

The Role of SME Subcontracting in Reducing the Costs of Multinational Companies

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Abstract: This study aims to analyze the role of subcontracting strategies granted to Small and Medium Enterprises (SMEs) in reducing costs for international companies, within a global economic environment characterized by intense competition and pressure to minimize operational expenses. The study adopted an analytical-deductive approach, through a comprehensive review of theoretical literature and prior studies related to governance, supply chain management, cost management, and outsourcing strategies. The study reached several key findings, most notably: the existence of a conditional positive relationship between subcontracting and the reduction of operational costs, where achieving real savings depends on the efficient management of transaction costs and quality control; the role of SMEs' operational flexibility in converting fixed costs into variable costs, thereby improving the financial structure of international corporations; the importance of specialization and comparative advantage of small suppliers as a driver of economies of scale; and the necessity of transitioning from temporary contractual relationships to long-term strategic partnerships to ensure sustainable cost reduction. Based on these findings, the study recommends that international companies adopt a Total Cost of Ownership (TCO) methodology when evaluating subcontracting proposals, and invest in strategic partnerships and technological integration with suppliers. It also recommends that SMEs focus on specialization in niche activities and obtain internationally certified quality standards to enhance their competitiveness. Finally, the study proposes future research avenues focusing on the impact of digitalization, sustainability, and supply chain resilience in the context of global crises.

Keywords: Subcontracting, Small and Medium Enterprises (SMEs), International Companies, Cost Reduction, Supply Chain Management, Risk Management.

Résumé : Cette étude vise à analyser le rôle des stratégies de sous-traitance accordées aux petites et moyennes entreprises (PME) dans la réduction des coûts des entreprises internationales, dans un environnement économique mondial caractérisé par une concurrence intense et une pression croissante visant à minimiser les dépenses opérationnelles. L'étude adopte une approche analytico-déductive, fondée sur une revue approfondie de la littérature théorique et des études antérieures relatives à la gouvernance, à la gestion de la chaîne d'approvisionnement, à la gestion des coûts et aux stratégies d'externalisation.

L'étude a abouti à plusieurs résultats essentiels, notamment l'existence d'une relation positive conditionnelle entre la sous-traitance et la réduction des coûts opérationnels, la réalisation d'économies

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réelles dépendant d'une gestion efficace des coûts de transaction et du contrôle de la qualité. Elle met également en évidence le rôle de la flexibilité opérationnelle des PME dans la transformation des coûts fixes en coûts variables, contribuant ainsi à l'amélioration de la structure financière des entreprises internationales. L'étude souligne en outre l'importance de la spécialisation et de l'avantage comparatif des petits fournisseurs comme facteurs favorisant les économies d'échelle, ainsi que la nécessité de passer de relations contractuelles temporaires à des partenariats stratégiques à long terme afin d'assurer une réduction durable des coûts.

Sur la base de ces résultats, l'étude recommande aux entreprises internationales d'adopter une méthodologie du **coût total de possession (Total Cost of Ownership – TCO)** lors de l'évaluation des propositions de sous-traitance, et d'investir dans des partenariats stratégiques ainsi que dans l'intégration technologique avec leurs fournisseurs. Elle recommande également aux PME de se spécialiser dans des activités de niche et d'obtenir des certifications internationales de qualité afin de renforcer leur compétitivité. Enfin, l'étude propose plusieurs pistes de recherche futures portant sur l'impact de la digitalisation, de la durabilité et de la résilience de la chaîne d'approvisionnement dans le contexte des crises mondiales.

Mots-clés : Sous-traitance, petites et moyennes entreprises (PME), entreprises internationales, réduction des coûts, gestion de la chaîne d'approvisionnement, gestion des risques.

Introduction

In recent decades, the global economy has undergone radical transformations resulting from economic globalization and the free exchange of goods and services. This has presented international companies with unprecedented competitive challenges, forcing them to constantly seek ways to reduce operating and production costs in order to strengthen their competitive advantage in global markets. In this context, the outsourcing strategy—or what is known as subcontracting—has emerged as one of the strategic solutions adopted by large companies to delegate certain production or service activities to external parties. Small and medium-sized enterprises (SMEs) have received special attention as partners in this process due to their high flexibility, their ability to adapt to changing production requirements, and their lower operating costs compared to large organizations. Relying on SMEs in international supply chains is no longer merely a secondary option; but has become a strategic necessity through which multinational corporations seek to rationalize expenses and focus on their core activities. However, this practice raises questions about its true effectiveness in achieving sustainable cost savings without compromising quality or operational stability, which calls for an in-depth study to analyze this complex relationship between outsourcing and cost reduction in the international environment.

Research Problem: The main research problem of this study centers on determining the actual impact of the outsourcing strategy adopted by small and medium-sized enterprises (SMEs) on the cost structure of multinational corporations. Does this practice actually lead to substantial financial savings, or does it entail hidden costs that may diminish its economic viability?

