

AN IN-DEPTH ANALYSIS OF OUTSOURCING FACTORS FROM TEXTILE INDUSTRY OF PAKISTAN

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ABSTRACT

Significance of economy of Pakistan cannot be ignored in Asia. The paper targets the backbone industry of Pakistan. The purpose of the study is to facilitate the Outsourcing practitioners, policy makers, production managers to analyze the outsourcing encouraging factors in the textile industry of Pakistan. The economy is facing a massive industry drain in the past few years as around forty percent of the industry has moved abroad, which become the issue of concern for the state to take effective step to stop further industrial drain, In such situation outsourcing popped up to be suitable remedy to support the industry. The study applies multiple case studies method to identify the exact factors that encourage outsourcing in the economy. By way of in-depth interviews and triangulation confirmation, the textile firms located in industrial hubs of the country were interviewed and qualitative data was gathered. The investigation brought out cost competency, quality enhancement, core competency, firm ownership, geographical location, energy shortage, and political instability along with some other factors to be important in driving the textile firms to outsource. A cross case analysis is also made to compare inter firm outsourcing scenario. The research is based on three textile giants and has come up with exploratory findings which will help to continue the research in future to improve the industry production. The research paper contributes towards the policy making of the country by lightening the path that leads towards the betterment of the textile industry by depicting the core factors which hold behind outsourcing decision and makes its practice justified economically.

Keywords Outsourcing, Cost Efficiency, Focus on Core, Energy Shortage, Textile Industry

INTRODUCTION

The era of competitiveness expect the manufacturers to readily respond and perform in accordance to the dynamics of quality and quantity mix of the production. Revising the core economic concept of “no one is self-sufficient” and its application to the industrial sector leads the mind to the concept of outsourcing in the industry ‘Delegating the process of less comparative advantage to the firm who has comparative edge in producing it.’ Specifying the current scenario in the paradigm of apparels’ industry the production process intensifies in low capital and high labor mix and high capital and low labor mix in developing and developed economies correspondingly. Handing over the production activities to the low cost producers support the production profits i.e. developed countries benefit from the low wage countries by allowing them to perform laborious segment on their behalf. However, focusing on low income countries the outsourcing practices are observed there as well perhaps labor cost saving is not their core motive behind. Focused upon apparel industry outsourcing

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has another motive of fashion changing as well. Textile sector enjoys numerous benefits by outsourcing its production segments, some of which are:

- Improving firm's responsiveness, by handing over some production segments vacating resources that improve capabilities of attending the in-house production parts efficiently i.e. proper risk management etc.
- Achieving higher level of product development by specialization
- Making most of scarce power supply available to industry specially in third world countries
- Enhancing the quality of production through comparative advantage approach

These are some of the significant fruits of outsourcing through which textiles and apparel industry flourish. The current study is designed by briefing the background of the textile industry and outsourcing practices, later the methodology to analyze the factors behind is described, followed by the individual case analysis and a cross case analysis to highlight the factors behind at both individual and collective level. In the last section the study is concluded along with its theoretical and managerial implications to backing the policy implication in the economy.

Analyzing the Factors Evident from Past Studies

Outsourcing is measure helping firms to sort out its staffing issues by concentrating on achievement of higher skilled labor; it is outcome of outsourcing that access to knowledge is gained by the firms which help its in-house talent to grow. Brown and Wilson (2005), Collins and Millen (1995) and Koh Ser Mui (2003) regarded outsourcing support organization to increase their intellectual asset i.e. Experience and knowledge. Akomode et al, (1998); Alexander and Young (1996) and Meyer (1994) evidenced that if in-house knowledge or skill is not sufficient enough, a firm can outsource to have a better access to talent without making huge investments to gain the talent in-house. Alster (2005) and Wipro Technologies (2007) stated that management risk is mitigated through outsourcing which spares time for a firm to manage the operations properly, in this way the firm is able to foresee if there are any risks in carrying out any production process in-house (Douglas, 2009).

Management efficiency i.e. Better production and services are the outcome of outsourcing, as it yields better capacity of a firm to manage its operations. A firm may suffer from poor production quality, ill management, delays in production (Brown and Wilson, 2007; Enrique, 2002). They also suggest that outsourcing is the best alternative for a firm in case of going for a lengthy process of finding an efficient management team in-house. Outsourcer provides enlarged production capacity to the firm (Due, 1992). Many internal issues like; financial constraints, poor technology, lack of experience cause a big hit to a firm's growth. Therefore, according to Jones (1997) and Koh Ser Mui (2003) outsourcing can help to overcome all these issues and to complete the production orders on or before time to be on time in the market.

