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The Benefits of the Outsourcing Strategy as Perceived by the Industrial Companies in Jordan

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Abstract- This paper seeks to explore the benefits gained from the outsourcing strategy implemented by industrial companies in Jordan in terms of cost reduction, focus on core competencies, access to specialized resources, quality improvement, and the perceived benefits. This was achieved by testing hypotheses based on the main objectives of the study. The population of the study consisted of all of the manufacturing companies located at the Sahab industrial estate, Jordan, while the respondents are made up of those who occupy managerial positions in the aforementioned companies. A survey questionnaire was developed, relying mainly on the study of Gewald et al. (2004), with contributions from the studies of Anderson (1997) and Kotabe et al. (2008). The researchers distributed 130 questionnaires but only 122 were retrieved, out of which 114 were considered valid for statistical treatment.

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The study findings support the research hypotheses and conclude that manufacturing companies in Jordan are adopting the outsourcing strategy and are gaining the expected benefits out of it, and outsourcing strategy is, in fact, highly perceived by the manufacturing companies in Jordan, which is evident in the study results.

Keywords: outsourcing strategy, industrial companies, Jordan.

I. Introduction

The influence of economic globalization on the business environment has paved the way for organizations to search for opportunities on the limitless global market available, in order to outsource some of their activities instead of performing them on their own so as to increase their competitiveness and maintain their market position. Many business organizations opted for different strategic techniques to attain said goals, one of which is the strategic option of outsourcing. Outsourcing is a method that has been widely used, particularly in industrial countries where the adaptation of outsourcing is easy to carry out than less developed ones.

In general, outsourcing means the procurement of some organizations' inputs from sources outside the firm. These sources may include all types of raw materials, accounting and financial services, design and manufacturing, and so on. It also shifts the type of cost that the firm normally shoulders, from fixed to variable cost. Nevertheless, the decision to in source or outsource—that is, whether to make or buy from external sources—has never been an easy task for those involved in the decision-making process (Yang & Huang, 2000) as such a decision involves many risks (Marcolin & McClellan, 1998).

Some executives resort to outsourcing as a last option when the adoption of backward and forward integration is economically infeasible, and at the same time, to focus on their core competencies and processes. Outsourcing can, of course, be implemented both in a firm's own country as well as abroad. This entails an organizational restructuring of some activities. It is a conscious abdication of selected value chain activities to external providers (Farok J., et al., 2010).

Here in Jordan, outsourcing in the service sector tends to be easier to implement compared to the industrial sector as the service sector uses more intangible and soft resources. Thus, tasks can be implemented and transferred through electronic means. Meanwhile, in the industrial sector, dealing with the tangible resources is a tough task that demands extra study and analysis, particularly in the case of an outsourcing decision.

In this study, the researchers try to evaluate the benefits of outsourcing strategies of select industrial firms operating in an unindustrialized country, where the environment for adopting this kind of strategy is challenging, as compared to developed nations.

II. The Problem of the Study

The popularity and growth of outsourcing in terms of its importance to organizations and economies need further studies and analysis. To assume that outsourcing leads to long-term benefits with respect to increasing competitiveness and capabilities of subcontracting companies is probably valid for certain business organizations, but others may experience the opposite.

Organizations outsource activities that do not pose a threat to them when exposed to others, or for which they lack the capabilities and expertise to do themselves (Quinn & Hilmer, 1994). Nevertheless, there are times when decision makers fail to identify which activities to subcontract and which to not. Then, problems related to that decision begin to take effect and the outsourcing strategy becomes a failure and a big source of headache to management.

On the other hand, some firms embraced outsourcing to the extent that they become "virtual"

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manufacturers: owning designs for many products, but making almost nothing themselves (Abraham, et al., 1996). Despite of that, managers often find that cost savings are in fact not attained through outsourcing ventures. The switching costs incurred by the transition to an external provider, such as those associated with supplier selection, negotiations, reorganization, and control, are high (Quélin & Duhamel, 2003).

The Jordan experience with outsourcing is still not adequately researched. As far as the researchers are concerned, it is widely adopted by both private and public sectors, but no scientific evidence shows outcome in terms of benefits, obstacles, and challenges. Therefore, this study aims to fill the gap and arrive at an answer to the main research problem:

What are the outcomes of outsourcing strategy for manufacturing companies operating in Jordan in terms of decrease in cost, concentration or focus on core competencies, access to specialized resources, quality improvement, and perceived benefits?

