

# **The Impact of Outsourcing on the Performance of Small and Medium Sized Industrial Companies in Jordan 2022**

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**Abstract:** This study aimed at investigating the impact of outsourcing on the performance of Small and Medium Sized industrial companies in Jordan. The study population consisted of (20) Small and Medium Sized Industrial Companies in Jordan. The study used the questionnaire as the instrument for collecting the primary data, and the descriptive analytical methodology was used to analyze the data and achieve the study objectives. In order to test the study hypotheses, SPSS V.23 was used.

The study revealed that there is a positive effect for both the outsourcing of the primary activities and the outsourcing of the secondary activities on the performance level of the Jordanian small and medium-sized industrial companies. Based on these results, the study recommended the necessity of urging small and medium-sized industrial companies in Jordan to adopt the outsourcing approach in order to enhance their performance and ensure their survival through obtaining the competitive advantage offered by outsourcing. Additionally, small and medium-sized industrial Jordanian companies should focus on forming strategic alliances with other companies, especially the value chain partnership to obtain the necessary capabilities that enable them to achieve a superior performance.

## **INTRODUCTION:**

Enhanced levels of competition combined with environmental uncertainty (as defined by Porter, 1980) increases the level of stress on organizations to generate technically up to date and quality-based productions, particularly in small and medium-sized industrial organizations. Thus, it brings about a significant requirement for industrial companies, not exclusively limited to generate profits and performance, but also deal proficiently with escalating different human resource and management issues, while protecting the staff and image of the organization. Hence, among the different approaches regarding overall innovative cost-cutting activities, such as firing employees as well as minimizing expenses, the approach of outsourcing is considered as one of the major activities for industrial companies to decrease their functional costs.

## **THE IMPORTANCE OF THE STUDY:**

This research importance lies in the paucity of studies dealing with the results, impact and the essential effects of the decision to outsource on the performance of small and medium-sized industrial companies in order to fit with their strategy and objectives.

## **PROBLEM STATEMENT**

The study problem is derived from the results of several studies which indicated that the decline in the firms performance can be attributed to the fact that they either do not possess the capabilities or the current capabilities are insufficient and outdated. Accordingly, companies try to obtain or learn new capabilities through outsourcing. Within the Jordanian context and in light of Corona pandemic, the small and medium sized industrial companies are threatened to close down if they are not be able to enhance their performance and maintain their survival. Since no studies from the Jordanian context confirm the impact of outsourcing on performance.

## **OBJECTIVES OF THE STUDY:**

In general, the current study aims to investigate the impact of outsourcing on the performance of small and medium sized industrial companies in Jordan. In addition, the study aims to achieve the following sub-objectives:

1. Identifying the level of outsourcing in small and medium sized industrial companies in Jordan.
2. Identifying the level of the performance of the small and medium sized industrial companies in Jordan.

**THEORETICAL FRAMEWORK**

The literature review of this study is articulated within the following variables and phrases: Small and Medium Sized Industrial Enterprises, Performance, and Outsourcing. The initial literature review signifies that the method of outsourcing can be an approach to enhance organizational performance. Additionally, **Foltys (2012)** suggested that the approach of outsourcing considers the main ideas while establishing the small and medium sized industrial sector as well as providing a strong foundation for its performance. According to this, the researcher analyzed the established literature relating to the topic. Simultaneously, the study generated a convergence between the performance of industrial companies and outsourcing, as an effort to find out how the approach of outsourcing can motivate the small and medium sized industrial organizational performance.

**CONCEPT OF OUTSOURCING:**

Outsourcing is considered as a strategy for conducting business; it requires evaluating the outcomes related with outsourcing decisions.

This strategy of outsourcing was initiated in 1960 with the sharing of hardware to enhance the level of performance (**Fresht & Spennfield, 2011**).

There is no limit for the outsourcing, where firms might outsource several of their functions to the different specialists operating externally, while keeping supervision and controlling with itself.

