



An Investigation of the Benefits of Using Outsourcing for Apparel Companies

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HIGHLIGHTS

- > This study provides information about the benefits of outsourcing, especially for clothing companies.
- > While the primary benefit of the outsourcing method is to “focus on basic abilities”, research results have shown that the most important benefits of outsourcing today are “reducing costs” and “overcoming the demands beyond capacity”.

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ABSTRACT

Local and international competition, economic crisis and lack of resources have prompted companies to look for different ways. Because of that, instead of performing all of the production functions, the companies concentrated on some of them and started to realize most of them through outsourcing. As a result, large manufacturing companies have been transformed into small workshops and are generally focused on management functions. The most important factor in the realization of this is outsourcing, and the companies continue to carry out their production activities with fewer employees, higher production volumes, cheaper and lower risks. Outsourcing provides great benefits for companies. In this study, a survey was conducted to investigate the benefits of outsourcing for apparel companies and the data obtained were evaluated. Research results have shown that the most important benefits of outsourcing today are “reducing costs”, “overcoming the demands beyond capacity”.

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1. Introduction

The increasing importance of efficiency day by day, the rapid changes and developments in information, technology and communication have forced companies to use new methods and techniques of today's conditions [1].

The attempt to produce with lower cost caused by local and global competition with the global economic crisis has

pushed especially labour-intensive sectors to new production methods [2].

Cost is the most important element in making product decisions and the main subject for companies. Production companies want to obtain maximum profit with minimum input. Because the savings in production without compromising on quality will positively influence costs. Thus, the production cost of the companies will decrease and their competitiveness will increase [3, 4].

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Outsourcing is a method that has ensued as a result of this and similar reasons and is used by all companies today.

Production is to bring together the production factors (man, machine, material) to produce goods or services in order to provide requirements for human needs [5].

Outsourcing is to make all or a part of the production of the main company according to the main company's priority and principals [6].

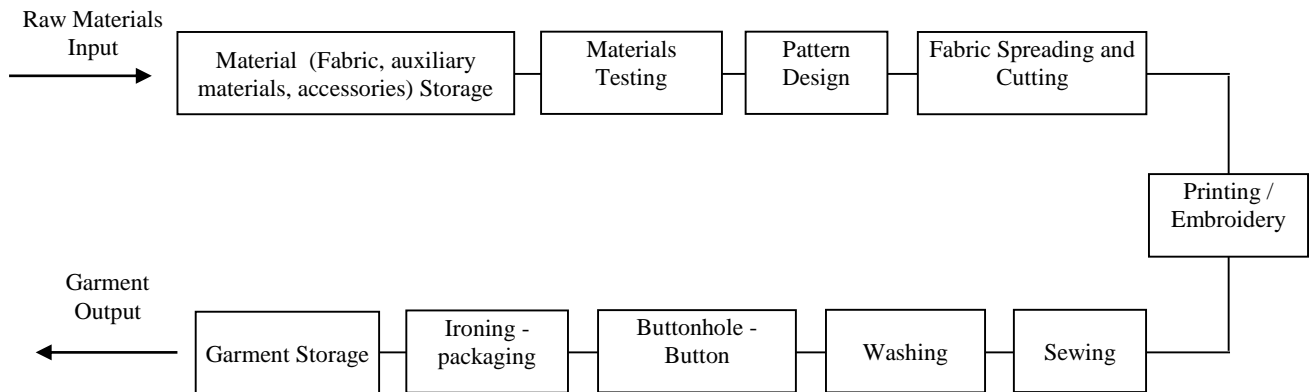


Figure 1 Flow chart of Apparel Production

According to Halbach's definition outsourcing is an agreement between two manufacturing units; with reference to this, one of the parties (subcontract work-shop) supplies the products (part of the final product or final product) to the other party (main company) within determined period and conditions [7].

These products are used or marketed by the main company on their own responsibility. Outsourcing may include the processing, transformation or final processing of materials or parts as required by the main company [7].

Companies prefer to supply some of their own production functions from other companies (outsource companies) to be a better company. In addition, some of these functions have high edit value [8].