Sub-questions: Based on this main question, a set of sub-questions arises that the study seeks to answer, namely:

- To what extent does the flexibility of small and medium-sized enterprises contribute to reducing production costs for multinational corporations?
- What mechanisms do multinational corporations employ to ensure quality in logistics while keeping costs low?

- Are there operational or logistical risks associated with logistics that could lead to increased costs in the long term?
- What environmental and legal factors influence the effectiveness of handling in reducing cross-border costs?

Answering these questions requires a careful analysis of the balance between direct cost savings and the coordination and oversight costs associated with managing a network of SME suppliers.

I.1. Study Hypotheses:

Based on the study's research problem and the adopted theoretical framework, this study posits a set of key hypotheses that will be tested empirically or theoretically, as follows:

Hypothesis 1: There is a statistically significant positive relationship between the volume of handling outsourced to small and medium-sized enterprises and the reduction in operating costs for multinational corporations.

Hypothesis 2: The operational flexibility of small and medium-sized enterprises contributes to reducing storage costs and time for multinational corporations to a greater extent than large suppliers do.

Hypothesis 3: There are hidden transaction costs associated with managing, evaluating, and monitoring small and medium-sized enterprises that may reduce the net savings achieved through outsourcing.

Hypothesis 4: Economic and legal stability in the home country of the SME affects the extent to which outsourcing effectively reduces costs for the multinational corporation.

I.2. Significance of the Study:

This study derives its significance from both theoretical and practical aspects. Theoretically, it contributes to enriching the managerial and economic literature on global supply chain strategies and the role of SMEs therein, particularly given the scarcity of studies that directly link outsourcing to cost reduction in an international context; From a practical standpoint, the study provides a practical guide for managers of international companies to help them make informed decisions regarding the outsourcing of activities to SMEs, It also offers recommendations to policymakers in developing countries on how to develop the SME sector to make it an attractive partner for international investment. In addition, the study highlights potential risks, thereby helping companies develop effective risk mitigation plans, and ultimately contributes to strengthening economic integration between large and small firms in a way that promotes sustainable economic growth.

I.3. Objectives of the Study:

This study aims to achieve a set of main and sub-objectives that serve the research topic, namely:

- Main Objective: To identify the role of outsourcing to small and medium-sized enterprises (SMEs) in reducing costs for multinational corporations and to measure the effectiveness of this strategy.

- **Sub-objectives:**

- To analyze the economic and administrative mechanisms through which outsourcing generates cost savings for multinational corporations.

- To assess the risks and challenges associated with relying on small and medium-sized enterprises in international supply chains and their impact on total costs.

- Identify the critical success factors in outsourcing relationships between multinational corporations and SMEs.

- Provide a set of practical recommendations for multinational corporations to improve the efficiency of their outsourcing strategy and for SMEs to enhance their competitiveness as outsourcing partners.

II. The Conceptual Framework of Multinational Corporations and Small and Medium-Sized Enterprises (SMEs) and the Logistics Strategy.

Before delving into an analysis of the economic and managerial relationship between logistics and cost reduction, we must solidify our understanding of the fundamental concepts upon which this study is based, as a sound analysis cannot be built on vague or imprecisely defined concepts. This section represents the theoretical cornerstone of the study, in which we will dissect the three main concepts: multinational corporations as the service-seeking party, small and medium-sized enterprises as the service-providing party, and the outsourcing strategy as the bridge connecting them. A deep understanding of each party's characteristics and economic motivations is what will later enable us to assess the effectiveness of this strategy in achieving the desired goal of cost reduction. We are not merely discussing dry dictionary definitions here, but rather a functional analysis of these economic entities in the context of globalization, where roles overlap and traditional concepts of production and management are changing. The aim of this section is to provide the reader with the necessary analytical tools to understand why large companies turn to smaller ones, how the outsourcing mechanism works in practice, and what conditions are necessary for the success of this complementary relationship in an economic environment characterized by intense competition and global market volatility.

II.1. The Concept of Multinational Corporations, Their Characteristics, and Their Motives for Cost Reduction:

Multinational corporations are defined as large economic entities whose activities extend beyond the geographical borders of their home country and which own branches, subsidiaries, or distribution networks in several countries around the world, granting them significant economic and political influence in the markets where they operate. These companies are characterized by complex organizational structures, enormous capital, and advanced technological capabilities; however, they simultaneously face immense pressure from shareholders and investors to achieve substantial financial returns amid fierce and relentless global competition. The most prominent characteristic of multinational corporations today is their constant pursuit of improved operational efficiency, as their large size can make them prone to bureaucracy and high fixed costs, prompting them to seek

innovative solutions to streamline expenses and maintain profit margins. These companies' motivation to reduce costs stems not only from a desire to increase profits but is also a matter of survival and sustainability, as any decline in price competitiveness could lead to a loss of market share to more flexible and lower-cost competitors (Duraïd Mahmoud Ali, 2009, p. 19).

