

**RISKS AND CHALLENGES OF STRATEGIC OUTSOURCING IN GLOBAL
BUSINESS: A SYSTEMATIC LITERATURE REVIEW**

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Abstract: *In today’s highly competitive global business environment, many organizations adopt strategic outsourcing to enhance efficiency, lower operational costs, and concentrate more on their core activities. By outsourcing, companies transfer certain operational functions to external providers, allowing them to leverage specialized knowledge, advanced technology, and professional expertise that might not be available internally. However, along with these benefits, outsourcing also introduces several potential risks that require careful management. This study examines the risks and challenges of strategic outsourcing in global business through a systematic literature review. Initially, 58 academic articles were gathered from relevant databases; after screening for relevance and research focus, 28 articles were selected for in-depth analysis. The findings reveal that while outsourcing can improve organizational performance and operational flexibility, it can also pose challenges such as dependence on external vendors, information security threats, loss of strategic control, intellectual property leakage, and coordination issues in global operations. Thus, the results highlight the importance of balancing outsourcing advantages with effective risk management to make more sustainable and informed outsourcing decisions in global business.*

Keywords: *strategic outsourcing, global business, outsourcing risk, risk management, systematic literature review*

1. INTRODUCTION

Recently, outsourcing has become a key strategy for organizations facing more competition and globalization. Companies look for ways to work more efficiently, lower costs, and focus on what adds the most value. Strategic outsourcing, where some business tasks are given to outside providers, helps companies focus on their strengths and benefit from the expertise and resources of partners.

As global business becomes more complex, outsourcing has grown across many industries. Advances in technology, digital change, and global value chains push companies to work with outside partners to stay competitive and innovative. For example, organizations often use external support for digital services and business ecosystems, helping them grow and improve their offerings (Kohtamäki et al., 2019). In this way, outsourcing is a strategic

tool for accessing knowledge, technology, and resources that companies may not have themselves.

In recent years, outsourcing has become a common practice among companies operating in global markets. Many organizations rely on outsourcing not only to reduce operational costs but also to improve efficiency and access specialized expertise that may not be available internally. Several studies have shown that outsourcing can enhance firm performance and support organizational competitiveness (Lahiri et al., 2012; Mol et al., 2016; Mwangi & Namusonge, 2018). In addition, outsourcing enables companies to focus on their core business activities while delegating non-core functions to external providers (Holcomb & Hitt, 2007; Lacity et al., 2008). This growing reliance on outsourcing indicates that it is no longer simply an optional strategy, but has become an essential approach for companies seeking to remain competitive in an increasingly complex and globalized business environment.

Even with these benefits, outsourcing comes with risks. It can improve efficiency and flexibility, but it also brings challenges that need careful management. A common issue is the risk to operations and services when important business tasks are given to outside vendors. Zaharudin et al. (2024) note that outsourcing can create uncertainty about service quality, reliable performance, and coordination between companies and their providers.

Information security and data protection are also big concerns, especially with IT outsourcing. When outside vendors handle sensitive data and digital processes, organizations can face security breaches or misuse of data. Bhatti et al. (2017) point out that strong information security management is essential in outsourcing, and organizations need good governance and monitoring to protect important information.

Global disruptions and uncertainty can also affect outsourcing strategies. Events like economic crises or pandemics may expose weaknesses in business networks and outsourcing relationships. Alon (2020) notes that such disruptions can have a big impact on international business and may lead organizations to rethink how they manage partnerships and supply chains.

Given the benefits and risks, it is important for researchers and practitioners to understand the challenges of strategic outsourcing. While many studies look at outsourcing's impact on performance and efficiency, fewer have reviewed the different risks in global business. This study aims to fill that gap by reviewing the main risks and challenges of strategic outsourcing through a systematic literature review (SLR). By bringing together past research, the study identifies key risk themes and helps organizations better manage outsourcing in the global market.

Based on its goals, this study addresses the following research questions:

- RQ1: What are the major risks and challenges related to strategic outsourcing in global business?
- RQ2: How does existing literature describe the strategic effects of outsourcing risks on organizational performance and management?

By answering these questions, the study aims to clarify the main outsourcing risks found in earlier research and what they mean for organizations working in global business.

2. MATERIALS AND METHODS

Research Design

This study adopts a Systematic Literature Review (SLR) as the main research design to examine the risks and challenges associated with strategic outsourcing in global business. A systematic literature review is widely used in academic research to collect, evaluate, and synthesize existing studies in a structured and transparent way. Compared with traditional literature reviews, SLR follows a more rigorous, replicable process, enabling researchers to systematically identify patterns, gaps, and key insights from previous research (Snyder, 2019).

The primary reason for using the SLR approach in this study is that research on outsourcing has expanded rapidly across fields such as management, international business, and information systems. As the number of studies grows, it becomes harder to clearly understand the overall trends and risks related to outsourcing practices. A systematic review helps researchers organize this increasing body of knowledge and gain a more complete understanding of the topic (Snyder, 2019).

Additionally, the SLR method enables researchers to collect evidence from multiple studies and combine their findings into meaningful insights. According to Kitchenham (2004), systematic literature reviews are designed to identify, evaluate, and interpret all relevant research related to a specific research question. This structured approach ensures transparency in the review process and reduces potential bias when selecting and analyzing the literature.

To ensure methodological rigor, this study also follows widely accepted reporting guidelines used in systematic reviews. For example, the PRISMA framework provides a clear structure for documenting the identification, screening, and selection of articles included in the review process (Page et al., 2021). Following these guidelines enhances the transparency and reliability of the review.

Overall, the research process in this study involves several stages: identifying relevant articles, screening and selecting studies based on specific criteria, extracting key information from the selected papers, and synthesizing the findings to identify major risk themes related to strategic outsourcing in global business. Through this structured review, the study aims to provide a clearer, more comprehensive understanding of outsourcing risks reported in previous research.