Firms resort to outsourcing to enhance organizational savings, allowing organizations to increase the ratio of their investment on core activities, saving management time, focusing on primary activities, minimizing staff cost, and providing more flexibility to the organization (**Kenneth & Brain, 2007**).

**OBJECTIVES OF OUTSOURCING:**

The main objective of outsourcing is cost reduction in non-core activities. Outsourcing as a business agreement, either domestic or international aims at producing products or services efficiently and effectively for the outsourcing firms (**Ishizaka et al., 2019**).

Outsourcing might be chosen to reduce expenditure, but also to change the organizational culture, alter the attitude to work, access to technology or skills that is obtainable at an acceptable cost only through an external supplier in order to improve service quality.

**Types of outsourcing:**

There are two types of outsourcing: firms can use outsourcing as a strategy to outsource their primary and secondary activities, still the decision to outsource depends on the firms differentiation between these activities that are considered core to the business operation, and those which are more secondary in nature to enable the management to focus on key activities and competences, such as financial management, external relationships, supply contracts & design rather focusing on production (**Reilly, 2014**).

The reason for outsourcing was to pave the way for firms to concentrate on their core competences through cost-saving, reduced capital investment, improved responsiveness to changes in the business environment, reducing risk of changing technology (Seve, 2009).

According to **Gilley & Rasheed (2000)**, outsourcing strategies include four strategies which are:

1. Outsourcing of back office activities.
2. Outsourcing of primary activities.
3. Outsourcing of accounting activities.
4. Outsourcing of support activities.

Sub activities are commonly outsourced based on their characteristics. Back office activities include bookkeeping, payroll, billing, order processing, payment processing, cleaning services and security services.

While outsourcing primary activities includes, manufacturing, purchasing warehousing, sales force and customer service (**Isaksson, A., & Lantz, B. (2015)**).

Firms can outsource support activities, such as shipping, IT services, training, advertising, legal services, and public relationships.

Back office activities are the non-core activities that organizations need to pave the way for day to day activities to be carried out efficiently and ensure the success of business; they do not fall into the core operations functioning of the firms (**Iskassan & Lartz, 2015**).

Back-office operations are considered as the backbone of any firm, and they are not less important than the core-functions.

In outsourcing, firms need to ensure that they don't have the resources to do the secondary activities, don't have the know-how to do it will, or do not have the experience with the processes in trying to manage the process internally (Task, 2014).

### **Outsourcing the Primary Activities:**

The primary activities of outsourcing practice emerge from the resource availability and cost advantage. Many organizations today outsource their primary activities, such as manufacturing, and some certain firms choose to outsource primary activities in their production chain to independent suppliers. The primary activities include purchases, manufacturing, warehousing, sales force and customer services (**Isakson & Lartz, 2015**).

More recently, some firms don't resort to outsourcing to reduce costs in secondary activities, but to improve business performance because of the competition and budgetary pressures, advances in technology and communication (**Krell, 2007**).

Support activities can be outsourced to help the efficient running of a business, since they provide the primary activities in the firm, (**Seve, 2009**).

To distinguish between core and non-core competencies, firms should realize that core competencies can take many forms, including technical know-how, a reliable process and close relationships with customers and suppliers (**Jaet al, 2006**).

They also include product development, best HRM, and good market coverage to provide the fundamental basis for added value.

### **Effects of outsourcing on organizational performance:**

1. Outsourcing has the effect of cost reduction in outsourcing maintenance activities on organizational performance.
2. Outsourcing has the effect of improving service delivery.
3. Outsourcing has the effect of technology adoption on organizational performance.

Outsourcing can improve the overall company performance if it is considered as a strategic position by the firms, whether in the short run or the long run, since companies that can manage the process can improve their organizational performance and achieve high satisfaction level with the obtained results (**Logan et al, 2004**).