Economic production i.e. outsourcing is also viewed as a cost cutting tool for an organization, Companies outsource the process which it finds costly to carry on in-house to reduce its operational cost, labor cost (Claus et al, 2015) or sometimes just to raise the profit margin (Brown & Wilson, 2005). The concept of labor arbitrage was found by (Kripalani & Engardio, 2003) which means that some firms assign any labor intensive task to a third party in location where labor wages are cheaper, it is most commonly practiced by developed economies, where wage rates are higher (Antras, 2003; Eiichi et al, 2011). Outsourcing helps a company to transform its fixed cost into variable cost, which are in the income statement of the company and it also helps to foresee the possible variable costs for executing the production process (Anderson, 1997; Assaf & Al-Nehmi, 2011).

Quality and Technical Enhancement: In-house lack of expertise and specialized skills lead to opt for outsourcing, which brings better performance of operational tasks (Enrique, 2002). Koh Ser Mui (2003) discusses that improved technology brings well management of skills so that the firm could focus on its cores, are the primary motives behind outsourcing. The outsourcers could improve their level of production by investing in high tech methodologies, specialized labor and updated technologies. Hence by the passing time the outsourcers turn to become expert in their area of production (Baldwin et al, 2001; Jones, 1997). Due (1992) and Koh Ser Mui (2003) also discuss in their studies that the combination of expertise and specialization help to achieve comparative advantage because the firm needs not to invest in ever changing technologies which require trainings as well.

Anderson, (1997) and Brown and Wilson (2007) supported the view in their studies that each firm has at least a single department which suffers from insufficient quality, skill or management issues, so the firm better outsource that particular area to some third party who can perform it in a better way. Assaf and AlNehmi (2011) and Fried (1995) regard outsourcing in bringing better quality performance to the firm.

Reasons for Outsourcing specific to Pakistan

An economy losing its textile industry with increasing rate needs to take immediate action to sustain in market, and outsourcing is one of the finest remedies in such situation. Viewing the past literature of outsourcing adoption, Handfield et al., (2002) came up as best practitioner. Sommer (2003) and Zhang et al., (2002) also support that outsourcing is only form of quick responsiveness of a textile firm to the market dynamics.

Pakistan is considered a third world country. Literature supports that the nation is also involved in outsourcing practices (Hashmi & Mansoor, 2013). According to IAOP, (2004) outsourcing world summit, Outsourcing reasons in context of Pakistan were published along with their share in total outsourcing in the country which are depicted in the pyramid below;

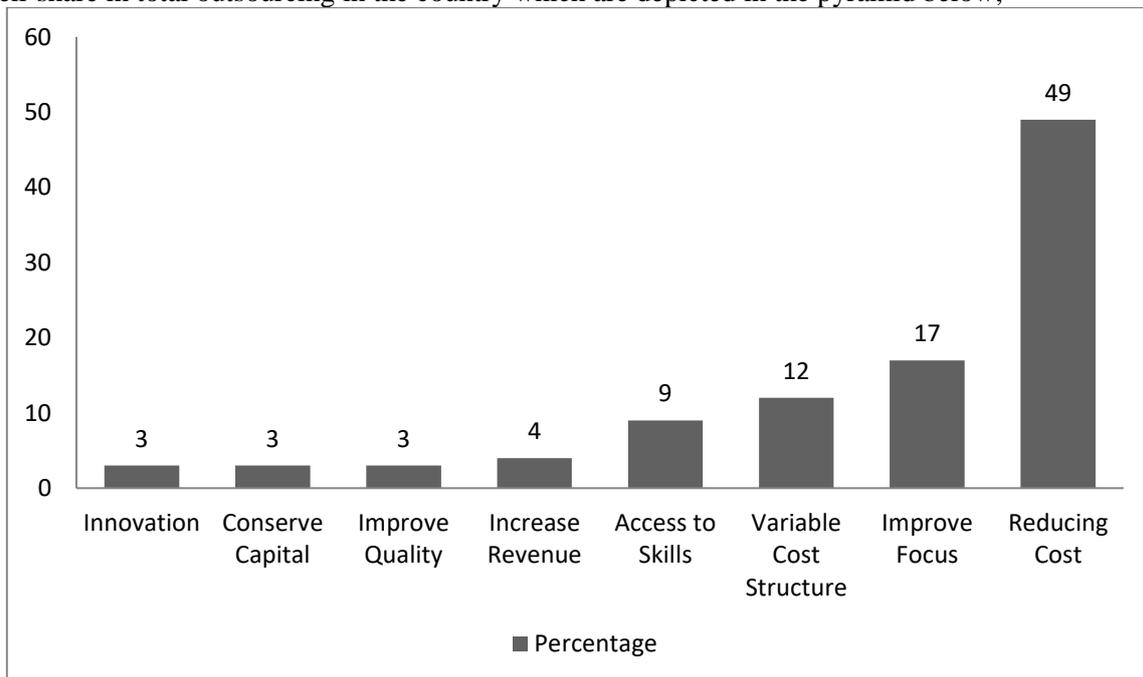


Figure-1.1: Reasons for Outsourcing in Pakistan

Source International Association of Outsourcing Professionals (IAOP), (2004) outsourcing world summit

In Figure 1.1, it is observed that the situation in Pakistan is not different than the rest of the world. Cost reduction is reason behind almost half of the total outsourcing performed in the country, which is followed by company focus on core which is around fifth of the total share (IAOP, 2004). The current chapter of the study focuses on the cases studied to check the outsourcing practices in Pakistan keenly. Initially conceptual framework of the study is explained to describe the core idea of conducting the study. Following the conceptual background is the pattern of conducting the study which clarifies the identity of studying the cases. Later each case is described in detail and lastly a cross case comparison is carried on to highlight the key factors collectively for a better implication to facilitate the textile industry.