III. Research Objectives

The paper seeks to explore the gained benefits of outsourcing strategy for industrial companies in Jordan in terms of cost reduction, with focus on core competencies, access to specialized resources, quality improvement, and the perceived benefits. At the same time, it offers a research-guided support to decision makers when formulating a firm's level strategy, especially for those who are so enthusiastic about adopting any new management concept.

It also aims to provide enough understanding to the concept of outsourcing strategy that may aid in improving Jordanian manufacturing companies' performance.

IV. Importance of the Study

This study is a typical one as far as its methodology and approach is concerned, but its strength lies in the problem it tackles that needs deeper studies and analysis, considering that Jordan is not branded as an industrialized country and most of its industries rely mostly on international suppliers to provide them with the necessary materials and manpower. Thus, the results of this study will serve as an assessment tool to decision makers to evaluate the economic, technological, and human benefits of outsourcing.

Another significance is the wide spread of these management fads, which some companies adopt for the sake of being considered up-to-date, and so as to gain the admiration of their customers and competitors, even if reality proves that such a move is unnecessary and that results turn out to be disappointing. Therefore, this study tries to explore the real status of outsourcing strategy at the researched industrial firms.

Further importance lies in this research's aim to enrich the local library with a study that is not fully covered, and at the same time make it available to future scholars who wish to pursue a similar topic or build on the results of the current one.

V. Related Literature and Studies

a) *The beginning of outsourcing*

Outsourcing as a concept can be traced as early as 1776 when Adam Smith wrote in The Wealth of Nations, "If a foreign country can supply us with a commodity or service cheaper than we can ourselves make or provide it" (Smith, 2007). Rather than suffer scarcity, some nations during the late 1800s became nations of abundance. These countries were able to provide different goods in huge quantities and at a lower price, which was made possible due to a range of advancements in technology, beginning from railroad transport to telegraph as a form of instant communication. The latter technology allowed businessmen to form easier and quicker contact with their respective businesses (Gonzales et al., 2014). The spread of both technologies encouraged firms to expand and serve larger markets, while improvements in manufacturing created potential economies of scale (Porter, 2014). Therefore, improvement in technology brought higher potential for outsourcing adaptation.

Until 1989, outsourcing was hardly recognized as a business strategy (Mullin, 1996). Due to lack of self-sufficiency, organizations had to resort to outsourcing functions that they lacked competency in internally. For example, car manufacturers had to purchase leather, glass, tires, etc.

Said practice was thus considered as the baseline stage in outsourcing's evolution. During the 90s, as organizations started to focus on saving on costs, they also started to outsource functions related to what makes a company run, although not directly related to their core business. For example, managers started to employ emerging service companies for accounting, human resources, and data processing needs, including internal mail distribution, plant maintenance, and security, among other "house-keeping" necessities. Another stage to keep in mind is when managers sought to improve their finances by outsourcing components to affect cost savings in key functions. As of current, outsourcing is in a stage of evolution where strategic partnerships are being developed (Handfield, 2006).

b) *The concept of outsourcing*

The concept of outsourcing came from "outside resourcing," an American terminology, which means to obtain resources from outside. Later on, the term was used in economic terminology to refer to the use of external resources instead of internal, as was typical in

the process of developing the business (Troacă & Bodislav, 2012).

> "The outsourcing can be domestic or carried out in another country; in the latter case it becomes offshoring (a term that is a mixture of offshore and outsourcing) if the country of the outsourcer is on another continent, or in any event a considerable distance away from the out sourcee." (Mella and Pellicelli, 2012)

> "With the notable decrease in transport costs and the development of the merchant marine and container ships, globalization has begun to separate the "geography of production" from the "geography of consumption." (Mella, 2007)

Firms often compare capabilities against each other, mostly based on price and quality terms that their exchange partners are willing to provide, when in the midst of deciding whether or not to carry out processes internally (Jacobides & Winter, 2005).

Outsourcing is a choice that exists, not only in business strategy, but also in corporate policy as outsourcing modifies a firm as a legal entity and typically involves top management's decision makers.