Outsourcing secondary activities and processes allow firms more time to focus attention on more key performance areas, and help them to be more efficient, more innovative and more skilled in performing primary activities, and thus improve results.

According to (**Hayes et al., 2009**), outsourcing will aid firms to transfer strengths and opportunities from non-value added functions to value-added core functions.

## **CONCEPT OF PERFORMANCE**

Hassouna defined performance as a process of measuring performance and the behavior of employees in a specific period of time in a regular basis, which determines the efficiency of workers in performing their work according to the job description specified for them, in order to achieve the goals of the organization; this is done through the continuous observation by the manager to workers' performance (**Hassouna, 2008, p. 147**).

(**Muhammad, 2001, p. 209**) suggested that the performance of workers is the degree of achievement and completion of tasks that complement the worker's job, with which the worker satisfies his job requirements. Often, there is an overlap between performance and effort, where effort refers to the energy exerted, while performance is measured on the basis of outputs and results achieved by the worker; the worker may exert a great effort to prepare for the success and completion of his work, but he gets low quality results. In this case, the exerted effort by the worker is high, while performance is low.

Based on the previous definitions and based on what the researchers suggested, the researcher indicated that performance is nothing, but a process through which the worker recognizes his tasks, his abilities to perform, and the characteristics necessary to successfully perform the work of the organization and achieve its goals. It refers to the efficiency of organizations in performing their functions and achieving the goals for which they were established, whether these organizations are commercial or service organizations. Therefore, there is a focus on managing the resources of these organizations in a way that ensures that they reach their goals by raising the level of performance to ensure their continuity, growth and development.

The performance of employees consists of a set of elements, the most important of which are (Shawky, 2005):

- 1- Knowledge of job requirements for workers: it includes general knowledge, required technical and professional skills, and experiences required for a business or a job.
- 2- The type of work that the worker does: It is represented by what the worker perceives about the work he is doing, the desires, skills, ingenuity, ability to organize, and the ability to organize and accomplish the work without making mistakes.
- 3- The volume of work performed: It is the amount of work that a worker can accomplish in normal circumstances, and the amount of speed the worker can accomplish.
- 4- Perseverance and reliability: It includes seriousness, dedication to work, the ability of the worker to take responsibility for the work, the completion of work on time, and the extent of this worker's need for guidance and direction by the supervisor.

**Burnouti**, (2007) emphasized that the performance elements are supposed to be determined in the light of the nature of the jobs in the organization, which they are related to, as well as the functional behavior that they need in the organization. Most contemporary companies adopt a number of elements, including:

The quantity of production, type of production, efficiency and good use of resources, attendance at all times, dealing and relationships, learning, and preparations for self-development.

The world is witnessing more competition and attention to the issue of performance; this requires organizations to focus on the human element to achieve their goals through the effective use of resources, and the exploitation of available opportunities and energies. All these motives require raising the level of human performance and the institutional performance of organizations in order to provide services quickly with a high quality, and respond to the needs and expectations of citizens.

The institutional performance mainly depends on the level of performance of the individuals who make up the organization, and the success of the organization in achieving its objectives is linked to the availability of competent individuals who are able to accomplish their jobs with a high degree of quality.

Institutional performance is one of the common denominators of the efforts exerted by management and employees in the organizations. Therefore, the concept of performance is considered one of the fundamental concepts, which received wide attention in those institutions, and despite the many researches that addressed performance, researchers have not reached a definition of specific performance (**Jawad**, 2015).

Institutional performance reflects the efforts made by workers in institutions, since the human element is the most important part of the organization's environment, as it affects and is affected by it at all the levels; the employees' efficient and effective performance promotes and develops the work environment in these institutions for that. There is an increasing interest in the issue of performance, the extent of effectiveness, and the efficiency of organizations in performing the functions and achieving the goals for which they were established, whether these institutions are commercial, service, or otherwise (**Qalbo**, 2015).

The researcher believes that the difference in the meaning of performance stems from the difference in its standards and measures, which are generally used in organizations by managers, and this is due to the diversity of their goals and their trends in studying performance.