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Conceptual Frame Work

In order to understand the outsourcing decision and its factors at firm level, the diagram below explains the concept of how the cases are used to analyze the outsourcing practices and the factors playing behind it; Since the case study analysis is based upon open ended questions, therefore to identify the factors for outsourcing decision, the interviewee at each firm is asked why they outsource. The interview from each firm was semi structured in nature in order to identify the factors at firm level; later these identified factors could be compared between the firms. The section where do they outsource, deals with the preferred outsourcing location i.e. within or beyond the country to know about the location of outsourcing practices in each case, and the last section deals with the firm ownership. The question is to identify the behavior of owner of the firm towards outsourcing practices. Since all of these areas play vital role towards outsourcing decision making.

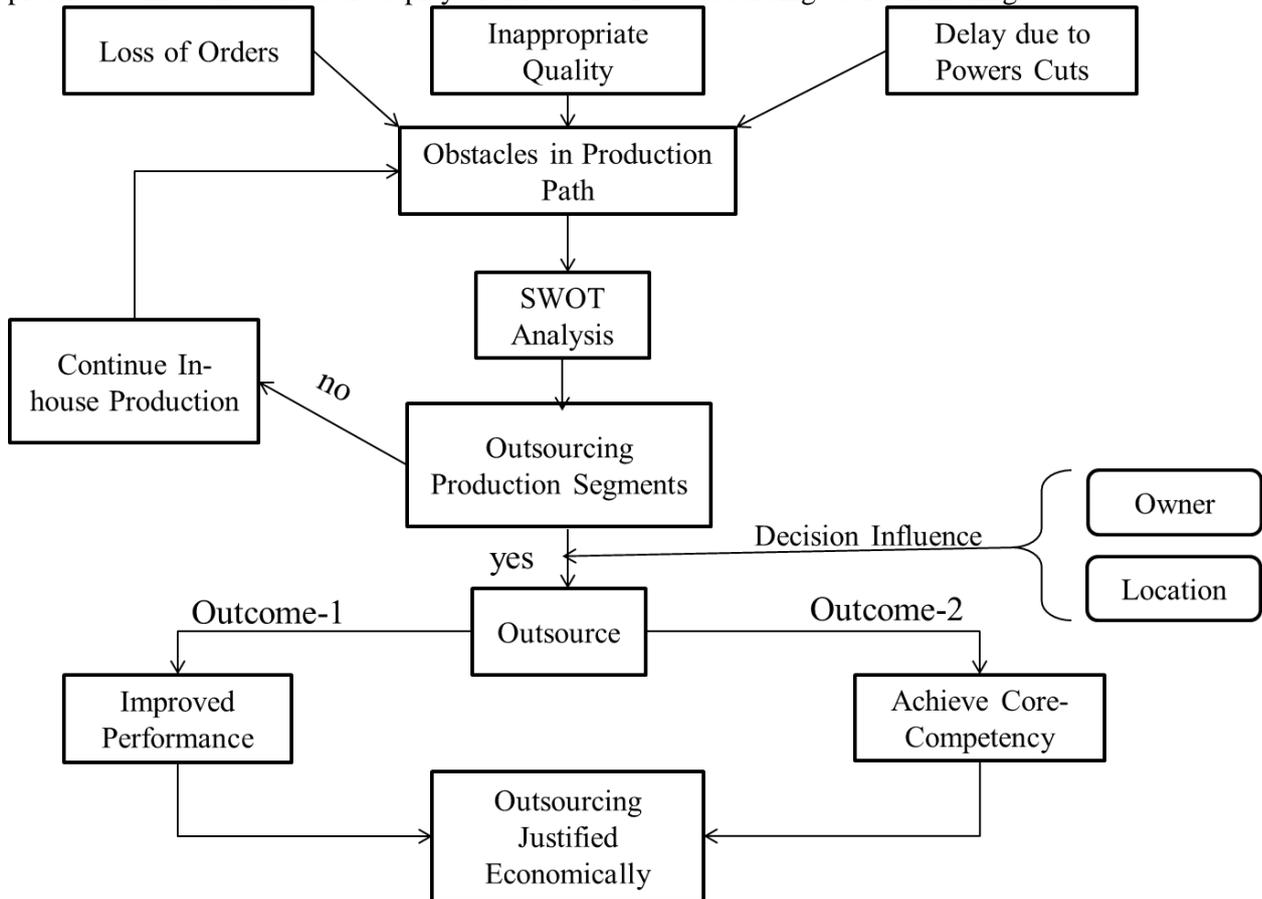


Figure-2.1: Conceptual Model of Outsourcing (Developed for this study)

