

Outsourcing and Its Benefits

SB/MGMT 1030 : History Of Capitalism

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Abstract

In my paper I examined the practice of outsourcing production, using Walmart as my example, to assess the impacts it not only had on the company itself but also to the countries involved. Through my balanced analysis, I determined that outsourcing production is important due to economic gains for the country and lower costs for the companies.

Thesis

I will demonstrate that outsourcing is beneficial not only for Walmart, but also for the countries that have taken on Walmart's production.

Method of Analysis

I used a meta-analysis to conduct research for my paper. Through this meta analysis I obtained information from a variety of sources including primary sources such as Walmart's financial statements, and secondary sources that included journal article, newspaper articles and others.

Background

Founded by Sam Walton in 1962, Walmart has achieved its success by providing low priced goods and exceptional service for its customers. Throughout its 56-year history, these company values have guided Walmart to make decisions about how they conduct business. These values are paralleled in its slogans, "always low prices" and "save money, live better". In an attempt to maintain low prices while increasing their profit margins, the former CEO Sam Walton began outsourcing production of their goods before the 21st century. In 2002 Walmart then introduced a global sourcing initiative.

Conclusion

Through the use of Walmart's financial statements, the benefits that Walmart realized from outsourcing were identified. Positive effects, such as the increase job opportunities for their citizens, have been shown from a company, such as Walmart, outsourcing its production. Outsourcing also has a number of potential negative consequences including exploitation of workers.. However, in the case of Walmart, no negative impact on their financial results as seen from their results in their 2014 Annual Report appear to have occurred. Finally, as noted, unethical situations can be important to a country's development not only economically but also for their evolution of human rights. By having foreign companies provide guidance, capital, and expertise there is the potential for the improvement of their economy while indirectly affecting their human rights.

Results

In my research I discovered the following pros and cons:

PROS

- Lower wage costs for company
- Lower total costs of production as shown on the 2004 Financial Statements.
- Increased job opportunities in third world countries
- Increased safety standards explained by Triangle Shirtwaist Company
- Increased expertise and knowledge

CONS

- Exploitation of workers as seen in the Bangladesh collapse and through the use of middlemen
- Negative publicity which lead to boycotts of the company and legal fees



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