Making outsourcing decisions also often involve a number of divisions when it comes to large, diversified companies, thus affecting company-wide allocation policies for resources, as well as asset management practices. Such an example can be seen in the case of IT outsourcing operations (Quélin, & Duhamel, 2003).

c) *Benefits of outsourcing according to previous studies*

i. *Outsourcing and cost advantages*

In his paper, "The Hidden Cost of Outsourcing," John Hendry (1995) concluded that any shift towards outsourcing must be assessed "in terms of its impact on a range of organizational characteristics and on the dynamic balance between these." Another question addressed by Lahiri (2015) on his paper, "Does Outsourcing Really Improve Firm Performance," revealed that outsourcing can produce positive, negative, mixed, moderated, or even no significant impact at all on the firm. In the last few years prior to Kakabadse and Kakabadse's research (2005), outsourcing has become one of the most popular operations strategies, allowing companies to reduce capital costs and focus on their strengths, while at the same time "being more responsive to changing market or customer requirements in the global marketplace."

Modarress et al. (2016) conducted a study to identify the risks, benefits, and challenges, as well as motives of petroleum companies in the Persian Gulf toward outsourcing strategy. Their research found that oil and gas exporters have mixed but broad positive views of outsourcing, and that although outsourcing could cut and save costs across the entire supply chain, said strategy also generates a distracting resistance. This resistance can be due to "the fear of unknown in a complex range of culture, infrastructures and sequential processes that requires resiliency for continuity of operations" (Modarress et al., 2016).

Wiengarten et al. (2013) also provided additional research regarding the importance of contextual factors when it comes to outsourcing contracts' success in the supply chain environment. In said study, the role of risk and complementary practices showed that risk is a critical component in the success of outsourcing strategy. Legal risk inhibits outsourcing performance on both cost and quality fronts, with supplier risk reducing outsourcing performance on quality. Complete contracts and complementary practices help mitigate the aforementioned outcomes.

ii. *Concentrating on core competencies*

The idea of outsourcing non-core activities has been welcomed by many as a means of performance improvement strategy for more organizational efficiency. "The philosophy is that businesses must redirect attention to core activities" (Leblanc & Bentz, 2004). The argument is that outsourcing frees up resources that can then be used more productively in areas that create value for the company (Huber, 1993). The basic premise of outsourcing concept is "that a specialist organization can perform a particular service more efficiently than what internal operation can achieve because a specialist organization has an inherent advantage in producing and delivering a service" (Quinn, 2000). Contributing to this perception may be superior technology, management skills, or economic of scale.

The relationship between outsourcing and performance has been argued by Kotabe and Mol (2008) to take on an inverted U-shape, suggesting an optimal degree of outsourcing, to which an extremely high degree may result in high transaction costs, technological dependence, and external relational inefficiency.

iii. *Access to specialized resources*

"Strategic outsourcing can buffer firms by providing access to resources" (Miner et al., 1990). Firms continue to rely on a number of outside suppliers for parts, know-how, software, and sales to sustain competitive advantages, and at the same time, gain access to valuable resources and external capabilities (Langlois, 1990). One of the outsourcing activities includes transfer of non-core activities to suppliers in the aim of securing lower costs and specialized expertise. Manufacturers have been known to move their internal manufacturing and operations to countries with lower costs, mostly due to outsourcing proving to be a "low-cost strategy, its proximity to foreign markets, as well as easy access to innovative capabilities" (Langlois, 1990).

The latest Bain survey yielded 77% of their research sample companies subscribe to an

outsourcing policy, but more than half of these companies have not achieved the expected benefits from such a strategy. The risks involved in such a move include disruption of internal activities, limited learning and innovation, loss of competitive base, opportunistic behaviors, and increase in transaction and coordination costs, including procurement cost in relation to the fluctuation experienced by currency exchange rates (Kotabe et al., 2008).

iv. *Quality improvement*

One of the most cited reasons for an organization's decision to shift to outsourcing is quality improvement (Lacity et al., 2009). There exists a belief that outsourcing may contribute to an increase in the processes' efficiency and effectiveness that such application services support (Lacity & Willcocks, 2009). Empirical studies that investigate the adoption of the application provision model discovered that the main driver of such an adoption was improved operational excellence. However, if a firm's quality is not held in high regard, outsourcing may be seen as a way for improvement. Thus, quality is a relevant factor that can be considered either as a positive or negative influence on outsourcing (Anderson, 1997).

Four major benefits of business process outsourcing (BPO) were investigated, including the related cost advantages, the focus on core competencies, quality improvements, and access to specialized resources and came to realize the following:

- The most dominant BPO that benefits from an IT manager perspective are focused on core competencies and quality improvements;
- Access to specialized resources does not have a significant impact.

Corbett (2003) confirmed earlier findings that there have been considerable improvements with regard to quality obtained from outsourcing.

