidelines for successful outsourcing; Evolving competition: Implications for SMEs; Strategic importance of outsourcing; Outsourcing and supplier network development; Outsourcing to support manpower flexibility, with reference to automobile industries in the Republic of Korea; New trends in IT outsourcing for SMEs; Web services; and Knowledge management: Outsourcing implications.

The country papers presented by the participants reviewed the current status of outsourcing in the region in general and by SMEs in particular. The implications of outsourcing strategies for the performance of participants' enterprises with respect to productivity and profitability and problems associated with outsourcing were examined. For firsthand information sharing in the host country, the participants visited Daiwoo Incheon Motor. 🌀