Figure 2.1 explains the background of outsourcing and real players behind it, the way a firm decides that outsourcing is better option and the factors for it, each one of which is discussed in the literature section of the study. Based upon figure 2.1, an interview was conducted with three giant producers of Pakistan to observe the real outsourcing practices and explore the firm level scenario. Details regarding each case are discussed in the later section of the study.

METHODOLOGY

Case study analysis is a key contributor to identify the success factors contributing towards the successful outsourcing of a firm (Gallaugher & Stoller, 2004). According to Goodman and Press (1995) and Chidamber (2003) developing nations face a number of political, economic and social challenges while outsourcing. The study is to understand how the application of outsourcing is carried out in the third world country like; Pakistan. In order to do so a number of techniques were adopted i.e. site visits, email communication, and content analysis and by doing so the study become able to answer its research questions, discussed in literature section of the study.

Case study analysis helps to observe the phenomenon at individual case (firm) level, to have a clear picture of the scenario. According to Stake (1995) and Yin (2003) case study analysis helps us to

better understand the scenario. A case study analysis could be explained as an investigation of a current phenomenon in real life empirically when the border line between the practical life and the phenomenon cannot be parted easily (Yin, 2003). Therefore, case study analysis technique is adopted for the study. In order to identify the factors responsible for outsourcing and to observe their implementation at firm level, the companies are observed and the practices of outsourcing have been discussed with the people who are involved in decision making process. In order to do so semi structured interviews were arranged.

The idea of semi structured in depth interviews is considered to be supportive in the qualitative research due to its closeness to the research object. Since the outsourcing decision is practiced by the top management of the company i.e. CEOs, General Managers, Operational Managers etc, who feel reluctant in sharing their company information due to confidential issues, an in-depth interview helps the researcher to explain the idea of research and assures the secrecy by having a face to face meeting to the key position holders of the firm. Besides these interviews help to observe the information deeply, the information which is unpublished but is significant to the researcher could be grabbed easily from the senior managers, executives, these interviews also motivate the senior managers to express their observation, experiences, ideas, needs and attitudes towards outsourcing. In his study, Len (1996) used in depth interviews to identify the senior managers' effectiveness and attitude in reporting core business decisions. Since outsourcing is an important management issue and its dealers are the senior executives or managers, it is important to have face to face discussion in order to get the true picture of the scenario.

To perform these interviews, intensive case is taken to select the target firms which could report significant results to accomplish the goal of the research. In the section below, firm selection criterion are discussed in detail.

Firm Selection Criteria

Firm selection is considered to be most crucial task in case study analysis. Care must be taken in finding the target firm for analysis, since entire results based upon the case perceived. Some key factors must be kept in mind before finalizing the case for the study. Goodrick (2014) highlighted some of them as; core objectives for firm selection, structure of the management, firm potential assessment, impact of the firm over market assessment, firm value in industry and approval from the organization.

Keeping in regard all of the factors, the current study is based upon three companies which fulfill these factors significantly. The firms were selected due to their significance in the industry; a number of other factors were also kept in mind in finalizing the firms for the study. They are: huge sized firms (having at least five thousand or above employees), listed companies in the Pakistan stock exchange, having reputation in the textile industry, textile composites, yielding a huge output of significance in the industry, are known as quality producers to their customers, having some history in the industry (at least ten years of being a giant producer) and above all the accessibility to the executive level. Since in the big organizations, having a face to face talk to its top management is hard to achieve without reference.

To conduct this study, top management was focused which is involved in outsourcing decision making process, since nobody knows the ground scenario better than them (Wong & Aspinwall 2005, Palacios-Marqués et al., 2013). An approval was taken for the interview. The interviews were conducted in a systematic way; the detailed procedure is discussed in the section below;

Interview Procedure

The interviews were conducted from June 2018-November 2018 from the selected companies. The companies were selected from the three industrial hubs of the country. Due to lack of time and funds the research has been bounded with three cases. The target companies for the study are the textile composites listed in the Pakistan stock exchange. The reason behind was their giant production and significant market share.

During the interview the respondents were asked a number of open ended questions adopted from the past related literature (Hashm & Mansoor, 2013, John, 2006). Detailed list of the questions is in Appendix. All of the interview session was noted down systematically and were recorded for better understanding of the statements after interview to analyze the phenomena in a better way. The data

collected from the interview was analyzed in a systematic way; the analysis method is described in detail in the following section.