VI. Research Variables and Hypotheses

a) The variables of the study

The review of related literature and studies identified a common criteria identified and used by Gewald et al. (2004), Anderson (1997), and Kotabe et al. (2008) to evaluate the outsourcing strategy outcome which the researchers adopted, as shown in Figure 1.

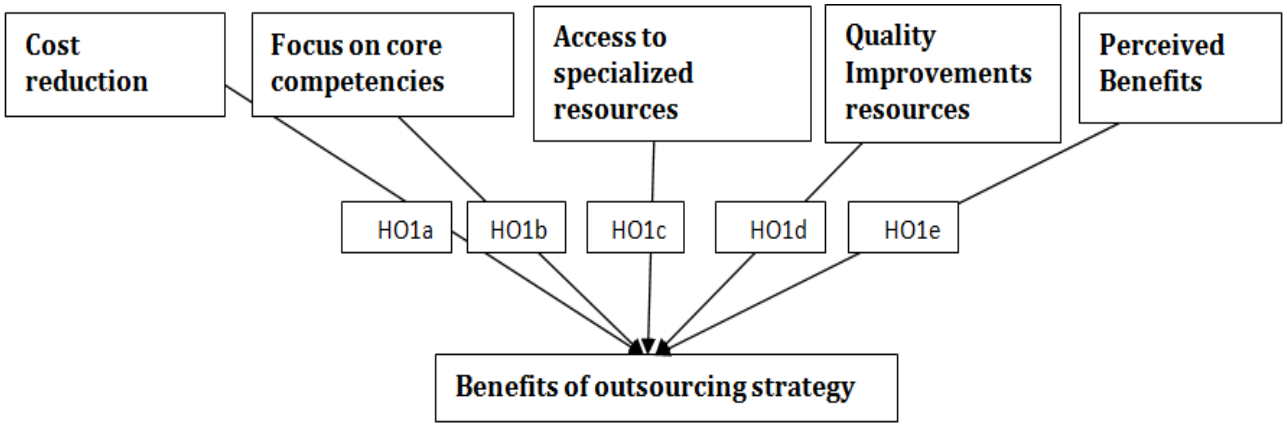

Figure 1: The research variables

b) Research Hypotheses

After a thorough review of the related literature concerning outsourcing as a strategy and as a concept, the researchers believe the following hypotheses are appropriate for the study.

H01: The manufacturing companies do not benefit from outsourcing strategy implementation at $\alpha \leq 0.05$

From the main hypothesis, the researchers drew the following sub-hypotheses:

- *H01a*– The implementation of outsourcing strategy by manufacturing companies does not lead to cost reduction at level $\alpha \leq 0.05$.
- *H01b*– Use of outsourcing strategy by manufacturing companies does not lead to focus on core competencies at level $\alpha \leq 0.05$.
- *H01c*– Use of outsourcing strategy by manufacturing companies does not lead to access to specialized resources at level $\alpha \leq 0.05$.
- *H01d*– Use of outsourcing strategy by manufacturing companies does not lead to quality improvement at level $\alpha \leq 0.05$.
- *H01e*– Use of outsourcing strategy by manufacturing companies cannot help in achieving the perceived benefits at level $\alpha \leq 0.05$.

H02: There are no significant differences among the answers of the respondents at $\alpha \leq 0.05$, with regard to outsourcing strategy outcome in relation to the researched companies' characteristics.

VII. Research Methodology

a) Population and Sample of the Study

The population of the study consisted of manufacturing companies at the Sahab industrial estate, Jordan. Respondents of the study include those who are occupying managerial posts such as general manager, deputy manager, operations head, and quality control head at the manufacturing companies involved the study. Convenience sampling technique was employed because it is readily available and convenient, as researchers are drawing on relationships or networks to which they have easy access to (Powell, 1997).

The number of targeted manufacturing companies for the purpose of the study was 32, but only 29 companies accepted to take part in this research. A majority of them turned out to be in the food processing sector. A hundred and thirty (130) questionnaires were distributed, but only 122 were retrieved, out of which 114 questionnaires were considered valid for statistical treatment.

b) The research instrument

The descriptive and analytical methods were used, and a survey questionnaire was developed, relying mainly on the study of Gewald et al. (2004) with contributions from the studies of Anderson (1997) and Kotabe et al. (2008).