Literature Search Strategy

To ensure the review was systematic and transparent, this study used a structured literature search process. A clear search strategy is crucial in systematic literature reviews because it helps researchers identify relevant studies while reducing selection bias. According to Kitchenham (2004), a systematic review should have a well-defined search strategy so others can understand how the literature was gathered and potentially reproduce the process. Additionally, previous methodological studies highlight that identifying relevant academic

sources through structured keyword searches is a vital step in building a dependable literature base.

In this study, academic articles were collected from several widely used scholarly databases, including Google Scholar, Scopus, and ScienceDirect, which provide access to peer-reviewed journals. These databases were chosen because they contain a broad range of publications related to business management, outsourcing, and international business research. Using multiple databases also helps reduce the risk of missing relevant studies that may appear only on specific indexing platforms.

The literature search was conducted using several keywords related to the study's main topic. Since this research focuses on the risks and challenges of strategic outsourcing in global business, the search process involved combinations of the following keywords:

- Strategic outsourcing
- Outsourcing risk
- Outsourcing challenges
- Global business outsourcing
- Business process outsourcing
- It outsourcing risk

These keywords were combined using various search variations to expand the search scope and include as many relevant studies as possible. For example, terms such as outsourcing risk were often paired with global business or strategic outsourcing to identify studies discussing outsourcing in an international business context. Using multiple keywords is recommended in systematic literature reviews because it helps researchers capture different perspectives and terminology used across studies (Kitchenham, 2004). Using this search strategy, 58 articles on outsourcing, outsourcing risks, and global business strategies were initially identified and collected for further screening and evaluation.

The next stage of the review process involved applying selection criteria to identify the articles most relevant to this study's objectives.

Inclusion and Exclusion Criteria

To ensure the quality and relevance of the reviewed studies, clear inclusion and exclusion criteria were set before the final selection of articles. Defining these criteria is a crucial step in systematic literature reviews because it helps researchers filter the most relevant studies and maintain a reliable review process. According to Kitchenham (2004), a systematic review should apply explicit criteria so that study selection can be done transparently and in a way that others can replicate.

In this study, the selection criteria were crafted to identify academic studies that specifically discuss outsourcing practices in a global business setting, especially those focusing on risks, challenges, and strategic implications. Since the goal of this research is to analyze the risks related to strategic outsourcing, studies that offer insights into outsourcing decision-making, performance, and risk management were deemed relevant for further review.

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Furthermore, only academic publications written in English were included to ensure consistent interpretation of the literature. Previous studies emphasize that outsourcing research often addresses topics such as operational risk, vendor dependency, and information security challenges when organizations rely on external service providers (Bhatti et al., 2021). Therefore, studies addressing these aspects were prioritized during the selection process.

On the other hand, studies not directly related to outsourcing practices were excluded from the review. Non-academic publications such as books, reports without peer review, or duplicate articles were also removed during the screening process to maintain data credibility. Using these criteria helped ensure that the final dataset included studies that were both relevant and methodologically sound for this systematic review.

Table 1 summarizes the inclusion and exclusion criteria used in this study.

Table 1 Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Publication type	Peer-reviewed journal articles	Books, conference abstracts
Language	English	Non-English
Publication year	2014–2026	Before 2014
Research focus	Strategic outsourcing in business	Non-outsourcing topics
Accessibility	Full-text available	Abstract only

Article Screening and Selection Process

The article screening and selection process used the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework to ensure transparency, reproducibility, and methodological rigor in identifying relevant literature. The PRISMA approach provides a structured method for filtering large volumes of academic publications and pinpointing studies most relevant to the research objectives.