ANALYSIS OF THE INTERVIEW DATA

Langley's (1999) proposed the idea of theorizing a recorded interview, which is adopted in the current study. Based upon a uniform set of questions reported in Appendix of the study each and every statement of the interview was recorded in written. Later on, to avoid biasness in the results, triangulation methodology was adopted (Denzin, 1970). In the study he states that the interview information was reviewed along with the related published documents. In this study, financial statements, official website, economic survey of Pakistan helped to achieve the reliability in the case study approach.

(Face to face) Semi structured interview technique was considered to be ideal for this approach due to the existence of open ended questions in it. These open ended questions allow the interviewee to express his idea and knowledge based upon experience along with unforeseen future dimensions of the research. The in depth interview idea motivated the study to collect details regarding the firm before meeting the interviewee to better understand and analyze the outsourcing practices in the company. Contextual information was gathered regarding outsourcing factors prior making the interviews.

The answers to the listed questions were used to analyze the outsourcing factors in Pakistan. Each case is deeply described in coming section of the chapter. Each case is analyzed qualitatively in the study (Bishop et al., 2008; Mc Adam & Keogh, 2004; and Baptista et al., 2006). After describing the firm practicing at individual level, a comparative analysis is made to identify the factors causing outsourcing in majority of the firms. According to Greaver (1999) each company's case is examined with appropriate outsourcing methodology.

As the purpose of the interview was reported to the target firm at the time of taking appointment and their anonymity was guaranteed, the interviewees were aware of the research. Their responses were noted on a designed notebook in a systematic way (Suter, 2012). The duration of each interview lasted between thirty to forty minutes. After each interview all of the points were scrutinized and collated with the printed information about that company i.e. official website of the company, economic survey of Pakistan. The names of the firms are kept unknown due to confidentiality reasons. Inductive research method has been adopted to analyze the case (Zieba et al, 2016).

Individual Case Analysis

Case one

The firm is a part of current study due to its significant features i.e. its increasing vision towards growth as the company profits raised by 22% in period of 2017-18, which makes its significant in adding notable contribution towards the research. The company is one of the giants producing companies in the country with an average annual production of seventy million meters of fabric which is later converted in to garments with the help of outsourcing. Since, it is among the major textile producers and exporters in the country. Besides the firm holds a major market portion and good will among its customers, not only this but is also involved in outsourcing practices since years.

Case selection criteria

The company selected for the study is regarded as "Economically Significant Company (ESC) in the country. It is considered to be among the leading textile manufacturer as well as exporter of Pakistan (10% growth in exports). Its outsourcing activities play substantial role in making her competitive (Qu & Oh, 2011). The firm is a textile composite i.e. the textile firm is vertically integrated in nature performing entire operations i.e. from spinning to weaving. The company has a wide range of product line i.e. synchronized concepts in bed linen, curtains, bed spreads, kitchen accessories, table linen, formal and casual clothing for children, men, women which meet the global standards in both quality and designs, employing around seven thousand labor force. The firm's location makes it more attractive to be part of the study, as it is situated in the industrial hub of Pakistan. The production capacity of the firm is considered to be huge like other major producers of the country (APTMA, 2018), which highlights its significance in the market. The selected firm is also certified with a number of quality awards i.e. ISO 90001, ISO 140001, WRAP, Oeko-Tex Standard 100, C-TPAT, OHSAS 18001.

The firm was selected as it met all requirements of research area, the firm show up to perform outsourcing in the research relevant areas, the firms allowed to conduct an embedded study. The firm is involved in outsourcing practices for more than ten years which makes easy to identify the key factors responsible for outsourcing for such a long time. Above all, the director of operations of the company agreed to share his valuable experience and observations about the outsourcing practices for the research.

Observation of the outsourcing scenario

Before going through the in depth interview with the director, prior study was conducted regarding the structure of the organization i.e. its financial performance to analyze the profit trends, departmental structure to have better understanding of the division of activities and the channel of their performance, the environment of the firm by talking to some employees to understand further about the organization outsourcing practices and its core factors.

A semi structured interview was requested to the director operations, who explained that firm has been outsourcing different business functions i.e. spinning, weaving, garment manufacturing activities at about less than thirty percent, but printing, dyeing and finishing has been outsourced cent per cent due to a number of reasons. Saving of cost was reported to be the most significant factor after company focus; the interviewee reported that the company enjoys comparative advantage in textile weaving; due to availability of some efficient labor the firm enjoys economies of scale via specialized labor. Whereas dyeing is considered better to be outsourced due to heavy cost of machinery and its handling seems to be taking much of the financial share. Some other reasons that came in his mind during discussion were the power shortage, political disturbance, he remarked it as a major inducer of outsourcing of dyeing segment, since its technical nature causes a major loss of resources in case of a sudden power break. He added that many of the firms have started outsourcing this production segment particularly due to power cut. And the instable policies are also affecting the firm i.e. workers and their links with political parties strikes, demonstrations disturb working environment of the company. On a question regarding performance appraisal due to outsourcing, his comments were supportive, as much of operational costs are reduced by outsourcing some non-core activities.

