**OUTSOURCING: NEW TRENDS, ISSUES AND CHALLENGES**

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**ABSTRACT**

This paper discusses new trends, issues, and challenges associated with outsourcing. Liability issues in the supply chain, strategic aspects of outsourcing competencies, strategic versus tactical outsourcing and other outsourcing issues are examined within the context of the strategy, structure, operations dependency. The critical role of organizational theory in facilitating the strategy-operations link is emphasized.

**OUTSOURCING ISSUES**

The recently occurring crises of tainted and deadly products manufactured in China have spurred academic controversy in the strategic management discipline with respect to outsourcing. Inherent in the comprehensiveness of strategic management, these outsourcing issues and concerns are multifaceted and highly interrelated. Decisions to outsource any portion of an organization’s processes involve much more than the often stated objectives of gaining cost reductions, skilled expertise, market development, and so on. It is becoming increasingly clear that the effective management of outsourcing is quite challenging and often more complicated than anticipated. Never before in the study of modern organizations have the interrelationships among strategy, organizational structure, and operations been more critical and also simultaneously complex. Academics and practitioners, however, often treat these fields of management as relatively independent constructs.

Some academics have argued that the study of organizational theory is declining and of the three management disciplines mentioned above, strategy and operations prevail. Samples of business school curricula and reduced availability of organizational theory texts support this contention. However, it is precisely the discipline of organizational theory that can assist in the facilitation of the strategy-operations interdependency and the challenges this interdependency produces. Organizational theory can enhance decision making quality with respect to whether and what to outsource as well as the implementation of outsourcing once the decision has been made.

This paper examines new trends, issues, and challenges associated with outsourcing decisions in light of the strategy, structure, and operations dependency. Specifically, discussion will include liability issues in the supply chain, strategic aspects of outsourcing, strategic versus tactical outsourcing, and organization redesign and leadership challenges.