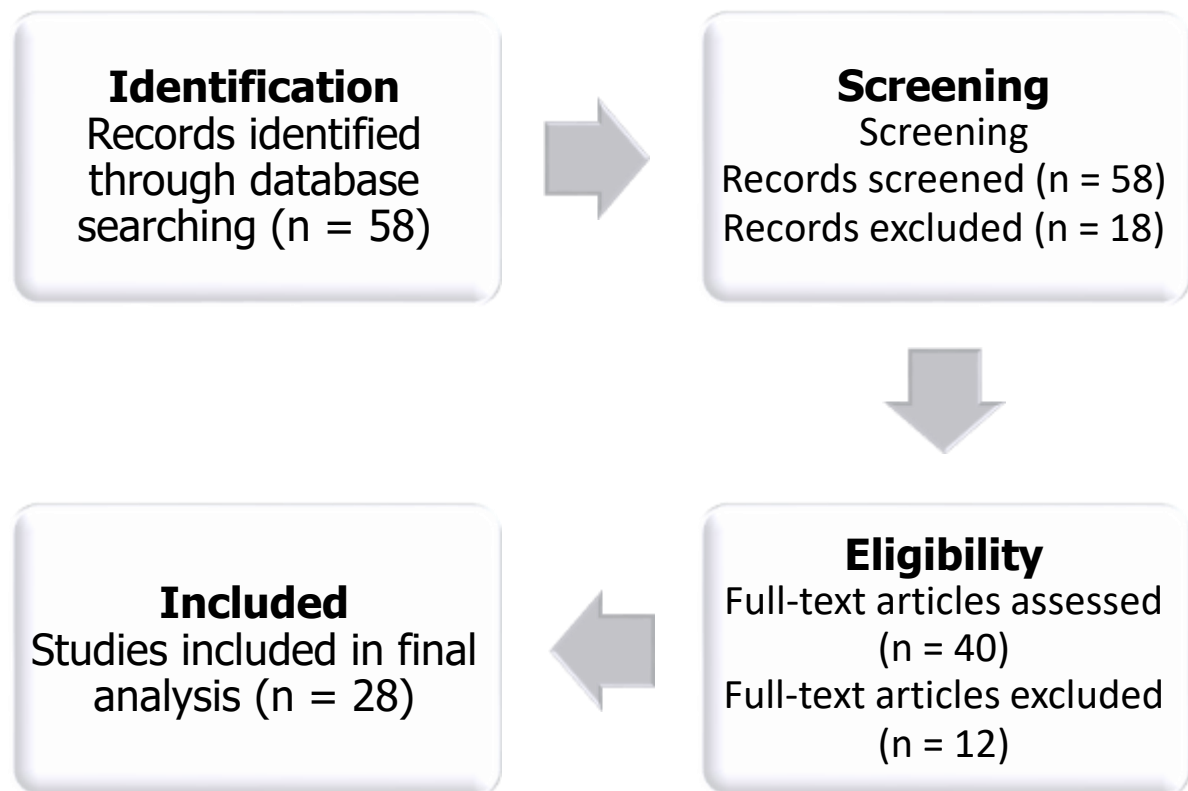


Figure 1 PRISMA Flow Diagram Framework (Article Screening Process: 58 → 28 Articles)

The article selection process adhered to the PRISMA framework, which includes four main stages: identification, screening, eligibility, and inclusion.

During the identification phase, 58 articles were identified from various academic databases using predefined keywords related to strategic outsourcing and outsourcing risks. After removing duplicates, 50 articles remained for further screening.

During the screening phase, the titles and abstracts of the articles were examined to assess their relevance to the research topic. At this stage, 12 articles were excluded because they were not directly related to outsourcing risks or strategic outsourcing in business contexts.

The remaining 38 articles were evaluated for eligibility during the full-text review. During this phase, 10 articles were excluded because their main focus was on technical outsourcing implementation or they did not discuss strategic or managerial implications.

After completing the screening and eligibility stages, 28 articles met all the inclusion criteria and were included in the final analysis of this systematic literature review.

Identification Stage

In the identification stage, 58 academic publications on outsourcing, strategic outsourcing, outsourcing risks, and global business were gathered from various databases. The search strategy included combinations of keywords such as “strategic outsourcing,”

“outsourcing risks,” “global outsourcing,” and “outsourcing challenges in international business.”

These keywords were used in article titles, abstracts, and keywords to identify studies focused on outsourcing practices in global or international business contexts. The initial search yielded a wide range of studies, including empirical research, conceptual papers, and review articles, all addressing outsourcing strategies and related risks in business environments.

Screening Stage

During the screening stage, duplicate records and studies that were clearly unrelated to the research topic were eliminated. Articles were reviewed based on their titles and abstracts to assess their relevance to the focus on strategic outsourcing risks and challenges within global business environments.

Studies were excluded at this stage if they:

- Focused only on technical outsourcing topics without strategic or managerial insights
- Addressed domestic outsourcing without an international or global context
- Were non-academic publications such as editorials, book reviews, or short commentary articles

This screening process greatly reduced the number of articles by excluding studies that did not directly address outsourcing from a strategic or risk-management perspective. Previous research emphasizes that outsourcing decisions involve strategic factors related to cost efficiency, operational performance, and organizational capabilities (Aron & Singh, 2005; Holcomb & Hitt, 2007). Therefore, studies that did not consider these strategic aspects were excluded.

Eligibility Stage

During the eligibility stage, the remaining articles underwent a full-text review to assess their suitability for inclusion in the systematic review. At this point, each article was carefully examined to determine whether it offered meaningful discussion or empirical evidence related to:

- Strategic outsourcing choices
- Risks and challenges related to outsourcing agreements
- Outsourcing in the context of global or international business
- Organizational and managerial impacts of outsourcing strategies

Articles were excluded if the full text indicated that the main focus was not on outsourcing risk management or strategic decision-making. For instance, studies that covered only operational IT implementation or purely technical service outsourcing were excluded unless they addressed strategic implications.

This stage confirmed that the selected studies directly contribute to understanding how outsourcing strategies can pose risks, create governance issues, and introduce managerial complexities in global business environments. Prior research highlights that outsourcing decisions often entail governance risks, coordination problems, and knowledge transfer challenges that organizations must manage carefully (Lacity, Willcocks, & Rottman, 2008).

Included Studies

After completing the identification, screening, and eligibility steps, 28 articles were chosen for the final analysis. These studies met all inclusion criteria and offered relevant theoretical insights, empirical results, or conceptual discussions about strategic outsourcing and its related risks in global business environments.

The final set of articles provides the analytical foundation for this systematic literature review. The selected literature covers diverse perspectives on outsourcing, including risk management, governance mechanisms, cost efficiency, and strategic decision-making in multinational and global organizations.

The full screening and selection process is summarized in the PRISMA flow diagram, which shows the number of studies identified, screened, excluded, and included at each stage of the review.

Data Extraction and Data Analysis

After identifying the final set of 28 eligible articles, the next step was to extract relevant information and systematically analyze the selected studies. The goal of this phase was to synthesize existing knowledge on the risks and challenges associated with strategic outsourcing in global business environments.

Data Extraction

A structured data extraction process was employed to gather key information from each selected article. For consistency and transparency, a data extraction table was created to document the main characteristics and findings of the studies.

The following information was gathered from each article:

- 1) Author(s) and publication year
- 2) Research objectives or research questions
- 3) Research methodology (e.g., conceptual analysis, case study, empirical study, survey research)
- 4) Industry or organizational context
- 5) Type of outsourcing discussed (e.g., IT outsourcing, business process outsourcing, global outsourcing)
- 6) Identified risks or challenges associated with outsourcing
- 7) Key findings and theoretical contributions

This structured extraction method allowed for a systematic comparison of the selected studies and helped identify recurring themes and patterns across the literature. Similar methods are often used in systematic literature reviews to organize and synthesize evidence from multiple academic sources (Snyder, 2019).

Data Analysis

The extracted data were analyzed with qualitative thematic analysis. This approach helps researchers identify common patterns, concepts, and themes that emerge from the literature.