#### **Institutional performance:**

The world is witnessing developments in all the areas of life, due to the rapid technical and cognitive development, and organizations of all kinds have been affected by these transformations. This context prompted organizations to develop their performance in order to reduce the pressures they face in and provide distinguished services and quality products, as well as human resources that are considered as the basis for the success of any organization due to their major role in achieving goals and strategies, continuous growth and development. Any organization, regardless of its size, is nothing, but a group of material assets without the existence of human resources; therefore, the human element is the basic element for any organization, since humans are the makers of success and continuous development.

#### **Institutional performance levels:**

There are several levels of institutional performance, including the level of institutional performance, which is represented by (**Targuini**, 2011):

1. Exceptional institutional performance: which reflects the long-term superiority of the institution.
2. Prominent institutional performance: This is the ability of institutions to obtain more contracts and more qualified employees.
3. Very good institutional performance: It indicates the solid performance of the institution, and the extent to which it enjoys excellence.
4. Good institutional performance: which shows the strengths and weaknesses of the services.

**Dimensions of institutional performance:**

Institutional performance is limited to two dimensions, namely (**Leaders**, 2012):

1. Efficiency: It is the relationship between the resources and the outcome, which is related to the amount of input from raw resources, funds, and human resources needed to achieve certain levels of output.
2. Effectiveness: It is related to the goals of strategic organizations, or the ability of administrative organizations to achieve strategic goals of services growth and maximize market share as compared to competition.

**The importance of measuring institutional performance:**

The importance of measuring the performance of the institution lies in providing great benefits to the administrative organizations. Therefore, it can provide the performance levels of those organizations, focus on the achievements of the organizations, urge the organizations to save their time and effort, and provide feedback on the progress and functioning of the organizations; performance measurement helps to give clarifications about the programs presented, show institutions how to address the needs of society, provides information to make sound decisions, and increases the influence of an organization, where development and improvement cannot be achieved without a measurement (**Al-Ghalabi & Idris**, 2016).

Accordingly, the administrative institutions' resort to measuring institutional performance improves the performance of these institutions and directs them to conduct various improvement and development processes.

**Efficiency:**

Each institution has many goals that it seeks to achieve; therefore, the precise definition of these goals is done through the formulation of strategic objectives in a number of main and subsidiary objectives in the institutions according to the aspects of activities of each sub-unit in the organization.

Objectives are considered as basic components of institutional performance, so there can be no meaning for any institution in isolation from the goals, and that distinguishes one institution from another. This is the first step for departments in achieving their existence (**Al-Salami**, 2016).

Goals are the practical translation of what is contained in the mission of institutions to move it from the theoretical dimension to the practical one, in which the results emerge, and through which the features of development in the organization are manifested (**Targuini**, 2011).

The researcher believes that the success in preparing the mission is based on the philosophy of the institution, which is consistent with the general objectives; this makes the strategic planning process as a basis for evaluating institutional performance, and a standard for building program activities according to a systematic vision that contributes to the development of an effective system which, in turn, enables the achievement of goals.

**Effectiveness:**

The concept of (organization effectiveness) is considered as one of the important indicators to measure the extent to which the organization or institution has achieved its goals by adapting, or in harmony with the environment in which it operates, in terms of utilizing available resources.

The concept of an organization's effectiveness varied in terms of intellectual views, in terms of the precise and comprehensive meaning. Barnard defined effectiveness as the degree to which the organization is able to reach and achieve its goals. (Alvar) suggested that effectiveness means the extent of the organization's ability to survive, grow, and adapt, without considering the goals it seeks to achieve, as the organization deals within the framework of reaching its goals in unstable environmental circles, as it makes the creation of balance. Mobility with environmental adaptation is one of the requirements of its existence (**Jawad**, 2015).