The cost structure of international companies consists of multiple components, including direct production costs, labor costs, transportation and logistics costs, research and development costs, and legal and tax compliance costs in various countries. and in their efforts to optimize this structure, strategic management reviews each cost item to assess the possibility of reducing it without compromising quality, This is where the concept of focusing on core activities and outsourcing non-core ones comes into play. International companies recognize that owning every stage of the supply chain may not be the most economically optimal choice, especially for activities that require high flexibility or specialized investments that may not be feasible for the parent company. Therefore, the drive to reduce costs leads companies to delegate certain tasks to external parties that can perform them more efficiently and at a lower cost, which opens the door for small and medium-sized enterprises to serve as strategic partners in this process. Understanding this economic driver is key to understanding why outsourcing has become a global phenomenon rather than merely a limited local practice (Ibrahim Mohsen Ajeel and Itsam Al-Sharkaji, 2015, p. 26).

II. 2. The Nature of Small and Medium-Sized Enterprises and Their Competitive Advantages in Supply Chains:

Small and medium-sized enterprises (SMEs) are typically classified according to international standards based on the number of employees, sales volume, or total assets. They form the backbone of the economy in most countries around the world due to their ability to create jobs and foster innovation. What distinguishes these enterprises from large corporations is their high flexibility in decision-making, their ability to adapt quickly to market changes, and the absence of the bureaucratic layers of management that slow down operations in large corporations. This flexibility represents a fundamental competitive advantage in modern supply chains, which require rapid responses to customer requests and fluctuations in demand. A small enterprise can adjust its production lines or change its suppliers much more quickly than a large multinational corporation. In addition, small and medium-sized enterprises (SMEs) are characterized by lower overhead costs, as they do not bear the burden of massive central administrations or global marketing expenses, enabling them to offer more competitive pricing to multinational corporations seeking to reduce procurement costs (World Intellectual Property Organization, 2017, https://www.wipo.int/edocs/pubdocs/ar/wipo_pub_944_2017.pdf).

The role of small and medium-sized enterprises (SMEs) in international supply chains has evolved from that of mere secondary suppliers to strategic partners providing high-value-added services, particularly in the areas of precision manufacturing, specialized logistics, and innovative technology solutions. These enterprises' ability to specialize in niche markets allows them to achieve high operational efficiencies in specific areas where it may not be feasible for large corporations to invest directly. However, working with small enterprises also presents challenges related to limited financial capacity, continuity risks, and varying quality standards from one country to another, requiring international companies to take these factors into account when assessing the feasibility of outsourcing in terms of total cost rather than just the purchase price. The competitive advantage of small enterprises lies in their ability to fill the operational gaps of large companies efficiently and quickly,

making them an ideal partner in flexible cost-reduction strategies (United Nations Conference on Trade and Development, 2013, https://unctad.org/meetings/en/SessionalDocuments/ciiem3d2_ar.pdf)

II. 3. The Outsourcing Strategy as a Tool for Financial and Operational Engineering:

Outsourcing strategy is defined as a contractual agreement between a parent company and an external contractor to perform specific activities or produce certain components in exchange for an agreed-upon price; It is considered one of the financial and operational engineering tools that companies use to restructure their operations. Outsourcing is divided into several types, including industrial outsourcing for manufacturing parts, service outsourcing such as logistics and information technology, and business process outsourcing. Each type has a different impact on the cost structure. The fundamental goal of outsourcing is to convert fixed costs into variable costs, whereby the multinational company pays only for the service or product received rather than bearing the costs of maintaining factories and permanent labor, thereby improving financial liquidity and reducing investment risks. This strategy allows the multinational company to focus on its core competencies, such as research and development and marketing, while leaving support activities to external specialists who may possess cheaper or more efficient technologies (Iman Amira and Bahri Bouakaz, 2020).

The effectiveness of outsourcing in reducing costs depends not only on the price difference between in-house and outsourced production, but also on the efficiency of contract management and the associated transaction costs. When a multinational company resorts to outsourcing, it saves on capital investment costs and direct operating costs, but in return bears the costs of sourcing suppliers, the costs of negotiating and drafting contracts, the costs of monitoring and quality control, and the costs of international transportation and shipping. The economic equation for outsourcing is only viable when the total savings in production costs exceed the total transaction and new management costs resulting from outsourcing. Therefore, a successful outsourcing strategy requires a delicate balance between reducing direct costs and maintaining operational control, while ensuring that the external supplier adheres to quality standards and deadlines to avoid hidden costs resulting from delays or defects; Understanding these complex dynamics is what distinguishes successful strategic management in using outsourcing as a tool for sustainable—rather than temporary—cost reduction (Zarqani Rabah, 2014).

Our review of the fundamental concepts in this area illustrates that the relationship between multinational corporations and small and medium-sized enterprises (SMEs) through outsourcing is a complex one based on a purely economic foundation: maximizing efficiency and minimizing costs. Multinational corporations seek flexibility and a reduction in fixed costs, and small enterprises offer these advantages due to their structural nature. Outsourcing is the legal and operational mechanism that governs this exchange; however, this theoretical framework presents us with practical challenges regarding how to measure total costs and how to manage the risks associated with reliance on an external party, which we will discuss in the subsequent sections of this study. A precise understanding of these concepts is the first step toward building an analytical model capable of testing the study's hypotheses and determining the actual impact of outsourcing on the financial performance of multinational companies in the context of accelerating economic globalization.

