

THE IMPACT OF OUTSOURCING ON THE PERFORMANCE OF ORGANIZATIONS IN THE SRI LANKA APPAREL INDUSTRY

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The Sri Lankan apparel industry is facing new challenges such as high competition in the global market, increasing the cost of production and withdrawals of GSP Plus. Most organizations in the apparel sector have already undertaken outsourcing strategies as a solution to overcome the existing challenges. This study was designed to explore what types of activities apparel organizations normally outsourced, the reason for undertaking outsourcing and to identify problems that may be encountered during the period of outsourcing. In addition, this study examined the relationships between outsourcing of production related activities and organizational performance. Further it sought the impact of production related activities on performance of organizations in the Sri Lankan apparel industry.

There are about 638 garment manufacturers registered in the Western Province. The study selected the Western Province due to its high population and on the number of employees and annual turnover. This study consisted of 55 apparel organizations as the sample. Data collection was based on a questionnaire with 10 questions including two open ended questions. Questions were based on the reasons and problems of outsourcing, measuring the impact and relationship between outsourcing and performance measures including productivity, cost efficiency, quality, lead time and profitability. Correlation analysis and Regression analysis were used in testing hypotheses and attaining the objectives of this study. To measure the relationship between independent variable and dependable variable, the study used Pearson Correlation. Linear and Multiple Regression Analysis were carried out to identify the causal relationship between the independent variable and the dependent variable and variance of dependent variable due to independent variable.

The study revealed that outsourcing of production related activities had an impact on productivity, cost efficiency, quality, lead time and profitability and that a positive relationship with productivity, cost effectiveness, quality, lead time and profitability will lead to improvement in organizational performance in the Sri Lankan apparel industry. The study concluded that outsourcing of production related activities has an impact on the performance of organizations in the Sri Lankan apparel industry.