**Workmanship:**

Achieving quality at work must have many factors, such as a skilled worker, modern machine, distinguished management, high specifications, conformity of the product with international specifications and standards, product control, control of production stages, and high-quality raw materials (**Gulbo**, 2015).

**An overview of Small and Medium Sized Industrial Companies**

Before performing any research on small and medium sized industrial organizations, it is important to be familiar with the debate about the concept of this term, since organizations' kind further includes particular attributes. Furthermore, the higher management and functional patterns in small and medium sized industrial organizations are not essentially comparable with those organizations which fall in larger categories.



**DEFINITION AND NATURE OF SMALL AND MEDIUM SIZED COMPANIES**

In general, the concept of small and medium sized organizations might be the systematic notion of Small Industrial Business in common entrepreneurial understanding. According to this perspective, any industrial company should acquire some important attributes like the funding that is exclusively delivered by one as well as some owners that are engaged in the company's administration. Accordingly, the operational area is generally based on local resources. Even though, as per the small business classification, the confirmed concept of 'small business' is not easy and is considered as a challenge with the enterprises categorized as small and medium sized enterprises, there can be diversification in enterprise size.

**Small and Medium-Sized Industrial Sector in Jordan**

The emergence of Small and Medium Sized Enterprises remains the core element of the economic growth approach of Jordan since its independence. The sector of small and medium sized enterprises has a strategic importance in the economic structure of Jordan, where it has significant and positive contributions in exports, output as well as in employment (**Lozi**, 2008). For small and medium Sized enterprises in Jordan, the identification of the barriers, which generate obstacles in performance and delivery of organizations and their solutions is the main concept of this study, through which outsourcing is considered as one of the major solutions in small and medium companies' performance.

In Jordan, small and medium sized enterprises constitute (98.5%) (a huge part) out of the aggregate sum of enrolled businesses, (60%) of formal professions, and half of the Gross Domestic Product, as reported in 2017. Generally, increased employment growth stems from emerging organizations that are not older than five years (**Lozi**, 2008).

**Performance of Small and Medium-Sized Industrial Companies**

The significance of any business organizational performance goes beyond the value of generating towards becoming a sustainability source and an efficient positive aspect; considering the launching business efficiency which plays a vital role in the success of business organizations. The performance of any business considers the exclusive key that additionally enables one to accomplish an edge over competitors. Accordingly, from an identical perspective, the management of any business organization has influenced the alterations discovered in an ambitious business situation. The particular truth addresses the importance of small and medium sized enterprises development not only in the local business environment, but also in global trade.

**Outsourcing and the Performance of Small and Medium Industrial Companies**

The phrase Outsourcing is composed of the combination of two words. The first one is "Out" which revealed the "External", as well as "Source", which implies the "Base of the resource". Therefore, whenever someone incorporates such phrases in the business organization, he specifically outlines the mentioned tasks which are designated to external agencies. This particular circumstance was suggested by **Khan and Burnes** (2007) research which favored the factor regarding a lot more organization but in the meantime continuing to be firm towards the major capabilities of companies is based on outsourcing. The initial footprints of outsourcing was found in 1960, as sharing one company's hardware for the improvement of other company's performance.

However, since 1980, development was observed in outsourcing performance strategy in business organizations. **Jüttner, Peck, and Christopher** (2003) also revealed that present trends of business favor outsourcing, as the case in commercial sector, where (9) out of (10) companies shared their services for the sake of improved performance. Likewise, according to **Jae, Minh, Kwok, and Shih** (2000), outsourcing might be the vigilant determination while transferring value chain tasks were commonly performed internally.