The analysis involved three key stages:

1. Initial Coding

During the initial stage, key statements and findings from each article were coded based on the types of outsourcing risks and challenges discussed. These codes included categories such as:

- Strategic risks
- Operational risks
- Knowledge and capability risks
- Governance and contractual risks
- Cultural and communication challenges

2. Theme Development

After coding the extracted data, similar codes were grouped to develop broader themes that represent major risk categories associated with strategic outsourcing. For example, several studies highlighted governance and coordination challenges among outsourcing partners, while others highlighted knowledge transfer risks and dependency issues in outsourcing relationships (Holcomb & Hitt, 2007).

3. Synthesis of Findings

Finally, the identified themes were combined to give a clear understanding of the risks and challenges of strategic outsourcing in global business. This combination helped identify:

- The most commonly discussed outsourcing risks in research
- Key factors that influence outsourcing success or failure
- Managerial implications for organizations involved in global outsourcing strategies

Through this systematic analysis, the review combines findings from multiple studies to offer a comprehensive view of outsourcing risk management in global business settings.

3. RESULTS

Descriptive Overview of Selected Articles

This study reviewed 28 articles on strategic outsourcing in global business. The chosen studies include various viewpoints, including outsourcing strategy, organizational performance, innovation, and outsourcing risks. These articles were gathered through a systematic screening process and selected based on their relevance to the research topic.

The reviewed literature comprises both conceptual and empirical studies published across various academic journals. Several studies focus on the link between outsourcing and firm performance, highlighting how outsourcing can enhance operational efficiency and competitiveness (Lahiri et al., 2016; Jiang & Qureshi, 2016; Mwangi & Namusonge, 2018; Okafor & Adebayo, 2017). Other research examines outsourcing from a strategic standpoint, stressing the importance of aligning outsourcing decisions with organizational goals (Mol et al., 2016; Olsen, 2015).

Additionally, some articles examine outsourcing in specific functional areas, such as information technology, accounting, and digital marketing services (Sharma & Gupta, 2018; Petrov, 2020; Valencia-García et al., 2013). There are also studies focusing on the role of outsourcing in supply chain management and logistics performance (Ibrahim et al., 2023;

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Khan et al., 2022). Overall, the selected literature shows that outsourcing has become a key strategic practice adopted by organizations across various industries.

Table 2 Literature Review of Selected Articles

No	Author	Year	Article Title	Method	Key Findings
1	Lahiri et al.	2016	Outsourcing and Firm Performance: A Meta-Analysis	Meta-analysis	Outsourcing can improve firm performance depending on strategic alignment and governance mechanisms.
2	Jiang & Qureshi	2016	The Performance Consequences of Manufacturing Outsourcing	Meta-analysis	Manufacturing outsourcing significantly affects operational efficiency and firm productivity.
3	Mol et al.	2016	Outsourcing Decision: Do Strategy and Structure Matter?	Empirical	Strategic orientation and organizational structure influence outsourcing decisions.
4	Fratocchi et al.	2018	The Dark Side of Global Sourcing	Literature Review	Outsourcing can lead to hidden costs, coordination problems, and operational risks.
5	Sdiri & Ayadi	2016	Innovation and Service Outsourcing: Evidence from Firms	Empirical	Service outsourcing contributes positively to firm innovation performance.
6	Hu et al.	2020	Managing Innovation Spillover in Outsourcing	Analytical	Knowledge spillover in outsourcing relationships influences innovation outcomes.
7	Olsen	2015	Outsourcing and Offshoring Decision Making	Conceptual	Strategic considerations and transaction costs influence outsourcing decisions.
8	Lewin & Peeters	2015	The Top-Line Allure of Offshore Outsourcing	Empirical	Offshore outsourcing helps firms improve efficiency and access global talent.
9	Sharma & Gupta	2018	Outsourcing Accounting Services: Strategic Implications	Case Study	Accounting outsourcing improves cost efficiency but requires strong governance.
10	Halim et al.	2017	Outsourcing Decisions among SMEs	Survey	SMEs outsource non-core activities to focus on strategic competencies.
11	Aubert et al.	2014	Managing the Risk of Outsourcing IT	Empirical	Risk management frameworks are

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			Functions		necessary for successful IT outsourcing.
12	Khan et al.	2022	Procurement Outsourcing in Supply Chain Management	Literature Review	Procurement outsourcing enhances supply chain efficiency but increases dependency.
13	Rahman et al.	2018	Business Process Outsourcing and Knowledge Management	Empirical	BPO improves operational efficiency when supported by effective knowledge sharing.
14	Petrov	2020	Digital Marketing Outsourcing for SMEs	Empirical	Outsourcing digital marketing enables SMEs to access specialized expertise.
15	Fratocchi et al.	2017	Drivers of Reshoring after Outsourcing	Literature Review	Companies may reverse outsourcing due to quality and control issues.
16	Brown & Linden	2016	Offshore Outsourcing in Global Manufacturing	Empirical	Global outsourcing enables firms to reduce production costs.
17	Dolgui & Proth	2016	Outsourcing Theory and Decision Framework	Conceptual	Decision frameworks help firms evaluate outsourcing strategies.
18	Martínez-Sánchez et al.	2019	Outsourcing and Innovation Performance	Empirical	Outsourcing contributes to innovation when collaboration is effective.
19	Mwangi & Namusonge	2018	Outsourcing Strategies and Firm Performance	Survey	Strategic outsourcing improves firm competitiveness.
20	Okafor & Adebayo	2017	Outsourcing and Banking Sector Performance	Empirical	Outsourcing improves operational performance in financial institutions.
21	González et al.	2016	Information Systems Outsourcing Risks	Empirical	Information system outsourcing involves security and dependency risks.
22	Bhatti et al.	2021	Information Security Risk Management in IT Outsourcing	Systematic Review	Security risk management is critical in outsourcing IT services.
23	Ibrahim et al.	2023	Impact of Outsourcing on Supply Chain Efficiency	Case Study	Outsourcing logistics improves supply chain performance.
24	Andjelkovic	2020	Outsourcing and Supply Chain Vulnerability	Empirical	Outsourcing increases vulnerability if governance mechanisms are weak.