The instrument consisted of the following parts:

- The first part covers the demographic profile of the respondents and the industrial companies' characteristics.
- The second part includes performance criteria of the outsourcing strategy. A nominal scale was used to get the answers of the respondents regarding their demographic profile, while Likert scale was used to allow respondents to rate their answers regarding the different benefits of outsourcing strategy, which ranged from highly agree (the highest) to highly disagree (the lowest).

c) Data Collection Method

A secondary source of data such as references, and published and unpublished papers in the subject of outsourcing theory, strategies, and implementation, contributed to the formulation of the theoretical framework and assisted the researchers in identifying the outsourcing strategy performance criteria.

On the other hand, primary data were obtained through a questionnaire that was developed, wherein respondents were instructed to answer using the five-point Likert scale ranging from strongly agree (5) as the highest, to strongly disagree (1) as the lowest. For the sake of the interpretation of the arithmetic means of respondents' answers, researchers relied on the following equation:

Range = (the highest average value – the lowest average value)/(number of levels): (5 – 1)/(3) =1.33
Therefore the results will be as follows:

1. Results between 1 and 2.33 represent a week average response rate.
2. Results between 2.34 and 3.67 represent a medium average response rate.
3. Results more than 3.68 would be a high average response.

d) Statistical Treatment

Several statistical techniques were applied in this study:

1. Descriptive analysis such as averages and standard deviations.
2. One sample t-test was used to test the main hypothesis.
3. One-way ANOVA to test the second main hypothesis and Pearson to measure the inter-correlation between the factors of outsourcing benefits strategy adopted by manufacturing companies in Jordan.

VIII. Limitations of the Study

This research poses the following limitations:

- Generalization of the study findings is potentially limited to the manufacturing companies at the Sahab industrial estate in Jordan, though most of the industrial estates in Jordan work in similar business environments.
- The convenience sampling method does not guarantee that one can contact the appropriate person with the right information to fill out the research questionnaire.
- The study was conducted during the third quarter of the year 2015/2016.

IX. The Demographic Profile of Respondents and Companies' Characteristics

Table 1: The distribution of the demographic profile of respondents and companies' characteristics

Variable	Category	Frequency	Percentage%
Gender	Male	114	100
	Female	0	0
Total		**114**	**100**
Age	Less than 30 years	30	26.3
	From 30 to less than 40 years	42	36.8
	From 40 to less than 50 years	33	28.9
	50 years and above	9	7.9
	From 4 to less than 8 years	16	21.1
Total		**114**	**100**
Level of education	Higher secondary school and lower than higher school	33	28.9
	Diploma and training courses	30	26.3
	Bachelor level and above	51	44.7
Total		**114**	**100**
Age of industrial company	Less than 5 years	6	5.3
	From 5 to less than 10 years	90	78.9
	10 years and above	18	15.8
Total		**114**	**100**
Type of manufacturing company	Food manufacturing company	105	92.1
	Non Food manufacturing company	9	7.9
Total		**114**	**100**
Company markets	Local	33	28.9
	International	42	36.8
	Global	39	34.2
Total		**114**	**100**
Ownership	Jordanian	37	32.5
	Non-Jordanian	50	43.9
	Both (partnership/Foreign and local)	27	23.6
Total		**114**	**100**

Table 1 shows that 100% of the respondents of the study are males, which may be due to the nature and demands of the managerial positions at the manufacturing companies that sometimes requires them to work overtime or all night, which is harder for women to perform due to cultural and social factors. Their educational attainment is considered average, with only 44.7% of them holding a bachelor's degree and above, but is possibly due to some positions in management that prioritizes experience on higher education. When it comes to the company age, most of the study's population turned out to be between 5 and 10 years, with a percentage of 78.2%, which indicates the fitness of the companies to be involved in such a study.

The table also shows that most of the manufacturing companies are in the food sector, holding a 92.1% share. This is a sector that is considered to be labor intensive and is likely the reason behind being the chosen country as it is known for its cheap labor. The companies that took part in the study were depending mainly on the international and global market with a percentage of 36.8% and 34.2%, respectively, to gain the benefits of the economy of scale. The table also indicates that the manufacturing companies are mostly owned by foreigners and sometimes take on the form of a partnership with local investors. The latter is due to the government's attractive policies toward foreign investment.

X. Data Analysis and Interpretation

After collecting the primary data, it underwent statistical analysis using SPSS (Statistical Package for Social Sciences) in order to arrive at answers to the problem of the study and test the hypothesis.

a) Reliability Test

Table 2: The internal consistency of outsourcing strategy.

