

**Factors Affecting Outsourcing Decisions: A Multiple  
Criteria Decision Analysis Using Fuzzy AHP Approach**

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**Abstract**

Outsourcing as a concept existed even before the Industrial Revolution, however, the structural formalization in its contemporary form took place not until 1970s and 1980s. Globally competing organizations felt that they were handicapped by the lack of agility and need for diffused managerial structure. Thus, to be flexible and to focus upon core competencies, it became expedient to outsource certain functions traditionally performed in-house. Since 2000, outsourcing as a strategic decision has been extensively researched and studied. Like any other strategic decision, outsourcing has its own pros and cons. Existing body of research provides a structured framework of outsourcing risks and decision criteria. However, limited quantitative research work validates the importance of these criteria during outsourcing decision-making process. This research focuses objectively on testing these criteria by applying the multi-attribute technique - Analytic Hierarchy Process (AHP), to analyse the industry wide outsourcing behaviour. The study determined that cost was the single largest attribute influencing the decision with nearly half the weight assigned to it. Together with Quality and Expertise (and Cost), the top three attributes influence nearly 90% of the outsourcing related decision-making processes.

**Keywords:** Outsourcing, Outsourcing decisions, Fuzzy Analytic Hierarchy Process (F-AHP), Multi-Criteria Decision-Making (MCDM), Analytic Hierarchy Process (AHP)