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25	Cooke et al.	2006	Human Resource Outsourcing	Literature Review	HR outsourcing helps organizations reduce administrative costs.
26	Bunker et al.	2016	Sourcing Risk and Control Framework	Conceptual	Governance structures are necessary to control outsourcing risks.
27	Valencia-García et al.	2013	IT Service Outsourcing in Higher Education	Case Study	Universities outsource IT services to improve efficiency and service quality.
28	Asgar et al.	2013	Security Policies in Outsourced Environments	Conceptual	Security frameworks are necessary when organizations outsource data systems.

Publication Trend

The analysis of publication years shows that research on outsourcing has spanned a long period, with studies published from 2006 to 2023. Earlier research mainly concentrated on basic concepts and strategic aspects of outsourcing, especially in human resource outsourcing and global sourcing (Cooke et al., 2006).

Between 2013 and 2018, research on outsourcing grew significantly, especially in areas like IT outsourcing, global sourcing strategies, and outsourcing risks (Valencia-García et al., 2013; Aubert et al., 2014; Lewin & Peeters, 2015; Dolgui & Proth, 2016; Fratocchi et al., 2017; Fratocchi et al., 2018). During these years, scholars increasingly explored both the benefits and potential challenges of outsourcing practices.

Recent studies have examined emerging topics such as innovation, knowledge spillovers, and digital outsourcing practices. For example, Sdiri and Ayadi (2016) and Martínez-Sánchez et al. (2019) highlight the role of outsourcing in boosting innovation performance, while Hu et al. (2020) stress the significance of knowledge transfer in outsourcing relationships. Recent research has also focused on outsourcing risks and governance in complex global supply chains (Bhatti et al., 2021; Ibrahim et al., 2023).

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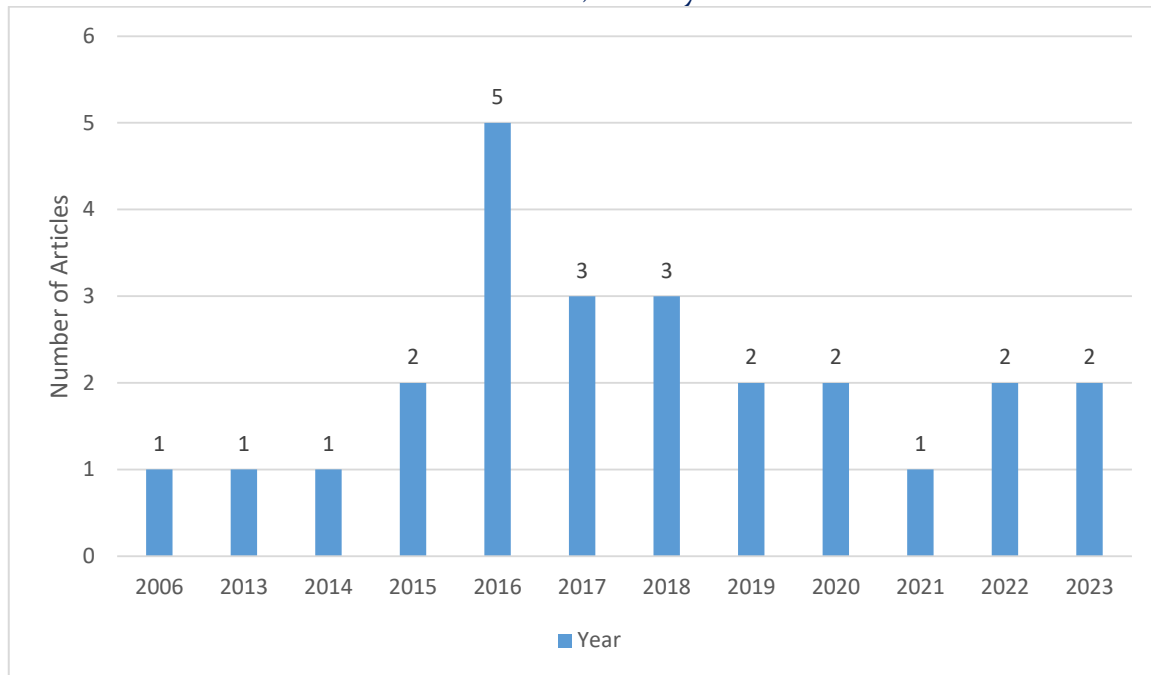


Figure 2 Publication Trend of Outsourcing Research

Research Method Distribution

The selected studies employ various research methods, reflecting the diverse approaches to analyzing outsourcing practices. Many of the reviewed studies employ empirical research methods, such as surveys, case studies, and quantitative analyses. For example, several empirical studies examine the link between outsourcing strategies and organizational performance (Lahiri et al., 2016; Jiang & Qureshi, 2016; Mwangi & Namusonge, 2018; Okafor & Adebayo, 2017).

In addition to empirical research, some studies use conceptual and analytical methods to develop theoretical frameworks for outsourcing decision-making. For example, Mol et al. (2016) and Olsen (2015) examine outsourcing from a strategic management angle, while Dolgui and Proth (2016) introduce analytical frameworks that help organizations assess outsourcing decisions.

Several literature reviews also explore the broader implications of outsourcing practices, especially in global sourcing and supply chain contexts (Fratocchi et al., 2018; Khan et al., 2022). Other studies focus on specific functional areas, such as IT and business process outsourcing, often using case study methods to examine real-world outsourcing practices (Valencia-García et al., 2013; Rahman et al., 2018).