Nowadays, most of the companies prefer to produce low cost and high-quality parts which are practical and easy, while they supply the rest of the parts from other companies which have the ability to produce in the best conditions in terms of quality and cost [9].

The ready-made clothing sector is a labour-intensive sector. In addition, when the garment production process is examined, it is seen that it is very complex and very long. For such reasons, outsourcing is a very important and useful method for apparel companies. Figure 1 shows flow chart of apparel production [1].

Apparel companies can use outsourcing method in the entire production process and also one or several of the aforementioned processes at the same time [2, 10].

There is a lot of information in the theoretical resources about the benefits of outsourcing. These benefits are ranked under the following 17 titles;

1. Increasing flexibility
2. Focusing on basic abilities (Core activities)
3. Reducing risks
4. Increasing quality
5. Downsizing of organization
6. Reducing cost
7. Increasing product range

8. Uncontrollable functions
9. Saving time
10. Increasing productivity
11. Being involved among successful enterprises
12. Renewing process
13. Wide and flexible resource pool
14. Redistributing resources
15. Resource transfer
16. Following technological innovations
17. Overcoming the demands beyond capacity [9, 11–15].

The advantages attained were addressed to the companies within the scope of the study. The companies were asked about which advantages were important for them and also asked to rank these advantages according to their order of importance starting from number 1.

The study aims to reveal which of the known advantages of outsourcing are more important for apparel companies.

2. Material and Method

In this research, a survey is conducted among the first 500 companies in the garment industry which are determined each year by Istanbul Chamber of Commerce. Survey results analysed and evaluated with SPSS programme.

In the scope of the research, 15 apparel companies that use outsourcing were offered 17 different alternatives on benefits of outsourcing and were asked to rank these benefits in order of importance.

3. Results and Discussion

Following are the frequency tables of each of the 17 options concerning the question, "What are the benefits of outsourcing for your company?" which was addressed to the apparel companies.

Table 1 What are the benefits of outsourcing for your company? (Increasing flexibility)

Increasing flexibility	Frequency	Percent	Valid Percent
1. priority	1	6.7	7.7
2. priority	5	33.3	38.5
3. priority	3	20.0	23.1
5. priority	3	20.0	23.1
9. priority	1	6.7	7.7
Total	13	86.7	100.0
Missing System	2	13.3	
Total	15	100.0	

Examining Table 1; 13 companies within the scope of the study responded to and prioritized the option of “Increasing flexibility”. Considering the answers to that question; according to the 5 companies constituting 38,5% of the companies, the option of “Increasing flexibility” ranked second in terms of priority.

Table 2 What are the benefits of outsourcing for your company? (Focusing on basic abilities (Core activities))

Focusing on basic abilities (Core Activities)	Frequency	Percent	Valid Percent
1. priority	1	6.7	33.3
4. priority	1	6.7	33.3
8. priority	1	6.7	33.3
Total	3	20.0	100.0
Missing System	12	80.0	
Total	15	100.0	

Examining Table 2; 3 companies within the scope of the study responded to and prioritized the option of “Focusing on basic abilities”. Considering the answers to that question; every one of the companies ranked the option of “Focusing on basic abilities” first, fourth and eighth, respectively at the rate of 33,3%.

Table 3 What are the benefits of outsourcing for your company? (Reducing risks)

Reducing risks	Frequency	Percent	Valid Percent
2. priority	1	6.7	25.0
6. priority	2	13.3	50.0
7. priority	1	6.7	25.0
Total	4	26.7	100.0
Missing System	11	73.3	
Total	15	100.0	

Examining Table 3; 4 companies within the scope of the study responded to and prioritized the option of “Reducing risks”. Considering the answers to that question; according to the 2 companies constituting 50% of the companies, the option of “Reducing risks” ranked sixth in terms of priority.