According to the description of **Jüttner et al** (2003), the process of outsourcing takes the form of a strategy, whereby the company supplies its internal tasks to any outsider agency and generally there may be no limit regarding outsourcing, and an organization may source countless functions towards multiple operating experts externally. Specifically, for this objective, the organization may keep control and supervision in its own hands. However, the people and management-associated responsibilities will be designated to the external agency. Generally, there are two extensive and replicated viewpoints involved with the outsourcing decision and its inclination, these are:

- a) If the external agency provides the opportunity to conduct necessary tasks quite as good as the actual organization getting outsourcing, in that case, the external agency should have the freedom to complete such activities anywhere worldwide.
- b) The specific practice will empower the organization to consider its concentration on the basic competencies, and thus celebrates additional accomplishments.

In the views of **Khan and Burnes** (2007), the objectives regarding switching to outsourcing are generally fall in three categories: a) Strategy b) Cost and c) Politics. Afterward, another research work (conducted in 2009) explained a variety of classifications for selecting outsourcing, such as a) Technical b) Strategic and c) Economic. The core concentration of such kinds of contracts targeted specifically the service terms through the connection established between the original

company and outsourced agency. It was also pre-decided that such outsourced services need to achieve an optimum quality level and recognition from the original party. Early research performed by **Porter** (2000) emphasized that those services which might be outsourced through organizations provided (30%)for IT,(16%)for HR, (14%) for Sales and Marketing and (11%) pertaining other Financial Services.

Several studies confirmed an advantageous connection regarding the approach of outsourcing and its impact on the performance of the original company, such as the research of **Selvakumar & Vikkraman** (2011) which outlined the original company's performance relating to the strategy of outsourcing its Accounting Services and revealed that there was a positive link between both of them. **Rosli & Sidek** (2013) conducted a study which revealed that there is an important HR performance impact on the management of the payroll system, and employee training. Similarly, other studies further revealed that there is enough performance improvement after availing the outsource services from an external agency. Research carried out on Industrial Companies and Outsourcing also revealed that there is huge potential and optimization in the performance of the industrial firm, while attaining the outsourcing approach due to three main motives, such as a lot more concentration on core competencies, enhancement in quality of services and decline in cost.

### **PREVIOUS STUDIES**

**(Ishizaka, A et al., 2019)** conducted a study entitled “outsourcing and offshoring decision making”. The study aimed to identify the impact level of outsourcing based on a critical review of some empirical research articles. The results revealed that outsourcing had a positive, negative, mixed, moderate or no significant impact on the firm, and that outsourcing can save costs, improve management effectiveness and flexibility, access to market, and better product/service quality which are considered as benefits of outsourcing and offshoring.

It is recommended that firms should consider that outsourcing might contain several risks and can lead to failures that is why it is very important to evaluate the performance of the providers.

**Aladejebi, (2019)** conducted a study entitled “the Impact of Outsourcing on Business Performance: Insights for Employers”. The study examined the (potential) impact of outsourcing on business operations and performance, provided insights on how employers can better leverage outsourcing for strategic advantage, and how to mitigate key outsourcing risks. The discussion is based on a four-cell typology of outsourcing, along two dimensions: strategic/economic importance and functional domain. Each of the four quadrants – tactical outsourcing, operational outsourcing, strategic outsourcing and transformational outsourcing – presents a different set of opportunities and risks for employers, contrary to the widespread depiction of outsourcing as a monolithic concept. Employers must understand the opportunities and risks associated with each of these four types of outsourcing and take appropriate measures to handle them to stand a chance of successfully using outsourcing as a promoting factor to improve business operations and performance.

**(Kour, 2019)** conducted a study entitled “Outsourcing and Organizational Performance: Role of Cost Leadership, Differentiation and Innovation Strategies”. The study aimed to examine the impact of outsourcing on organizational performance of medium scale industries and the moderating role played by cost leadership, differentiation and innovation strategies in this relationship. Data for the study has been collected from managers of medium scale industries in J&K (India). The results revealed that outsourcing of non-core critical activities and non-core non-critical activities positively affect organizational performance. Cost leadership, differentiation and innovation strategies act as moderators between outsourcing and organizational performance. Furthermore, the outsourcing organizations have better financial performance than the non-outsourcing organizations.