Benefits of outsourcing strategy	No. of Cases	No. of Items	
Reduction of operational cost	114	3	0.6385
Focus on core competencies	114	3	0.6517
Access to specialized resources	114	3	0.6266
Quality Improvements	114	3	0.6776
Perceived Benefits	114	3	0.669
Reliability for all	0.668		

Table 2 shows the results of the internal consistency test, which is typically a measure based on the correlations between different items on the same test. It is usually measured with Cronbach's alpha, a statistical tool calculated from the pairwise correlations between items (Knapp, 1991). The internal consistency of all the variables of the study, as shown in Table 2, is 66.8%, which is acceptable as it is more than the minimum required percentage of 60% for social science research (Cronbach, 1951).

b) Answering the main research problem

What are the outcomes of outsourcing strategy for manufacturing companies operating in Jordan in terms of decrease in cost, concentration or focus on core competencies, access to specialized resources, quality improvement, and perceived benefits?

To arrive at an answer for the main research problem, the arithmetic mean—together with standard deviation—of all variables are calculated as shown in Table 3.

Table 3: Mean and standard deviation for each benefit of outsourcing strategy

Cost reduction	Q. No.		Mean	St. deviation	Rank
	1	Our firm can carry out that process internally but at a higher cost than an external supplier	3.68	0.99	7
	2	The cost decrease that we attained is becoming a source of competitive advantage	3.53	0.86	13
	3	The management firmly believes that outsourcing is an appropriate method to lower the costs within the production process	3.61	1.19	12
Average			3.6		
Focus on core competencies					
	4	Outsourcing allows our firm to enhance its distinguished capabilities that differentiates it from its competitors	3.62	1.12	11
	5	By outsourcing, our firm can concentrate better on translating its strategies into action	3.41	0.984	14
	6	Our management believes that outsourcing is a good way to foster the firm's concentration on its core competencies.	3.41	0.984	15
Average			3.48		
Access to specialized resources					
	7	By outsourcing, our firm can have access to human and technological resources, which are not available internally.	3.65	1.18	9
	8	By accessing the resources of an external supplier, the process can be performed more efficiently and effectively.	3.67	0.88	8
	9	In general, outsourcing enables our firm to better access resources.	3.73	1.2	5

Average			3.69		
Quality Improvements					
	10	Our external resources supplier is capable of performing the outsourced process at a higher quality than our firm.	3.87	1.08	3
	11	Our external resources supplier is able to perform this process faster and/or at higher accuracy than us.	3.69	1.005	6
	12	By outsourcing, the quality of our outsourced process has improved.	3.83	1.09	4
Average			3.8		
Perceived benefits					
	13	Our outsourced processes have a lot of advantages.	4.11	1.01	1
	14	Outsourcing part of our processes is a useful instrument for our company management.	3.91	0.927	2
	15	Generally, outsourcing business processes is a useful strategic option.	3.64	1.219	10
Average			3.89		
Overall average for all variables			3.69		

Table 3 shows that most of the respondents rated the perceived benefits of strategic outsourcing highly, with an average of (3.89), and that is because respondents believe that outsourcing has a lot of advantages. At the same time, it is a useful instrument for management so as to handle core processes better. Most of them also agree on the usefulness of outsourcing as a good strategic option. Next to the perceived benefits is quality improvement, which enjoyed a high average (3.8) and that is in terms of quality of the process itself, how it was improved, and the degree of accuracy and speed of their outsourced processes.

Access to specialized resources is made possible with outsourcing strategic option. It is given an average of 3.69. With this result, companies can access the necessary human and technological resources, which is difficult to be available internally, particularly when outside suppliers can perform those processes more efficiently and effectively.

No one can deny the importance of cost reduction as an indicator of good performance, but unfortunately, cost reduction here is given a medium average of 3.6. It is a result that needs to be investigated and solved by revisiting the selection process of the outside suppliers. The least average 3.48 is given to the focus on core competencies advantage, which means manufacturing companies still need to work hard to be able to fully enjoy the benefits of outsourcing through the enhancement of their distinguished capabilities to differentiate themselves from competitors, and thus, translate their strategies to actions.

c) Testing the research hypothesis

i. *H01*

Manufacturing companies do not benefit from outsourcing strategy implementation at $\alpha \leq 0.05$, in relation to cost reduction, focus on core competencies, access to specialized resources, quality improvements, and perceived benefits.