While filling up the questionnaire, he supported the outsourcing of company's HR activities to the HR consultancy firms. The main reason behind is the contract nature offered by the consultants make it affordable to hand over entire department to them instead of hiring the specialists and keeping the activity in-house. In this way the administrative costs are reduced and firm revenue is positively affected. Since maintenance of quality in human capital was an expensive task for the company to perform itself.

While asking about quality assistance due to outsourcing, the interviewee nodded in favor of better performance which was proved by increased company profits. The location preferred for outsourcing was the home country, the main reason behind was the same as suggested by transaction cost economics i.e. least transaction cost. Another reason highlighted was the organizational culture, working environment, and above all the custom duty and import taxes make it costly to outsource beyond the borders. China and Bangladesh were reported to be preferred nations for outsourcing in case of any trade opportunity availability to offshore.

The firm was privately owned in nature therefore its owners are in the top management who is responsible for major decisions and they opt for outsourcing. The core factors behind outsourcing are described in the Table 4.1 along with the others. Luckily the individual case resembles with the study's selected factors.

Case two

This case study is about one of the giant textile composites of Pakistan. The company profits increased by 17% in 2017-2018, due to its reputation in market along with its market share (exports raised by 12%), it is considered to better represent the outsourcing practicing scenario in the country.

Case selection criteria

This textile composite is a well-known giant producer of a series of textile range including; woven yarn, blended cotton, 100% cotton, bed linen, fabric, kitchen, made up, curtains, garments etc. It captures great market share and is located in one of the industrial cities of Pakistan. The company engages more than five thousand employees, and has a great history behind. Above all the chief executive accepted the appointment after a huge struggle. The details about the practices regarding outsourcing are in the section below;

Observation of the outsourcing scenario

It was a semi structured interview composed of a set of pre designed, open ended questions adopted from some past related literature. Since it was not a business peak time, so probability of having the interviewee in great rush is less comparatively. Prior study regarding the organization's multiple features like; financial performance, departmental structure, hierarchy, revenue trends, culture or working environment etc. helped to conduct the interview in a better way as it was easy to know the background of the outsourcing practices in the company.

The interviewee identified outsourcing as a good substitute of getting things done in a better way instead of using more resources and performing in-house. He stated that the company has adopted this strategy for about nine years. Initially it was confusing whether to trust some third party or not, as the company enjoys great reputation in the market so quality assurance was the prior concern. By starting the minor level outsourcing to a critically observed client, a trust was developed, and the relationship is becoming healthier as the company now outsources entire segment of textile dyeing to its trusted clients. The prime reason behind was the maintenance cost of the equipment involved in it. Plus to meet increasing market demand some portion of garment stitching is outsourced as well. The company is satisfied from its outsourcing partner at present due to increasing profits, he added.

In area of administrative activities, the company prefers outsourcing its branding i.e. marketing to marketing agency in order to avoid huge hoarding costs and spare time to focus on its core activities like, spinning, weaving, and manufacturing. Human capital is a great asset to an organization; the executive supported the view by talking about technicalities involved to manage this valuable resource. The company hires consultancy of HR consultants to make most of its human capital. The reason behind getting consultancy was the heavy salaries of hiring the consultants in-house permanently. Employee training and management is a technical job and in such a huge company the things go controversial easily, so outsourcing of human resource management has proved to bring better employee satisfaction at an allocation of fewer resources comparatively.

Outsourcing has no wondered helped the company to focus on its core business processes and is supportive to achieve competitive advantage in production, he agreed and added that the financial resources vacated and space availability make easy to upgrade the manufacturing segment by installing some better equipment. Labor efficiency is another edge that the organization found as it needs not to train the labor for the outsourced segment.

The company outsources the above discussed activities in the country to the local suppliers, mainly due to less cost of transaction. It would prefer Bangladesh and China for outsourcing due to trade benefits but due to the tax policies of the state do not encourage off shoring to support local institutions. Therefore in order to avoid heavy tax burden of import and export along with the risk of cultural and environmental diversification, local suppliers are preferred at most. However some HR experts from Europe were hired for training the staff, but these practices are seldom observed in the history of the company.

The company is owned by a family and is private in nature, therefore it intends towards making better profits and the top management of the firm is in favor of outsourcing agreements to generate profits, and avoid the risks. Another interesting point that he raised during discussion was the rapidly growing inflation in the economy is creating problems in the outsourcing contracts, the suppliers quote high prices due to the unseen inflation rates shoot ups, which raises production cost and discourages profits, further he added that power cut has reduced production overall, since the case belongs to a huge composite with their own power production plant, otherwise it would have suffered bitterly.