Table 4 What are the benefits of outsourcing for your company? (Reducing cost)

Reducing cost	Frequency	Percent	Valid Percent
1. priority	6	40.0	42.9
2. priority	2	13.3	14.3
3. priority	2	13.3	14.3
4. priority	2	13.3	14.3
5. priority	2	13.3	14.3
Total	14	93.3	100.0
Missing System	1	6.7	
Total	15	100.0	

Examining Table 4; 14 companies within the scope of the study responded to and prioritized the option of “Reducing cost”. Considering the answers to that question; according to the 6 companies constituting 40% of the companies, the option of “Reducing cost” ranked first in terms of priority.

Table 5 What are the benefits of outsourcing for your company? (Increasing product range)

Increasing product range	Frequency	Percent	Valid Percent
3. priority	2	13.3	25.0
4. priority	2	13.3	25.0
5. priority	2	13.3	25.0
6. priority	2	13.3	25.0
Total	8	53.3	100.0
Missing System	7	46.7	
Total	15	100.0	

Examining Table 5; 8 companies within the scope of the study responded to and prioritized the option of “Increasing Product Range”. Considering the answers to that question; every two companies ranked the option of “Increasing Product Range” third, fourth, fifth and sixth, respectively at the rate of 25,0%.

Table 6 What are the benefits of outsourcing for your company? (Saving time)

Saving time	Frequency	Percent	Valid Percent
2. priority	4	26.7	50.0
3. priority	1	6.7	12.5
6. priority	2	13.3	25.0
7. priority	1	6.7	12.5
Total	8	53.3	100.0
Missing System	7	46.7	
Total	15	100.0	

Examining Table 6; 8 companies within the scope of the study responded to and prioritized the option of “Saving time”. Considering the answers to that question; according to the 4 companies constituting 50% of the companies, the option of “Saving time” ranked second in terms of priority.

Table 7 What are the benefits of outsourcing for your company? (Increasing productivity)

Increasing productivity	Frequency	Percent	Valid Percent
3. priority	1	6.7	25.0
4. priority	2	13.3	50.0
7. priority	1	6.7	25.0
Total	4	26.7	100.0
Missing System	11	73.3	
Total	15	100.0	

Examining Table 7; 4 companies within the scope of the study responded to and prioritized the option of “Increasing productivity”. Considering the answers to that question; according to the 2 companies constituting 50% of the companies, the option of “Increasing productivity” ranked fourth in terms of priority.

Table 8 What are the benefits of outsourcing for your company? (Being involved among successful enterprises)

Being involved among successful enterprises	Frequency	Percent	Valid Percent
4. priority	1	6.7	33.3
6. priority	1	6.7	33.3
8. priority	1	6.7	33.3
Total	3	20.0	100.0
Missing System	12	80.0	
Total	15	100.0	

Examining Table 8; 3 companies within the scope of the study responded to and prioritized the option of “Being involved among successful enterprises”. Considering the answers to that question; every one of the companies ranked the option of “Being involved among successful enterprises” fourth, sixth and eighth, respectively at the rate of 33,3%.

Table 9 What are the benefits of outsourcing for your company? (Uncontrollable Functions)

Uncontrollable Functions	Frequency	Percent	Valid Percent
2. priority	1	6.7	33.3
3. priority	1	6.7	33.3
7. priority	1	6.7	33.3
Total	3	20.0	100.0
Missing System	12	80.0	
Total	15	100.0	

Examining Table 9; 3 companies within the scope of the study responded to and prioritized the option of “Uncontrollable functions”. Considering the answers to that question; every one of the companies ranked the option of “Uncontrollable Functions” second, third and seventh, respectively at the rate of 33,3%.

Table 10 What are the benefits of outsourcing for your company? (Wide and flexible resource pool)

Wide and flexible resource pool	Frequency	Percent	Valid Percent
1. priority	1	6.7	16.7
2. priority	1	6.7	16.7
4. priority	4	26.7	66.7
Total	6	40.0	100.0
Missing System	9	60.0	
Total	15	100.0	

Examining Table 10; 6 companies within the scope of the study responded to and prioritized the option of “Wide and flexible resource pool”. Considering the answers to that question; according to the 4 companies constituting 66,7% of the companies, the option of “Wide and flexible resource pool” ranked fourth in terms of priority.