Table 3 Distribution of Research Methods in Selected Articles

Method	Number of Articles
Quantitative	10
Survey	6
Case Study	4
Literature Review	4
Conceptual	3
Analytical Model	1
Total	28

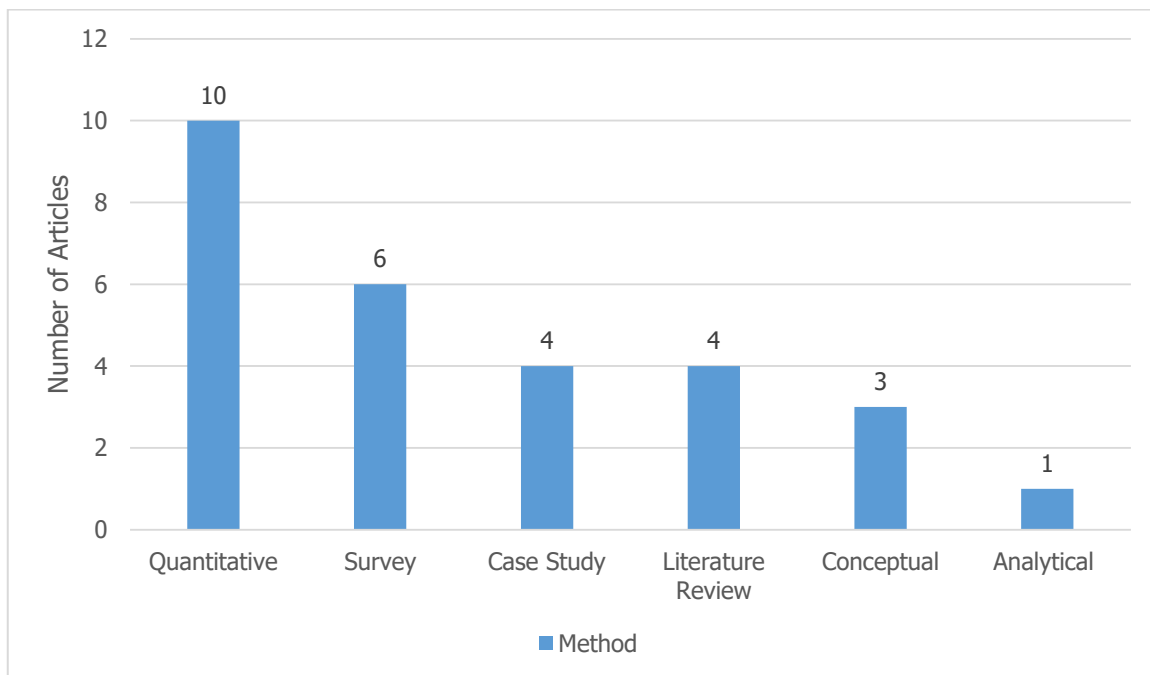


Figure 3 Research Method Distribution of Selected Articles

Thematic Findings

Based on the thematic analysis of the selected literature, the reviewed articles are classified into five main themes: firm performance, strategic motivation, global supply chain outsourcing, innovation, and risks and challenges. The distribution of these articles across the themes is shown in Table 4.

Table 4 Distribution of Selected Articles Based on Identified Themes

No	Title of Article	Author(s)	Theme
1	Outsourcing and Firm Performance: A Meta-Analysis	Lahiri et al.	Firm Performance
2	Research on Outsourcing Results: Current Literature and Future Opportunities	Jiang & Qureshi	Firm Performance
3	Offshore Outsourcing and Global Value Chains	Brown & Linden	Global Supply Chain
4	Influence of Strategic Outsourcing on Firm Performance among SMEs	Mwangi & Namusonge	Firm Performance
5	Strategic Outsourcing and Organizational Efficiency	Okafor & Adebayo	Firm Performance
6	Logistics Outsourcing and Supply Chain Performance	Ibrahim et al.	Firm Performance
7	Offshoring Work: Business and Geographic Drivers	Lewin & Peeters	Global Supply Chain

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8	Outsourcing Decision Making in Organizations	Mol et al.	Strategic Motivation
9	Strategic Outsourcing Decisions and Organizational Performance	Olsen	Strategic Motivation
10	Outsourcing Decision Support Framework	Dolgui & Proth	Strategic Motivation
11	Strategic Outsourcing Practices in Small and Medium Enterprises	Halim et al.	Strategic Motivation
12	Outsourcing of Accounting Services and Firm Performance	Sharma & Gupta	Strategic Motivation
13	Digital Marketing Outsourcing and Business Growth	Petrov	Firm Performance
14	Service Outsourcing and Innovation Performance	Sdiri & Ayadi	Innovation
15	Outsourcing and Innovation in Manufacturing Firms	Martínez-Sánchez et al.	Innovation
16	Managing Innovation Spillover in Outsourcing	Hu et al.	Innovation
17	Information Technology Outsourcing and Knowledge Sharing	Valencia-García et al.	Innovation
18	Business Process Outsourcing and Knowledge Transfer	Rahman et al.	Innovation
19	The Dark Side of Global Sourcing	Fratocchi et al.	Risks and Challenges
20	Information Systems Outsourcing Risks	González et al.	Risks and Challenges
21	Security Issues in IT Outsourcing	Bhatti et al.	Risks and Challenges
22	Governance of Information Technology Outsourcing	Aubert et al.	Risks and Challenges
23	Managing IT Outsourcing Risks	Bunker et al.	Risks and Challenges
24	Reshoring Manufacturing Activities	Fratocchi et al.	Global Supply Chain

25	Human Resource Outsourcing: Challenges and Implications	Cooke et al.	Risks and Challenges
26	Global Outsourcing and Supply Chain Vulnerability	Andjelkovic	Global Supply Chain
27	Outsourcing Strategies in Global Supply Chains	Khan et al.	Global Supply Chain
28	Strategic Outsourcing in International Business	Rahman & Islam	Strategic Motivation

As shown in Table 4, the most frequently discussed themes in the literature are firm performance and outsourcing risks, each supported by several studies. This suggests that while outsourcing is recognized for its potential to improve organizational performance, researchers also stress the importance of understanding the associated risks and challenges.