In identifying factors for outsourcing, quality enhancement headed the rest. The rest of the factors highlighted are discussed in the Table 4.1. The interviewee concluded in favor of outsourcing practices due to achievement of better profits along with the quality. Since the company possess a number of internationally acceptable quality awards which it needs to maintain to stay in its position in the market.

Case Three

The company selected to study as a case for this study belongs to the city of textiles, it is known for high quality fashion made ups in the market mainly. It is a textile composite with a number of years of

experience and remarkable market position i.e. it enjoyed 96% profit raise in 2018 expressing its efficient production motives.

Case selection criteria

The textile mill is considered to be best representative of the outsourcing practices in the textile industry of Pakistan on a number of ground reasons, the leading reasons are; it engages around seven thousand and five hundred workers for maintaining its million unit output. The company is manufacturing its output which is sold under fewer than eight famous brand names in the country and abroad. The product line of the company includes a number of products like; trousers, shirts, jackets, skirts, shorts, twill fabric etc. The company products are known due to their quality, as the company is awarded with a number of quality awards i.e. ISO 9001, ISO 14001, OEKO-TEX 100 etc. And above all the operational manager of the company agreed for the interview after using some personal references.

Observation of the outsourcing scenario

The interview with the manager comprised of a number of open ended questions adopted by previous literature to assess the related scenario, it was a semi structured sort of interview to observe the vision of the organization about outsourcing. Prior study regarding financial performance helped to inquire about the outsourcing contribution towards company's increasing profit, the manager responded in a positive way that since outsourcing is helping the company to reduce its operational cost, which ultimately raises profit margins. The basic objective to outsource is to minimize the production as well as operating costs. The unexpected raise in the inflation rates are so frequent that it becomes challenge to retain healthy contractual relationships with the suppliers along with buyers, said the interviewee. Power cuts have also troubled the production speed at initial stages, since the company is one of the industry mega producers so it has to set up its own plant to meet its demand.

The company has started outsourcing for about thirteen years ago, by outsourcing its human resource management to HRM consultancy firm, it was noticed that having a consultant full time employed in-house was costly and establishing entire HR managing department would occupy a number of resources that could be used to train employees in specializing them, later marketing was also outsourced to marketing companies who have comparative advantage of doing so a less cost and with better quality. The manager added that the company not only outsources administrative activities but some portion of manufacturing sector has also been outsourced to some local suppliers who enjoy economies of the scale and can produce better quality at lower cost.

The company has been outsourcing some manufacturing segments (weaving) to China but only up to a limited scope due to heavy taxes and state policies; therefore, to avoid heavy transaction cost most of the outsourcing partners belong locally, to whom dyeing and weaving is outsourced, reported manager while asking about the location for outsourcing. However, he added if the state policies support the industry with some subsidies or tax cuts than it would prefer to outsource some production segments i.e. dyeing, spinning to China and Europe for achievement of better quality and advanced technology. However, HR, Marketing outsourcing partners would remain in the country in order to avoid cultural, business environment diversity. Besides this political situation of the country is also not in favor of industrial development its instability hits the industrial stability as well.

The company is a privately owned family business, some part of shares belong to the state, but the top management is private, and the owners of the company opted for outsourcing and still aim to continue it due to its unavoidable benefits i.e. reducing cost of production allows to generate better profits and grab the market share, the company is able to focus on its cores (manufacturing, spinning) as some non-core activities like HRM and marketing have been outsourced which vacates number of resources, and company is specializing, enhancing output quality as comparative advantage is gained in manufacturing by training employees in a specialized area. The manager further added that outsourcing has helped to retain the control over the production process and gain specialty in certain production area. The company enjoys a great market position so its outsourcing partners have a contractual obligation of quality production. The manager concluded his talk by stating that the company would continue to perform outsourcing until it is gaining cost benefit and an edge to focus on its major production line along with the quality assurance.

A Cross Case Analysis of the Factors for Outsourcing

In analyzing the cases the following factors appeared to be significant in every case;