Table 11 What are the benefits of outsourcing for your company? (Overcoming demands beyond capacity)

Overcoming demands beyond capacity	Frequency	Percent	Valid Percent
1. priority	6	40.0	46.2
2. priority	1	6.7	7.7
3. priority	4	26.7	30.8
4. priority	1	6.7	7.7
5. priority	1	6.7	7.7
Total	13	86.7	100.0
Missing System	2	13.3	
Total	15	100.0	

Examining Table 11; 13 companies within the scope of the study responded to and prioritized the option of “Overcoming demands beyond capacity”. Considering the answers to that question; according to the 6 companies constituting 46,2% of the companies, the option of “Overcoming demands beyond capacity” ranked first in terms of priority.

Table 12 What are the Benefits of Outsourcing for Your Company? (Downsizing of organization)

Downsizing of organization	Frequency	Percent	Valid Percent
3. priority	1	6.7	100.0
Missing System	14	93.3	
Total	15	100.0	

Examining Table 12; 1 company within the scope of the study responded to and prioritized the option of “Downsizing of organization”. Considering the answers to that question; only one of the company within the scope of the study ranked the option of “Downsizing of organization” third.

Table 13 What are the benefits of outsourcing for your company? (Resource transfer)

Resource transfer	Frequency	Percent	Valid Percent
4. priority	1	6.7	100.0
Missing System	14	93.3	
Total	15	100.0	

Examining Table 13; 1 company within the scope of the study responded to and prioritized the option of “Resource transfer”. Considering the answers to that question; only one of the company within the scope of the study ranked the option of “Resource transfer” fourth.

The remaining options of “Following technological innovations”, “Increasing quality”, “Renewing process” and “Redistributing the resources” were not marked as the advantages of outsourcing by the companies which participated in the study.

4. Conclusions

A questionnaire was applied to 15 apparel companies concerning the advantages of outsourcing and their results were evaluated. 17 advantages were presented to the companies within the scope of the questionnaire and the companies were asked to rank these advantages starting from number 1. Table 14 shows all the results collectively.

Table 14 Results

Benefits	Priorities								
	1.	2.	3.	4.	5.	6.	7.	8.	9.
Increasing flexibility	1	5	3		3				1
Focusing on basic abilities	1			1				1	
Reducing risks		1				2	1		
Reducing cost	6	2	2	2	2				
Increasing product range			2	2	2	2			
Saving time		4	1			2	1		
Increasing productivity			1	2			1		
Being involved among successful enterprises				1		1		1	
Uncontrollable functions		1	1				1		

Wide and flexible resource pool	1	1		4					
Overcoming demands beyond capacity	6	1	4	1	1				
Downsizing of organization			1						
Resource transfer				1					
Following technological innovations									
Increasing quality									
Renewing process									
Redistributing resources									
Total	15	15	15	14	8	7	4	2	1

In the light of the findings acquired; every six companies ranked the options of “Reducing cost” and “Overcoming demands beyond capacity” first. This shows that the leading advantages of outsourcing in terms of apparel companies are “Reducing cost” and “Overcoming demands beyond capacity”.

Also according to the study results; every one of the companies ranked the options of “Increasing flexibility”, “Wide and flexible resource pool” and “Focusing on basic abilities” first.

Examining the advantages ranking second; the companies selected the options of “Saving time”, “Reducing risks” and “Uncontrollable functions”.

Examining the advantages ranking third; the companies selected the options of “Increasing product range”, “Increasing productivity” and “Downsizing of organization”.

Examining the advantages ranking fourth; the companies selected the options of “Being involved among successful enterprises” and “Resource transfer”.

In parallel with these results, the advantages of outsourcing for apparel companies can be ranked according to the order of importance as follows.

1. Cost reduction
2. Overcoming demands beyond capacity
3. Increasing flexibility
4. Wide and flexible resource pool
5. Focusing on basic abilities (Core activities)
6. Saving time
7. Reduce risks
8. Uncontrollable functions
9. Increasing product range
10. Increasing productivity
11. Downsizing of organization
12. Being involved among successful enterprises
13. Resource transfer

The remaining four options were not evaluated as advantages by the companies.

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