III– Economic and Operational Mechanisms of Logistics in Reducing the Costs of Multinational Corporations:

Having established in Section One the conceptual and definitional framework for the two main entities in our research equation—namely, multinational corporations and small and medium-sized enterprises—as well as the logistics strategy, we now move on to this second axis to delve into the heart of the economic and managerial issues, where we will analyze the precise mechanisms through which cost savings are achieved. Talking about cost reduction is not about making arbitrary cuts to budgets; but rather a complex financial and operational engineering process that relies on a deep understanding of cost structure and the nature of economic activity. The goal of this section is to break down the outsourcing process into its economic components to see how the contractual relationship between a major international corporation and a small enterprise becomes a lever for financial efficiency. In this section, we will discuss five key subtopics covering direct and indirect cost aspects, the role of flexibility, the structure of fixed and variable costs, and transaction costs—which are often overlooked—and finally, the role of specialization as a means of achieving sustainable cost reduction. Understanding these mechanisms is key to evaluating the success of an outsourcing strategy, as many companies fail to achieve their desired goals due to misjudging one of these subtle elements, which we will now begin to analyze.

III.1. Direct and Indirect Economic Mechanisms for Cost Reduction Through Outsourcing.

Direct cost-reduction mechanisms are the most obvious and easiest to measure; they consist primarily of differences in input prices between the multinational corporation and the small contracting firm. These differences mainly include labor costs, which are often lower in small firms, especially in developing countries, and raw material costs, which the small firm may obtain at preferential prices due to its specialization or geographic location. When the multinational company outsources a production activity to a small firm, it saves the difference between the cost of in-house production—which includes high salaries and expensive social benefits—and the purchase price from the external supplier, which reflects a leaner cost structure. This is known as direct cost savings, which are clearly reflected in the parent company's income statement. However, the benefits are not limited to this direct aspect alone; they extend to include indirect mechanisms that may be of greater value in the long term, such as reducing the need for massive capital investments in machinery and new facilities, thereby freeing up financial liquidity that can be directed toward higher-return activities such as research and development or global marketing (Rafiq Al-Ashqar, 2006).

Indirect mechanisms also include reducing the financial risks associated with market fluctuations, as the small entity bears a portion of the fixed-cost burden during recessions, thereby protecting the multinational corporation from heavy losses that might result from operating idle production capacity. In addition, outsourcing helps reduce legal and tax compliance costs in some cases, as the small firm may be subject to less complex tax or labor regulations than those applicable to large multinational corporations, which positively impacts the final price of the service or product. Combining direct and indirect mechanisms creates a multiplier effect on the overall cost structure; however, the fundamental prerequisite for achieving this effect is cost transparency and the ability to measure costs accurately, as some apparent savings may vanish if the hidden costs associated with coordination and transportation are not accounted for, which leads us to the need to consider the operational efficiency provided by small enterprises as a complementary mechanism for cost reduction (Abdul Rahman Jado, 2006).

III.2. The Role of the Flexibility of Small and Medium-Sized Enterprises in Improving Operational Efficiency.

Small and medium-sized enterprises possess a unique structural advantage in the form of high operational flexibility, a trait rarely found in the bureaucratic structures of large multinational corporations. This flexibility plays a crucial role in reducing operational and logistical costs in the medium and long term. It manifests in the ability to adapt quickly to changes in demand, as a small enterprise can quickly scale up or down production lines without the need for complex restructuring or layoffs. This enables the international company to adopt strategies such as Just-in-Time (JIT) production, which significantly reduces storage costs and working capital tied up in inventory. Reducing inventory means reducing costs related to storage, insurance, obsolescence, and theft—hidden costs that drain the resources of multinational corporations when they rely on inflexible in-house production. Thus, the flexibility of small suppliers translates directly into financial savings for the parent company (Ilan Bijaoui, 2006, p. 257).

In addition to responding to demand volume, flexibility includes the ability to rapidly adjust product specifications in accordance with changing market requirements, thereby reducing waste costs resulting from the production of goods that do not meet the end consumer's tastes. In large multinational corporations, changing product specifications may require lengthy meetings, multiple managerial approvals, and costly modifications to automated production lines, whereas in a small firm, such a decision can be made and implemented in record time and at minimal administrative cost. This speed of response reduces the opportunity cost resulting from a delay in bringing the product to market, and protects the international company from sales losses that may result from inaction, making flexibility a measurable and evaluable economic factor in the equation of reducing total costs. Relying on this flexibility requires a high degree of trust and precise technical coordination, but the economic return on this investment in coordination is highly worthwhile in rapidly changing economic environments (Arab Monetary Fund, 2013, p. 5) .

III.3. The Impact of Outsourcing on the Structure of Fixed and Variable Costs in Multinational Corporations.