- **Cost Cutting Tool;** cost cut is considered to be major outsourcing factor behind outsourcing (Claus et al, 2015; Hu et al., 1997). The factor has been found of significant importance to build the foundation for outsourcing. Especially case three has been enjoying major cost cuts due to outsourcing practices since a number of years.
- **Quality Enhancement;** quality is one of the basic motive for outsourcing along with time and cost (Baldwin et al, (2001); Zhu, 2016). Since all three selected cases are mega producers and market holders of the country, therefore quality of output is on their supreme priority. The firms outsource to the third party on the condition of getting better quality in return.
- **Focus on Core;** the firms outsource their non-core business activities in order to focus upon their core business activities which help them to specialize and become expert of their field (Enrique, 2002; Maelah et al, 2012). The study proves that focus on core business is achieved after a company outsources its non-core business to third party. In all of the cases it is reported that delegating some of the business tasks i.e. dyeing of textiles or HRM to a specialist supplier not only yields better output but also vacation of the resources alike; cost, space etc. allows the firm to specialize in their core business processes.
- **Firm Ownership;** these are the owners of the firms who are supposed to decide to outsource or not, what, where and how much to outsource (Suweero et al, 2017; Renzetti, and Dupont, 2004). The statement seems to be true for all of the cases studied in Pakistan, where top management belong to firm's owners, and they opt to outsource to achieve better profits.
- **Economical Location;** Jensen, et al, (2011) and Kim (2016) highlighted the features which make a location attractive for outsourcing. All of the features are seen true in the textile sector of Pakistan, the firms outsource within the country in order to avoid cultural, business environment diversity, less transaction cost, language diversity etc.
- **Energy Shortage**
According to Handley and Benton (2012), power shortage is also vital motivating factor behind outsourcing as found in the cases above. Along with the below mentioned major factors the interviewee from each case also pointed out some other factors for taking decision to outsource. Table 4.1 enlists a number of those factors; Shortage of in-house resources, political conditions and power shortage is motivating the firms to go for outsourcing as it vacates internal resources that could be used to produce major business activities (Gereffi, 2018), in order to achieve better operational performance it is important to gain technological skills, by cost cuts to avail capital for central business tasks that could be produced with better quality. All three firms reported these factors as contributors for the outsourcing in their business performance. All of the factors seem to be influencing the outsourcing decision of the firms, firm two reported a different reason "over burden of management could be shaded by outsourcing" since it is a firm with huge number of employees, in order to maintain the head count employment, the firm considers outsourcing to be best remedy.

Table No.1 Factors behind outsourcing observed in the firms during individual analysis

Outsourcing decision Factors	Firm 1	Firm 2	Firm 3
Access to better capabilities	✓	✓	
Political crises	✓		✓
Shortage of power	✓	✓	✓
Heavy duties		✓	✓
Reducing burden of management		✓	
Saving time for core activities	✓		✓
Management sections complex in nature	✓		✓
Efficiency increases	✓	✓	
Better operational performance	✓	✓	✓
Changing state policies	✓		✓
Acquiring new technical skills	✓	✓	✓
Overall cost economies	✓	✓	✓
Capital availability for core activities	✓	✓	✓
Reduces head count of employees	✓		✓

Tax benefits	✓	✓	
Production quality is improved	✓	✓	✓
Improves quality requirements	✓	✓	✓
Political environment of the country	✓		✓
Handling power shortage		✓	✓

CONCLUSION AND RESEARCH IMPLICATION

A significant sum of knowledge can be learnt from the study regarding outsourcing and the core factors behind it in the Pakistani textile industry. The study comes up not only with the core reasons behind outsourcing in the textile industry but also with the problems faced by it. “A wider scope of skill and knowledge” is the cause that generates variety of factors for outsourcing. Therefore, understanding the ground reasons could be achieved by viewing these factors of the study, to grab core essence of outsourcing.

It was observed that due to energy shortage the cost of production was increased so the firms needed to outsource dyeing segment mainly in the manufacturing line and HRM and marketing in services side so as to make the most of it within limited resources. Quality enhancement and specialization too found to be major motivating factor behind outsourcing. China and Bangladesh were found to be most attractive locations for outsourcing due to availability of better technology and least transaction cost. Still most of the firms perform in land outsourcing due to heavy custom duty and unfavorable state policies. Since the firms are privately owned so outsourcing was preferred for profit motives.

Research Limitations: The study belongs to textile industry of Pakistan, though the industry is regarded as backbone of the economy, there could be more industries i.e. sugar, cement, sport goods etc. which would have broaden the area of research. Moreover, there could be cross comparison between manufacturing and services sector of Pakistan. Since there is a large research gap in this field a cross country analysis of Pakistan and Malaysia/Bangladesh would add more to the literature from developing countries perspective regarding outsourcing.

Research Implications: In today’s competitive world the companies face a cut throat competition, i.e. survival of the fittest. Outsourcing decision could help the companies to do so. In such a case the management of the companies ought to have significant grip upon the pros and cons of outsourcing and factors behind it. If outsourcing is not performed in efficient manner the company’s economic resources will be squandered. The variety of factors discussed in the paradigm of Pakistan will help the managers of the companies to perform better.

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Appendix

Case Study builds up:

The case study was structured by asking following questions to the interviewee

Interview Framework

1. What are the main factors that derive the firm to outsource?
2. Is outsourcing helping the company to improve its performance?
3. How the revenue of firm is increased by outsourcing?
4. What costs are reduced due to outsourcing?
5. Which main business functions are outsourced?
6. Is geographic location of the outsourcing party concerned significant for outsourcing?
7. Which location is most preferred to outsource? Reasons for it?
8. What are the main objectives behind outsourcing?
9. How is the business ownership supportive in making decision to outsource?
10. Are there any success/ failure factors behind outsourcing decision?
11. Is outsourcing helping your business to gain competitive advantage i.e. quality improvement or gaining business focus etc.?