Institute for Supply Management™

Official Position Statement

OFFSHORING

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With ongoing demand from consumers for products and services at the lowest possible price, "offshoring" continues to be one of many sourcing decisions a business entity must make in support of the business' overall strategic goals.

Outsourcing overseas is not a new phenomenon. Business entities have been offshoring for decades with the exodus of jobs making shoes, electronics and toys to developing countries. In addition to "offshoring," for many years businesses have been shifting work from one location in the U.S. to another U.S. location in order to lower costs of operation.

For some industries and businesses, offshoring is inevitable and will benefit both the business entity and the ultimate consumers by increasing efficiency, increasing return on investment (ROI), and lowering costs. To remain competitive and sometimes for their basic survival, some businesses must outsource overseas (offshoring) or face closing their doors. For other business entities or situations, offshoring may not be the best decision to meet the overall strategic goals.

Definitions:

Outsourcing: A version of the make-or-buy decision in which an organization elects to purchase an item that previously was made or a service that was performed in-house; often utilized for services. It involves sourcing and using a supplier that provides the completed item or service rather than buying the components and manufacturing them in-house.

"**Offshoring**" or "offshore sourcing" is outsourcing overseas or in a separate country. Outsourcing to a contiguous country may be considered nearshore outsourcing.