ABSTRACT

Much of the previous research into the international outsourcing manufacturers has been done, however, not much study has focused on local challenges of international outsourcing by manufacturers in Kenya**.** This study therefore sought to fill the existing research gap by carrying out a survey study on the challenges faced by Kenyan manufacture firms while outsourcing inputs from international Low Cost Country markets. The main purpose of the study was to investigate the underlying challenges and identify opportunities available for Kenyan manufacturers by outsourcing manufacturing inputs. This research was conducted through a survey study. The target population of this study was the management staff working for manufacturing firms who overseeing supply chain and sourcing functions. The study concludes that manufacturing firms in Kenya seek to increases their profits by decreasing the costs of their input through outsourcing from low cost countries thus improving their ability to compete in the global economy. Several manufacturing firms in Kenya are driven towards outsourcing from low cost countries in order to reduce their overall cost of manufactured products in order to make it more affordable and competitive to its target customers. The decision to source material and components domestically or from a low cost country is a complex one. While the direct and indirect product costs represent one major factor, there are many other factors that must be considered and weighed appropriately. Products and components that have extended times between manufacturing changeovers are ideal for low cost country sourcing. A counterexample would be the life cycle for an electronics component, which is typically quite short, and would generally be locally sourced.Savings generally result from low labour and infrastructure costs, as well as capitalizing on the growing and highly competitive marketplaces for subcomponents in these regions. And those savings present compelling reasons for companies to migrate manufacturing operations to low-cost areas. Low labour costs is a primary driver of the substantial savings companies can experience. The daily wage costs for unskilled labour in China and Vietnam for example, are lower than of Kenya. Labour is only one element in the total cost of a component’s price and companies have to determine the total cost, including manufactured price plus shipping costs, customs charges and other expenses involved with moving a component from the supply market to Kenya where it is incorporated in the final product. Successful Low Cost Sourcing strategy is not a straightforward proposition. It involves a careful balancing of often competing interests within a company and demands great flexibility. The decision to source material and components domestically or from a low cost country is a complex one. While the direct and indirect product costs represent one major factor, there are many other factors that must be considered and weighed appropriately. Products and components that have extended times between manufacturing changeovers are ideal for low cost country sourcing.A robust process that integrates the low cost country objectives and mitigates the associated risks is necessary to optimize the value stream. The study further concludes that many of these manufacturing who proceed with this outsourcing decision face many challenges related to execution of the outsourcing strategy, key among them being the main challenge of lead time, unreliable logistic providers, government regulations, high tariff barriers, poor Infrastructure, and currency volatility. The global economy is ever changing and the supply management is a key constituent which Kenyan

manufacturing firms should maximize the benefits it provides.