The shift in the cost structure from fixed to variable is one of the most significant financial engineering outcomes of subcontracting, as multinational corporations often suffer from a high proportion of fixed costs in their financial structure, making them highly vulnerable to risks during economic downturns. When an international company outsources to small businesses, it converts costs that would otherwise be fixed—such as salaries for permanent employees, factory maintenance, and machinery depreciation—into variable costs paid only per unit produced or service rendered. This structural shift improves the international company's break-even point and reduces the operating volume required to cover its costs, thereby providing it with a higher financial safety margin and greater resilience in the face of sudden economic shocks. The financial flexibility resulting from this shift allows management to reallocate resources toward activities with higher value added, rather than tying them up in fixed assets that may lose their value due to rapid technological advancements (Dinawi, Anfal Aisha, and Zerouat Fatima Al-Zahra, 2020).

Relying on small businesses for operations also allows the international company to avoid the costs of massive capital expansion, as growth in demand does not necessarily require building new factories or purchasing expensive equipment; rather, it can be met simply by increasing the volume of

contracts with existing small businesses or adding new suppliers with relative ease. This model reduces the financial risks associated with sunk costs and improves the return on assets (ROA) and return on investment (ROI) metrics in the international company's financial statements. However, it should be noted that this shift in the cost structure may sometimes result in a higher unit price, but the overall benefit lies in reducing financial risk and improving liquidity, making the economic equation favorable for the international company, which prefers to pay a slightly higher variable cost rather than bear the burden of massive, heavy fixed costs during times of economic uncertainty (Hendawi Mahfouz, 2022).

III.4. Transaction Costs and Contract Management as Determinants of Economic Feasibility.

Despite the clear advantages of outsourcing in reducing direct production costs, there is another aspect that must be carefully considered: transaction costs associated with managing relationships with small and numerous entities. Transaction costs include the expenses of searching for the right supplier, the costs of negotiating and drafting precise legal contracts, as well as the costs of monitoring and quality control, international transportation and shipping, and the costs of resolving disputes that may arise during implementation. Failing to account for these costs may lead to the illusion of cost reduction, as savings on the purchase price may be entirely offset by expenditures on managing and monitoring the supplier network, especially if small businesses are geographically dispersed across different countries with varying legal systems. Transaction cost theory suggests that there is an optimal level of outsourcing, where economic feasibility ceases when the cost of in-house production equals the cost of external procurement plus transaction costs.

Managing contracts with small businesses requires intensive administrative effort to ensure compliance with quality standards and deadlines, as non-compliance can lead to very high costs related to production line stoppages at the multinational company or a loss of end-customer trust. Therefore, successful multinational companies invest in advanced supply chain management technology systems to reduce these costs, and work to build long-term partnerships that reduce the need for constant negotiation and the search for new suppliers, thereby lowering transaction costs over time. The economic viability of a transaction is determined net of transaction costs after deducting them from production savings. Therefore, efficient contract management is a critical factor no less important than the purchase price itself, and companies that neglect this aspect may find themselves in a worse financial position than they were in before resorting to outsourcing, which confirms that true cost reduction is the result of a precise equation and not an automatic process (Nabil Abdelsalam Shaker, 2006).

III.4. Specialization and comparative advantage as key drivers of economies of scale and cost savings.

The effectiveness of outsourcing in reducing costs depends fundamentally on the principle of specialization and comparative advantage, as small and medium-sized enterprises often specialize in very specific and narrow activities that enable them to achieve higher production efficiencies than those a multinational corporation could achieve internally. This specialization allows the small enterprise to achieve economies of scale within a narrow scope, as concentrating its resources and expertise in a single field leads to a faster learning curve, reduced waste, and the development of more efficient production methods, which in turn lowers the unit price offered to the multinational corporation. The

multinational firm may lack the incentive or capacity to achieve the same level of efficiency in an activity that is secondary to it, whereas this activity represents the core business and primary source of income for the contracting small firm, creating an efficiency gap that translates into a cost difference (Kamal Raziq, Ammar Bouzarour, 2003, pp. 3–4).

The benefits of small firms' comparative advantage extend to local technological innovation, as small firms in certain countries may possess technologies, manual skills, or knowledge of the local market that give them a cost advantage the multinational company cannot easily replicate internally or at a reasonable cost. Integrating these specialized capabilities into the multinational corporation's supply chain increases the value delivered to the end customer at the same or lower cost, thereby enhancing the company's overall competitive advantage. Specialization also reduces the dispersion of managerial efforts and resources, as each party focuses on what it does best, thereby reducing the costs of complex internal coordination that might arise if the multinational corporation attempted to manage all activities on its own. This international division of labor based on specialization is the essence of economic globalization, and outsourcing is the practical mechanism for applying this principle, making it a powerful driver of cost reduction across the global value chain—not just at the level of the individual company.