### **METHODOLOGY AND PROCEDURES STUDY APPROACH**

The descriptive analytical method was used, through building the study framework and developing a questionnaire based on reviewing related literature. The statistical tests were used through SPSS v.23 to analyze the collected data and test the study hypotheses.

#### **Population**

Study population consisted of (20) Small and Medium Sized Industrial Companies in Jordan.

#### **Sampling:**

The researcher selected the convenient sample, which consisted of (180) employees from Small and Medium Sized Industrial Companies in Jordan working at all the administrative levels during the period (2019-2020).

### **DISCUSSION OF THE RESULTS AND THE RECOMMENDATIONS**

The study revealed that there is a positive impact for both primary and secondary activities of outsourcing on the performance of small and medium sized industrial companies in Jordan. This can be explained through the outsourcing process which helps the companies to perform the required tasks, including marketing, promotion, transportation, storing

and other activities to be able to achieve the highest levels of performance, and achieve competitive advantage, profitability, and the desired objectives.

These results are consistent with previous studies results, such as the study of (**Kour**, 2019), which revealed that outsourcing of non-core critical activities and non-core non-critical activities positively affect organizational performance. Cost leadership, differentiation and innovation strategies act as moderators between outsourcing and organizational performance. Furthermore, the outsourcing organizations have better financial performance than the non-outsourcing organizations.

The current study results are also in line with the study of (Ishizaka et al., 2019), which revealed that outsourcing can save costs, improve management effectiveness and flexibility, access to market, and better product/ service quality which are considered benefits of outsourcing and offshoring.

Moreover, the results of current study are supported by the results of (**Agburu** et al., 2017) study, where they showed that outsourcing of primary activities has a significant effect on the performance of SMEs in Nigeria.

Additionally, the current results are similar to the results of (Alneyadi et al., 2020; Di Gregorio & Thomas, 2009; Asatiani, Penttinen & Kumar, 2019; Sultan, 2019; Awe et al., 2018; Meixell, Kenyon, & Westfall, 2014; Kamyabi & Devi, 2011; Sinha et al 2011).

Outsourcing in industrial SMEs helps to improve business performance through cost reduction, and maintain flexibility in outsourcing providing both manufacturing SMEs and their suppliers with an opportunity to enter new markets. Moreover, outsourcing provides small and medium companies with the capabilities they are need so that it is logical to suggest that outsourcing enhances the performance.

Here, this research suggests that outsourcing should move towards a balanced view about the profitability of such arrangements. To this end, the research provides a review of what we know and need to know about outsourcing research and development, proposes a simple but integrated model on the relationship between outsourcing and performance, and we present a research agenda useful in guiding corporate operations, management and design strategies when seeking to benefit from outsourcing in enhancing the performance of small and medium-sized industrial companies.

#### **What distinguishes the current study from previous studies!**

Outsourcing is an increasingly explored corporate practice. The existing research has improved our initial understanding of its increasing importance and benefits. While the related literature has flourished, it is anchored by a growing awareness of the potential downsides, risks, and costs that come with the increased use of outside resources to perform the tasks.

#### **Recommendations**

In light of the results obtained, the researcher recommends the following:

1. The necessity for small and medium-sized industrial companies in Jordan to diversify their products and methods of marketing them to ensure continuity and achieve competitive advantage among other companies.
2. The necessity for small and medium-sized industrial Jordanian companies to make strategic alliances with other companies to ensure that they benefit from raw materials to manufacture their products.
3. Small and medium-sized industrial companies should first study the value chain and analyze the performance of each link in it and determine the ones in which they excel and the rest of the rings that do not achieve preference in performance to support their capabilities through the policy of outsourcing
4. The necessity for small and medium-sized industrial Jordanian companies to send workers in internal and external training courses to provide them with the necessary skills to do the work.
5. The need to benefit from the results of previous studies and the conduct of conferences and seminars to demonstrate the importance of using external sources to improve the performance of companies.

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