Outsourcing and Firm Performance

A significant portion of the reviewed literature emphasizes the connection between outsourcing and organizational performance. Several studies indicate that outsourcing can enhance operational efficiency, cut costs, and improve overall firm productivity when applied strategically. A meta-analysis by Lahiri et al. (2016) shows that outsourcing generally has a positive impact on firm performance, especially when companies align outsourcing strategies with their long-term business goals. Likewise, Jiang and Qureshi (2016) demonstrated that manufacturing outsourcing can boost operational performance and productivity.

Other studies also highlight that outsourcing enables organizations to utilize external capabilities and resources that may not be available internally. For example, Brown and Linden (2016) explain that global manufacturing outsourcing allows companies to cut production costs while remaining competitive in international markets. Research focusing on small and medium-sized enterprises also shows that outsourcing can support business growth and competitiveness (Mwangi & Namusonge, 2018; Okafor & Adebayo, 2017). In supply chain management, outsourcing logistics activities to specialized providers can enhance supply chain efficiency and operational flexibility (Ibrahim et al., 2023). Additionally, offshore outsourcing has been demonstrated to help organizations access global talent and specialized expertise, further boosting organizational performance (Lewin & Peeters, 2015).

Strategic Motivations for Outsourcing

Another key theme found in the literature is the strategic motivation behind outsourcing choices. Many organizations use outsourcing as a strategy to focus on their core competencies while outsourcing non-core activities to external providers. Mol et al. (2016) argue that outsourcing decisions are heavily influenced by strategic factors such as organizational structure and competitive positioning. Likewise, Olsen (2015) indicates that firms often assess outsourcing decisions based on transaction cost economics and long-term strategic advantages.

Additionally, several studies emphasize the importance of decision frameworks that help managers determine whether outsourcing is a suitable strategy. Dolgui and Proth (2016)

propose analytical frameworks to aid outsourcing decision-making by assessing costs, risks, and strategic fit. Empirical research also shows that small and medium-sized enterprises often outsource non-core functions to focus on their primary business activities (Halim et al., 2017). In practice, outsourcing strategies are applied across various business functions, including accounting services and digital marketing, to gain specialized expertise and reduce costs.

Outsourcing and Innovation

Beyond efficiency and strategic focus, outsourcing has also been associated with fostering innovation and knowledge growth within organizations. Several studies indicate that outsourcing relationships can promote knowledge transfer and help firms access new technologies and expertise. Sdiri and Ayadi (2016), for instance, found that service outsourcing enhances innovation performance by enabling firms to acquire external knowledge and specialized capabilities.

Similarly, Martínez-Sánchez et al. (2019) reported that outsourcing partnerships can improve innovation outcomes when organizations build strong collaborative relationships with their external partners. Additionally, research by Hu et al. (2020) emphasizes the role of knowledge spillover in outsourcing arrangements, where interactions between firms and outsourcing vendors create opportunities for learning and innovation. Outsourcing in information technology also plays a key role in supporting innovation, especially when organizations depend on external IT providers to access advanced technological capabilities (Valencia-García et al., 2013). Moreover, outsourcing practices in business process management can enhance organizational knowledge sharing and operational efficiency (Rahman et al., 2018).

Risks and Challenges of Outsourcing

Although outsourcing offers many benefits, the literature also emphasizes several risks and challenges that organizations might face. A common concern is the potential loss of control over outsourced tasks and increased reliance on external vendors. Fratocchi et al. (2018) refer to this as the “dark side” of global sourcing, where outsourcing can result in hidden costs, coordination issues, and operational risks.

Other studies also highlight that outsourcing can introduce vulnerabilities in organizational operations, especially when companies depend heavily on external providers. González et al. (2016) identify several risks associated with information systems outsourcing, including security threats and the loss of internal capabilities. In the realm of IT outsourcing, data security and information protection have become key concerns for organizations (Bhatti et al., 2021). Therefore, effective governance and risk management mechanisms are crucial to ensure successful outsourcing relationships (Aubert et al., 2014; Bunker et al., 2016).

Additionally, some companies have reevaluated their outsourcing approaches after facing operational challenges. Research on reshoring shows that firms may bring back previously outsourced activities due to quality problems, coordination issues, or rising costs (Fratocchi et al., 2017). Outsourcing can also introduce vulnerabilities into supply chains when organizations rely too heavily on external partners, increasing the risk of disruptions

and operational hazards (Andjelkovic, 2020). In some instances, outsourcing administrative and human resources functions can also raise concerns about organizational control and employee management (Cooke et al., 2006).

Table 5 Key Themes Identified in the Strategic Outsourcing Literature

Theme	Key Issue	Example Studies
Efficiency & performance	Cost reduction, productivity improvement	Sanchís-Pedregosa et al. (2017); Lahiri et al. (2016)
Focus on core competencies	Resource allocation, strategic focus	Halim et al. (2017); Sharma & Gupta (2018)
Outsourcing risks	Vendor dependency, security risk, coordination issues	Gupta (2017); Hu et al. (2020); Fratocchi et al. (2018)

4. DISCUSSION

The findings of this study suggest that outsourcing is often not merely a strategic option, but a necessity for many organizations. As competition in global markets becomes increasingly intense, companies are required to adopt outsourcing strategies in order to remain efficient and flexible. Previous studies indicate that outsourcing allows firms to reduce operational costs, improve performance, and respond more effectively to market changes (Jiang & Qureshi, 2006; Lahiri et al., 2012; Okafor & Adebayo, 2017). At the same time, outsourcing provides access to external knowledge and capabilities, which can support innovation and long-term growth (Hu et al., 2020; Martínez-Sánchez et al., 2019). Without outsourcing, companies may face higher operational burdens and limited ability to compete in dynamic business environments. Therefore, outsourcing can be seen as a strategic necessity rather than a purely optional decision.