Our conclusion regarding this second theme makes clear that the process of reducing costs through outsourcing to small and medium-sized enterprises is a complex and multidimensional process that goes beyond mere differences in purchase prices to include a complete restructuring of fixed and variable costs, leveraging operational flexibility, and utilizing specialization and comparative advantage. We have demonstrated in this section that real savings are achieved only when transaction costs are managed efficiently and when there is a delicate balance between direct savings and indirect administrative costs. A deep understanding of these five mechanisms we have reviewed provides the necessary foundation for moving on to the next section, where we will discuss the challenges and risks that may hinder these mechanisms and affect their effectiveness, as ideal economic theory may clash with a practical reality full of obstacles that require careful analysis. What has been presented in this section highlights the positive aspects and opportunities available in the handling strategy; this must be balanced by a full awareness of the other side of the coin—the risks and challenges—to ensure the success of the comprehensive strategy.

IV- The Professional Aspects of Logistics Management for Small and Medium-Sized Enterprises: Quality Assurance, Risk Management, and Achieving Sustainability :

Having reviewed the conceptual framework and economic mechanisms for implementing the logistics strategy in the previous two sections, we now turn in this third and final section to the practical and professional aspects that constitute the essence of this strategy's practical success in the real world of management. Economic theory alone is not sufficient to ensure the desired cost savings; rather, it must be accompanied by professional management practices capable of translating these principles into tangible and measurable results. This section focuses on the practical aspects that distinguish successful international companies in managing logistics relationships with small and medium-sized enterprises, where we will address risk management mechanisms, quality controls, building strategic partnerships, technological integration, and professional performance indicators. The goal of this section is to provide management practitioners and decision-makers with practical tools that can be applied

immediately, while maintaining the analytical academic nature that distinguishes this study. Professionalism in logistics management does not merely mean operational efficiency; it also encompasses the strategic and ethical dimensions that ensure the sustainability of the symbiotic relationship between multinational corporations and small enterprises. We will elaborate on this through five main headings that represent the practical pillars of this vital strategy's success.

IV.1. Professional Risk Management in Cross-Border Logistics Relationships.

Risk management is the cornerstone of any professional logistics practice, especially in an international context where sources of uncertainty are numerous and the operational environment is complex. A professional approach to risk management requires a proactive and systematic methodology that begins with identifying and classifying potential risks in logistics relationships, which include quality risks, delivery delay risks, risks of financial instability on the part of the small supplier, cross-border legal and regulatory risks, and reputational risks associated with the supplier's practices. Professional international companies do not wait for crises to occur before addressing them; rather, they design early-warning systems and key performance indicators for risks that enable them to intervene preventively before problems escalate.

Professional practice also involves developing detailed contingency plans and strategic alternatives for each type of identified risk, ensuring business continuity even under unforeseen circumstances. For example, an international company may rely on a multi-supplier model for the same activity to reduce the risk of dependence on a single supplier, or it may maintain internal reserve production capacity to handle extreme emergencies. Professional practice also involves conducting periodic assessments of the financial and operational solvency of small contracting firms, using advanced financial analysis tools and operational efficiency indicators, enabling the international company to make proactive decisions regarding the renewal or modification of handling contracts. While investing in integrated risk management systems may seem costly in the short term, it protects the company from catastrophic losses in the long term, making it a high-return investment in the context of a handling strategy.

IV.2. Quality Control and Professional Oversight Mechanisms in Globalized Supply Chains.

Quality assurance represents the greatest professional challenge in logistics relationships, especially when small contracting firms are geographically dispersed across multiple countries with varying quality standards. Professional practice in this field requires the development of an integrated quality control system that begins at the supplier selection stage, where strict qualification criteria are applied, including technical capabilities, certified quality management systems, past performance records, and compliance with environmental and social standards. The quality assurance process does not stop at the selection stage but extends to include continuous monitoring of operations through periodic inspection visits, independent operational audits, random product testing, and the use of digital tracking technologies to monitor the production and shipping process.

Professional international companies adopt a comprehensive quality approach to supply chain management, where they do not merely inspect the final product but actively participate in improving small suppliers' operations through knowledge transfer, technical training, and the sharing of best practices in quality management. This collaborative approach not only enhances the quality of outputs,

but also builds the long-term capabilities of small organizations, creating a cycle of continuous improvement that benefits all parties involved. Professional practice also includes the use of standardized quality measurement tools and performance indicators that are comparable across all suppliers, enabling the international company to objectively evaluate performance and make decisions based on accurate data. Investing in advanced quality systems—such as the Internet of Things (IoT) for sensors to monitor production conditions and blockchain for supply chain tracking—represents a growing professional trend that enhances monitoring efficiency and reduces the costs of manual inspection.

IV.3. Building Long-Term Strategic Partnerships Rather Than Temporary Contractual Relationships

A professional approach to handling management distinguishes between temporary, price-only contractual relationships and long-term strategic partnerships based on creating shared value. A strategic partnership requires an investment in building trust, transparency, and operational integration with small contracting firms, transforming the relationship from a zero-sum transaction to a positive-sum collaboration that generates additional cost savings for both parties. Best practices in this area include developing flexible contracts that encourage joint innovation and process improvement, and distributing the benefits resulting from these improvements fairly, thereby incentivizing small suppliers to invest in developing their capabilities and services.