Table 4: t-Test for first main hypothesis

Benefits of outsourcing strategy	*t*	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					(lower)	(upper)
The first main-hypothesis H01	9.538	4	.001	0.692	0.4915	.8923

$\alpha \leq 0.05$ Test Value = 3

In the table above, the results of the t-test of the main research hypothesis shows that t-value is higher than the tabulated value (9.5383 $>$ 1.96) and that the level of significance is (0.001 $<$ 0.05). Therefore, the null hypothesis (H01) is rejected, and the alternative hypothesis (Ha1) is accepted, which means that the industrial companies gain benefits from the outsourcing strategy.

ii. *Testing the sub-hypotheses of the study*

Table 5: t-Test results for all of sub-hypotheses

Benefits of outsourcing strategy	*t*	df	Sig.(2-tailed)	Mean Difference	95%Confidence Interval of the Difference	
					(lower)	(upper)
H01a-First sub-hypothesis Benefit related to cost reduction	14.00	2	.005	0.6067	0.4202	0.7931
H01b-Second sub-hypothesis Benefit related to Focus on core competencies	6.857	2	.021	0.48	0.1788	0.7812
H01c-Third sub-hypothesis Benefit related to Access to specialized resources	28.428	2	.001	0.6833	0.5799	0.7868
H01d-Forth sub-hypothesis Benefit related to quality improvement	14.599	2	.005	0.7967	0.5619	1.0315
H01e-Fifth sub-hypothesis Benefit related to perceived benefits	6.683	2	.002	0.89	0.3170	1.463

$\alpha \leq 0.05$ Test Value = 3

The table above shows the results of t-test to all of the sub-hypotheses of the study, and based on these results it can be concluded that all of these sub-hypothesis were rejected because their t-value was greater than tabulated t -value 1.96, and that the level of significance was less than 0.05. Therefore, the alternative hypothesis was accepted, which means:

The industrial companies in Jordan benefited from outsourcing strategy in relation to cost reduction, focus on core competencies, access to specialized resources, quality improvements and, perceived benefits.

iii. *H02*

There are no significant differences among the answers of the respondents regarding the outsourcing strategy benefits at the significance level of $\alpha \leq 0.05$ in relation to their demographic profile and companies' characteristics.

In order to test the hypothesis, one-way ANOVA was used and the results are shown in the below.

Table 6: ANOVA results

Category		Sum of Squares	df	Mean Square	*F*	Sig.
Age	Between Groups	0.483	3	0.161	0.808	0.492
	Within Groups	21.89	110	0.199		
	Total	22.372	113			
Leve of education	Between Groups	0.196	2	0.098	0.490	0.614
	Within Groups	22.177	111	0.200		
	Total	22.372	113			
Age of industrial company	Between Groups	0.37	2	0.185	0.934	0.396
	Within Groups	22.002	111	0.198		
	Total	22.372	113			
Type of manufacturing company	Between Groups	0.219	1	0.219	1.107	0.295
	Within Groups	22.153	111	0.198		
	Total	22.372	113			
Company markets	Between Groups	0.515	2	0.258	1.308	0.274
	Within Groups	21.857	111	0.197		
	Total	22.372	113			
Ownership	Between Groups	0.013	2	0.006	0.032	0.969
	Within Groups	22..36	111	0.201		
	Total	22.372	113			

Table 6 shows the differences among the answers of the study's respondents in relation to their demographic profile and companies' characteristics. It shows that the level of significance is more than 0.05, which indicates that there is no difference found among the answers of the respondents regarding the benefits of outsourcing strategy in relation to their demographic profile and companies' characteristics. The F value for all variables is lower than 1.96 (F value > 1.96), which means accept the second alternative hypothesis is acceptable.

iv. *Correlation between the Variables of the Study*

In order to know if there was a high or low correlation among the variables related to outsourcing strategy, the Pearson correlation was then used to show this correlation as it is, below at Table 7.

Table 7: Correlation between all the variables of outsourcing strategy benefits

		A-First Benefit related to cost reduction	B- Benefit related to Focus on core competencies	C- Benefit related to Access to specialized resources	D- Benefit related to quality improvement	E- Benefit related to perceived benefits
A-First Benefit related to cost reduction	Pearson Correlation	1	0.187*	0.94*	0.211*	0.342**
	Sig. (2-tailed)	------	0.046	0.039	0.024	0.000
B-Benefit related to Focus on core competencies	Pearson Correlation		1	-0.066	0.028	0.063
	Sig. (2-tailed)		------	0.483	0.771	0.508
C-Benefit related to Access to specialized resources	Pearson Correlation			1	0.32	0.336**
	Sig. (2-tailed)			------	0.732	0.000
D-Benefit related to quality improvement	Pearson Correlation				1	-0.056
	Sig. (2-tailed)				------	0.551
E-Benefit related to perceived benefits	Pearson Correlation					1
	Sig. (2-tailed)					------

**Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

Table 7 shows the correlation among the different variables of the study. It is noted that almost all factors have very high correlation, except the following:

- *First:* Between the benefits related to focus on core competencies and the benefits related to access to specialized resources with a low negative correlation of –0.066, and significant value of 0.483, which is higher than 0.05 (0.483 > 0.05).
- *Second:* Between the benefits related to focus on core competencies and the benefits related to quality improvement s with a very low positive correlation factor of 0.028, and significant value of 0.771, which is higher than 0.05 (0.771 > 0.05).
- *Third:* Between the benefits related to focus on core competencies and the benefits related to perceived benefits with a very low positive correlation factor of 0.063, and significant value of 0.508, which is higher than 0.05 (0.508 > 0.05).
- *Fourth:* Between the benefits related to benefit related to quality improvement and the benefits related to perceived benefits with a very low negative correlation factor of –0.056, and significant value of 0.551, which is higher than 0.05 (0.551 > 0.05).

XI. Results Discussion and Conclusion

The manufacturing companies in Jordan are adopting the outsourcing strategy and gaining the expected benefits out of it. This result is somehow similar to the finding of Lahiri's (2015) study that revealed outsourcing can produce either positive, negative, mixed, moderated or no significant impact on the firm, because what determines the success of outsourcing is the degree of its suitability to a company's objectives, the timeliness of use, and how it is being handled and managed.

Outsourcing strategy benefits turned out to be highly perceived by the manufacturing companies in Jordan. This is evident in the study results because respondents consider outsourcing to be an

advantageous strategy for their respective companies as it allows them to handle their core processes in a better way to compete in the market place. Therefore, companies were able to successfully identify what processes should be outsourced. This confirms what John Hendry (1995) stressed, "any move towards outsourcing should be assessed in terms of its impact on a number of organizational characteristics and on the dynamic alignment between these."

Quality improvement is one of the highly rated benefits, because when companies have enough time to concentrate on their core activities and outsource the ones that do not pose a threat to them, customers will be more satisfied with the product, and manufactured products will meet the exact and accurate specifications. Such a result is similar to that of Corbett (2003) who confirms the earlier finding that there have been considerable improvements in quality resulting from outsourcing.

One of the gained benefits of outsourcing, which was highly rated is the ability of the companies to access the specialized resources that means applying the theory of comparative advantage, but in a different context. This result contradicts the finding of Gewald et al. (2006) who found that access to specialized resources does not have a significant impact on the BPO benefits. This may be due to the type of the population, which consisted mostly of subjects from the banking industry that operate in a different business environment.

Though cost reduction is given higher weight when making the outsourcing decision, it did not get the expected rating. A medium rating for such a factor needs to be studied and reviewed through many methods, but revisiting the selection process of the outside suppliers is possibly the most suitable one, especially when pertaining to locations and how they affect the transportation cost of outsourced materials, and by reviewing the switching costs incurred by the transition to an external provider. Examples may include those associated with supplier selection, negotiations, reorganization and control, as indicated by Quélin & Duhamel (2003).

Focusing on core competencies that differentiate the manufacturing companies in Jordan from their competitors did not gain a high rating, but a medium rating instead. What seems to be disappointing and needs further analysis to reap better benefits is the outcome that shows this finding contradicts the finding of Gewald et al. (2006), whom in their study supports the benefit of focusing on core competencies.

XII. Recommendations

Several recommendations should be noted for practice.

1. The Jordanian manufacturing companies must take into account the transportation and the switching cost when resorting to outsourcing strategy as most of the supporting industries are located out of the kingdom.
2. The management of these companies must thoroughly analyze the benefits that they can gain from the outsourcing strategy, particularly the activities, which affect their level of focus on their core competencies.
3. Companies must strengthen their competitive positions by carefully reviewing each management trend or concept that they are willing to adopt, and ensure that each are suitable to their local business environment.

The following recommendations should be addressed for future research.

1. Future researchers are advised to conduct a similar study on the service sector in Jordan, specifically Information Technology.
2. Future studies should test the causal relationship between outsourcing strategy and any of the organizational performance measurement metrics to gain knowledge to factors that are mostly affected by the outsourcing strategic choice.

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