This systematic literature review reveals several key insights about the role of strategic outsourcing in global business. Through thematic analysis of the selected studies, five main themes were identified: firm performance, strategic motivation, global supply chain outsourcing, innovation, and outsourcing risks. These themes show how outsourcing has shifted from a simple cost-cutting strategy to a broader strategic tool that affects various aspects of organizational performance and competitiveness.

First, the literature consistently shows that outsourcing can help improve a company's performance. Several studies indicate that outsourcing enables organizations to cut operational costs, boost efficiency, and increase productivity by leveraging external expertise and specialized skills. Past research has found that outsourcing strategies may positively affect firm performance when they align with organizational goals and are supported by effective management practices (Lahiri et al., 2016; Jiang & Qureshi, 2016; Mwangi & Namusonge, 2018; Okafor & Adebayo, 2017). These findings imply that outsourcing can help organizations remain competitive in increasingly global markets.

Second, outsourcing is often motivated by strategic reasons that help organizations concentrate on their core competencies. Many companies opt to outsource non-essential

activities to free up internal resources for more strategic business functions. Previous studies emphasize that outsourcing decisions are usually influenced by factors such as transaction costs, operational flexibility, and long-term strategic objectives (Mol et al., 2016; Olsen, 2015; Dolgui & Proth, 2016). In this context, outsourcing becomes an element of a broader strategic management approach that promotes organizational efficiency and better resource use.

Third, the literature also emphasizes the increasing role of outsourcing in global supply chains. As companies expand internationally, outsourcing has become a key strategy for managing complex global production networks. Research shows that global outsourcing allows companies to access international markets, lower production costs, and enhance supply chain efficiency (Brown & Linden, 2016; Lewin & Peeters, 2015). However, globalization also adds to the complexity of outsourcing relationships, requiring organizations to carefully coordinate activities across multiple partners and locations (Fratocchi et al., 2017; Andjelkovic, 2020).

Another key theme identified in the literature is the link between outsourcing and innovation. Several studies indicate that outsourcing partnerships can promote knowledge transfer and technological collaboration between firms and external providers. Through these collaborations, organizations may gain access to new technologies, specialized expertise, and innovative practices that can boost their innovation capabilities (Sdiri & Ayadi, 2016; Martínez-Sánchez et al., 2019). Additionally, knowledge spillover effects may occur when firms work closely with outsourcing partners, further supporting organizational learning and innovation growth (Hu et al., 2020; Rahman et al., 2018).

Although outsourcing offers potential benefits, the literature also highlights several risks and challenges. Organizations that depend heavily on outsourcing may encounter issues such as vendor reliance, loss of control over outsourced tasks, and security risks in information systems outsourcing (González et al., 2016; Bhatti et al., 2021). Additionally, poor governance and coordination can lead to operational inefficiencies and strategic vulnerabilities (Aubert et al., 2014; Bunker et al., 2016). These insights underscore the need for establishing effective governance structures and risk management strategies to ensure successful outsourcing relationships.

Overall, this review indicates that outsourcing can offer significant strategic benefits for organizations when carefully implemented and supported by strong management practices. However, outsourcing also requires organizations to weigh potential gains against the associated risks. Therefore, companies should take a strategic, well-structured approach to outsourcing decisions to maximize their benefits and reduce potential challenges.

5. CONCLUSION

This study aimed to explore the role of strategic outsourcing in global business through a systematic review of 28 selected academic articles. The review shows that outsourcing has become an increasingly vital strategy for organizations operating in competitive and global markets. Instead of being merely a cost-cutting measure, outsourcing is now widely seen as a

strategic tool that can impact organizational performance, operational efficiency, innovation, and global supply chain management.

The findings of this study highlight five key themes in the outsourcing literature: firm performance, strategic motivation, global supply chain outsourcing, innovation, and outsourcing risks. Many studies show that outsourcing can improve firm performance by helping organizations cut operational costs, boost efficiency, and gain access to specialized expertise. Additionally, outsourcing decisions are often motivated by strategic goals, particularly the desire to focus on core competencies while outsourcing non-core activities to external providers.

The review also emphasizes the increasing importance of outsourcing within global supply chains. As companies expand internationally, outsourcing enables them to work with external partners and manage complex global production networks. Additionally, several studies highlight that outsourcing partnerships can foster innovation through knowledge sharing, technology transfer, and collaboration between firms and service providers.

Although these potential benefits exist, the literature also highlights several risks linked to outsourcing practices. These include vendor dependency, decreased organizational control, and security issues in areas such as information technology outsourcing. These risks underscore the need for effective governance and careful management of outsourcing relationships to ensure that outsourcing strategies positively impact organizational outcomes.

From a practical standpoint, this study's findings indicate that organizations should approach outsourcing decisions strategically rather than viewing it solely as a short-term cost-cutting measure. Managers need to carefully assess which business functions are appropriate for outsourcing and ensure that robust governance structures and risk management practices are in place. A well-structured outsourcing plan can help organizations boost efficiency, improve competitiveness, and access external expertise while reducing potential risks.

This study also suggests several directions for future research. Although the reviewed literature provides valuable insights into outsourcing strategies, more research is needed to understand how outsourcing practices develop in rapidly changing business environments. Future studies could explore the effects of emerging technologies, digital transformation, and artificial intelligence on outsourcing strategies. Additionally, more empirical research might examine how outsourcing relationships affect long-term organizational innovation and resilience in global supply chains.

Overall, this study adds to the growing body of knowledge on strategic outsourcing by providing a comprehensive overview of key themes and research trends in the existing literature. By synthesizing findings from multiple studies, this review offers a clearer understanding of the opportunities and challenges of outsourcing in global business.

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