Professional international companies adopt supplier development programs aimed at enhancing the efficiency of small contracting firms through training, technology transfer, and assistance in accessing financing, thereby strengthening their competitiveness and reducing the risks associated with financial or operational instability. This investment in supplier development fosters long-term loyalty and reduces the costs of sourcing and onboarding new suppliers, resulting in indirect but substantial cost savings. A strategic partnership also involves joint demand and production planning, as well as the sharing of strategic information on market trends and technological innovations, enabling small suppliers to proactively adapt to the requirements of the multinational corporation. The shift from the traditional contractual model to the strategic partnership model requires cultural and organizational change within the multinational company, but it generates a high return on investment through more stable, efficient, and innovative supplier relationships.

IV.4. Technological Integration and Digitalization as Professional Tools for Improving Logistics Efficiency.

In the digital age, technological integration between the multinational corporation and its small contracting partners has become a prerequisite for achieving professional efficiency in supply chain management. Professional practice requires investment in unified digital platforms that enable real-time data exchange, order tracking throughout the supply chain, and the electronic management of contractual documents, thereby reducing manual errors and improving response times. Professional technological tools include integrated enterprise resource planning (ERP) systems, cloud-based supply chain management platforms, and predictive analytics technologies for forecasting demand and optimizing production planning.

Professional international companies also adopt Fourth Industrial Revolution technologies such as the Internet of Things (IoT) to monitor production and transportation conditions, artificial

intelligence (AI) to optimize production scheduling and resource allocation, and blockchain to ensure transparency and security of transactions throughout the supply chain. Enabling small businesses to access these technologies—even through low-cost cloud-based service models—is a best practice that enhances the efficiency of the entire production network. Technological integration also includes the development of standardized software interfaces that enable seamless integration between the multinational company's systems and those of small suppliers, thereby reducing coordination costs and improving the accuracy of information flow. Investing in technology infrastructure for logistics may require significant financial resources in the short term, but it generates sustainable operational savings and represents a competitive advantage that is difficult to replicate in today's digital economy.

IV.5. Professional Performance Indicators and Best Practices for Measuring and Improving Handling Efficiency

Professional practice in logistics management is incomplete without an integrated system for performance measurement and continuous improvement, as what cannot be measured cannot be managed or improved. Professionalism in this field requires the development of a balanced set of key performance indicators (KPIs) covering financial, operational, quality, innovation, and sustainability aspects of logistics relationships. Financial indicators include total cost of ownership, realized cost savings, and return on investment in supplier development, while operational indicators include on-time delivery rates, flexibility in responding to changes in demand, and resource utilization efficiency.

Professional international companies adopt performance comparison methodologies such as benchmarking against global best practices, conducting periodic reviews of supplier network performance, and using advanced analytics tools to identify areas for improvement. Best practices also include establishing joint forums for learning and exchanging expertise between the multinational company and its small suppliers, thereby fostering a culture of continuous improvement and collaborative innovation. Professional practice also involves periodically reviewing and updating the supply chain strategy to keep pace with changes in the competitive, technological, and regulatory environments, thereby ensuring its continued economic viability and responsiveness to emerging challenges. A commitment to transparency in performance measurement and the disclosure of results to stakeholders enhances accountability and builds trust in the effectiveness of the logistics strategy, thereby supporting its social legitimacy and long-term sustainability.

Our conclusion to this third section makes it clear that professional success in a logistics strategy with small and medium-sized enterprises goes beyond merely achieving short-term cost savings to include building flexible risk management systems, ensuring sustainable quality, establishing long-term strategic partnerships, implementing smart technological integration, and conducting systematic performance measurement. These five elements represent the practical pillars that distinguish successful international companies in maximizing the value of logistics while maintaining flexibility, quality, and sustainability.

The study as a whole, through its three main themes, presents a comprehensive vision that begins with the conceptual framework, moves through economic mechanisms, and culminates in professional practices, thereby providing a comprehensive guide for both academics and practitioners. The hypotheses we proposed at the outset of the research find both theoretical and practical support in this integrated analysis, which shows that the effectiveness of supply chain management in reducing costs

depends not only on direct price differences but also on the efficiency of professional management of the complementary relationship between multinational corporations and small businesses.

The final recommendation we draw from this research is that success in a outsourcing strategy requires a balanced investment in economic, operational, and professional aspects, coupled with a commitment to the principle of continuous improvement and adaptation to change. The future is moving toward greater digital integration, environmental and social sustainability, and innovative partnerships, which requires both multinational corporations and small enterprises to continuously evolve to keep pace with these transformations. This research represents a contribution to enriching managerial and economic knowledge on a vital and evolving topic, and we hope it will serve as a starting point for subsequent applied research that measures the actual impact of these practices in diverse business environments, thereby serving our shared goal of promoting efficiency and sustainability in the globalized economy.

