

Gap outsourcing in china

[Countries](#), [United States](#)



Companies want to utilize modern infrastructure and focus on their core strengths while other professional firms handle their other business processes (Lathering, 2007: 2). The textile industry has been a fundamental driving force in China's economy for many years. Outsourcing production to the Chinese manufacturers has become popular among other foreign firms in the recent past (Earns, 2006: 362). This is especially because the textile industry is a labor intensive industry and firms prefer to outsource in China since it has a large pool of cheap labor.

The World Bank report of 2006 indicated some of the most suitable locations to invest in China which are; the south east coastal provinces, the Pearl river delta province of Guangdong, all special economic zones and the province of Fujian (Yuan, 2008: 20). PESTLE analysis is a technique used to assist corporations in understanding the external environment in which they operate in the present and future. It helps an organization to assess the macroeconomic conditions surrounding it in order to make a business decision.

It works more efficiently when used in conjunction with risk analysis, SWOT analysis, and urgency grid. Expert knowledge of the organization and its external surroundings is also important in PESTLE analysis. The word PESTLE was coined from political, Economic, Sociological, Technological, legal, and environment factors that affect an organization. The main aim of conducting PESTLE analysis is to help in the analysis of the external environment and its effect on the organization (Institute of leadership & management 2007: 23).

In pestle analysis, we consider each of the external factors and how it is likely to impact on the organization. Political factors: The government plays a major role in growth of businesses through policy formulations. These policies can affect an organization both positively and negatively. Although policies existing In China favor exports to China, sourcing remains the best tool to gain entry into the market. It is further renown for its low cost sourcing. Gap Inc. Should consider the existing government policies and assess whether or not they favor the textile industry.

Social factors: Most of the Chinese working class lack global business experience due to socialism mode of governance where the government provided almost everything especially in the past. Gap should aim to build good legislations with both the local and international governments. It should also use sourcing as a means to penetrate the Chinese market. The composition of a country population has major effects on the performance of a business (Center & Edmonds, 2002: 40). Outsourcing also requires high level of trust since It involves sharing financial information and actual transfer of cash (Chining, 2009: 127).

Economic factors: China's economy is more advantaged in comparison with most other developing I OFF countries. I Nils Is primarily Owe to Its tidally to allover Nell quality products Tanat meet he standards that are required by legislation and consumers in the European countries. It also provides ideal environment to source consumer products. The textile industry is also on the road to recovery due to the policy for revitalization plans for the textile

industry which was passed in 2009 Just after China regained economic growth.

This has seen the textile industry overcome numerous difficulties and make new development (China textile network company, 2009: 4). However, China's market is characterized by risks and GAP Company should maintain flexibility and diversity when dealing with sourcing. Teaming up with local companies in China would help Gap in cost cutting. It would also aid with the knowledge on the domestic market as they would rather assist as partners rather than competitors (The outsourcing institute 2005).

Legal factors: The Chinese legal system does not adequately protect the IP rights. The outsourcing company should therefore understand the extent to which patents and trade secrets can be protected (Kennedy & Clark, 2006: 1). Gap Company should therefore ensure that their legal rights are protected. Technology: IT professionals graduating each year from China are approximately 200000, providing a strong technically skilled population. China is rapidly emerging as one of the world's leading supplier in offshore software outsourcing due to its remarkable development rate.

Its aim is to outshine India and become the dominant competitor (Shine technologies 2008). Gap Inc. Should take advantage of this emerging strength and go ahead to outsource its textile manufacturing services in China as well as looking into ways to benefit from China's current software strengths since for any company to succeed in the modern market, it has to utilize highly advanced technology. Environmental factors: China has a developed IT structure, networks, and infrastructure. It has massive

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telecommunication expansions making it more suitable for an industry growth.

China also has the advantage of having a large pool of inexpensive skilled labor. Companies can benefit from the China market by taking advantage of and cut costs that are up to approximately 50-60% (Shine technologies, 2008). However, the textile industry in China has constantly been on the spotlight due to its massive negative effects on the environment. Prices of clothing and fabric imported to the U. S have been falling ever since 1995. The Chinese textile companies have been known to cut costs of production by dumping wastes into rivers causing massive pollution. U. S retail textile industry on the other hand is struggling to prevent environmental issues that have caused them consumer backlash in the past. The textile industry in China is one of the dirtiest industries in the country. Heavy metals and carcinogens contain high levels of organic materials causing much damage to the environment. Gap therefore should consider this as a drawback when opting to outsource in China since this pollution may eventually lead to emergence of social movements that will rise against environmental degradation by textile industries leading to considerable reduction in sales.