V- Conclusion:

In concluding this specialized research paper, we reach the final synthesis stage, where we bring together the threads of analysis we have woven across the three previous sections to present a comprehensive and complete perspective on the role of the outsourcing strategy adopted by small and medium-sized enterprises in reducing the costs of multinational corporations. This article was not merely a theoretical review of concepts, but rather a serious attempt to dissect the complex economic and managerial relationship between two parties that are unequal in size but complementary in function within the global value chain. We began with a fundamental question regarding the effectiveness of this strategy in achieving real financial savings, proceeded through an analysis of operational and financial mechanisms, and concluded with the professional practices necessary for its success. Now is the time to present the theoretical and practical insights we have gained from this in-depth analysis. The value of this article lies not only in the pages it comprises, but in its ability to provide practical answers to pressing questions facing corporate executives and policymakers in an economic environment characterized by fierce competition and rapid change, making this conclusion a gateway to the practical application of the knowledge presented.

V.1.Key Findings of the Study

The in-depth analysis presented in this article has yielded a set of conclusive findings that answer the research questions and either confirm or modify the proposed hypotheses. The most important of these findings can be summarized in several key points.

First, the study confirms that there is a strong positive correlation between outsourcing to small and medium-sized enterprises and the reduction of operating costs for multinational corporations, however, this relationship is not automatic but rather contingent on the efficient management of the contractual relationship, as savings in direct production costs may be lost if transaction costs, oversight, and coordination are not managed professionally.

Second, the results show that the operational flexibility enjoyed by small firms represents an indirect competitive advantage that translates into financial savings for multinational corporations,

particularly in reducing inventory costs and improving responsiveness to market fluctuations, thereby converting fixed costs into variable costs and improving the parent company's financial structure.

Third, the study reveals the existence of hidden costs associated with handling, such as the costs of supplier search, negotiation, quality control, and international transportation, which means that economic feasibility is measured by net savings after deducting these costs and not by the nominal purchase price alone.

Fourth, the analysis highlights that specialization and the comparative advantage of small firms are the primary drivers of economies of scale, as a small supplier's focus on specific activities allows it to achieve efficiencies that a multinational corporation cannot achieve internally in non-core activities.

Fifth, the results confirm that the sustainable success of the outsourcing strategy depends on a shift from temporary contractual relationships to long-term strategic partnerships based on trust, technological integration, and joint risk management, thereby ensuring the continuity of the cost-reduced value stream.

V.2. Proposed Recommendations:

Based on the findings of this study, the researcher presents a set of practical recommendations directed at the key players in this economic equation to maximize the benefits of the outsourcing strategy. For multinational corporations, the article recommends adopting a total cost of ownership methodology when evaluating outsourcing proposals rather than focusing solely on the purchase price, and to invest in building long-term strategic partnerships with small-scale suppliers to foster loyalty and reduce the costs of repeated sourcing and qualification, in addition to developing integrated digital supply chain management systems that ensure transparency and reduce transaction costs. For small and medium-sized enterprises, the researcher recommends investing in internationally accredited quality certifications and developing professional management systems to enhance their appeal as reliable partners; specializing in niche activities that provide a comparative advantage that is difficult to replicate; and developing technological capabilities to enable seamless integration with the systems of major international corporations.

As for policymakers and regulators, the recommendations focus on developing clear legal and regulatory frameworks that protect the rights of all parties in supply chain relationships and facilitate the resolution of cross-border commercial disputes; providing tax and financial incentives to small enterprises that invest in developing their technical and quality capabilities; and establishing national platforms to facilitate matching between international companies seeking suppliers and qualified small enterprises. These recommendations constitute a practical roadmap for maximizing the economic benefits of outsourcing and minimizing its risks, thereby serving the goal of sustainable economic growth and effective industrial integration between large and small companies in the global economy.

V.3.Future Research Prospects

The completion of this study does not mark the end of research on this vital topic; rather, it opens the door to broad future research prospects that deserve exploration and in-depth study. Among the most important of these prospects is studying the impact of major technological shifts—such as artificial intelligence and blockchain—on the efficiency and transparency of outsourcing relationships,

as well as the potential of these technologies to reduce transaction costs and enhance operational integration between multinational corporations and small businesses in an unprecedented manner. There is also an urgent need for research into how to integrate environmental and social sustainability considerations into logistics strategies, and the impact of this on cost structures and competitive value, thereby linking economic efficiency and social responsibility within an integrated research framework that meets the demands of our time.

Furthermore, studying the role of logistics in building resilient supply chains capable of withstanding global crises and sudden shocks represents a promising area of research, particularly in light of the lessons learned from recent economic and health crises, where researchers need to analyze the trade-off between cost efficiency and strategic flexibility in the design of global supply networks. Furthermore, examining the impact of cultural and institutional factors on the effectiveness of logistics strategies across different geographic regions—comparing developing and developed countries—will enrich the contextual understanding of this managerial practice. These prospects represent a call to researchers and academics to continue delving into this rich field of knowledge, to ensure the continued development of management knowledge in a way that serves the changing business reality.

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