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International Labour Organization (ILO)

**"Increasing Employment through Small Enterprise Development on the
Promtion of Youth Entrepreneurship"**

Chair:

Diana Arachi was born and raised in Vienna and is 22 years young. After completing the Vienna International School she decided to study B.A. International Development at York University, Canada. After completing an exchange term in Hong Kong, she joined the International Chamber of Commerce as a Research Assistant. She is currently pursuing an internship at UNIDO, Vienna. Diana is a committed travel fanatic (54 cities in 21 countries) and has participated in the first and most enriching Buddhist Monastic Life Program held near Mount Fuji, Japan. In concert with other staff members she looks forward to her fourth MUN experience and the interaction with delegates. Her likes are consistently non-consistent and at all times subject to external influence.

Co-Chair:

Stefan Belabed, 20, is in his final term of Political Science (Focus: International Relations, EU) at the University of Vienna. He originates from the Austrian city, Linz, but lives in Vienna. Stefan has been an active delegate in the past and has spoken on behalf of CHR, UNIDO and the Historical Security Council in Vienna, Cairo and Toronto respectively. He looks forward to contributing his talent and past experience as the ILO Vice-Chair and anticipates social contact with the broad variety of delegates to be present. His Hobbies include reading English and French literature, outdoor sports and politics.

Usher:

My name is **Ronald Javurek**, the first name sounds American, the last name is Czech, although I was born in Vienna. I am familiar the city's traditions, food (delicious "Germknödel") and literature. I am motivated to assist you as a staff and Usher during these days as it provides me with the opportunity for vivid intercultural exchange and the curiosity to the unknown. I believe that the lively discussions will help us entangle the problematic aspects of a crucial international issue namely searching for sense and material prosperity through work. I hold it with Boutros Boutros Kali who said: *"Without having a roof above your head, liberty has no meaning - The nations belong to us all the time."* I study Romanic Languages and Political Science at the University of Vienna.

Introduction to the Committee:

Mandate

The International Labour Organization (ILO) is the UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights. It was founded in 1919 and is the only surviving major creation of the Treaty of Versailles which brought the League of Nations into being. In 1946 it became the first specialized agency of the UN.

The ILO formulates international labour standards in the form of conventions and recommendations setting minimum standards of basic labour rights: freedom of association, the right to organize, collective bargaining, abolition of forced labour, equality of opportunity and treatment, and other standards regulating conditions across the entire spectrum of work related issues.

It provides technical assistance primarily in the fields of:

- vocational training and vocational rehabilitation;
- employment policy;
- labour administration;
- labour law and industrial relations;
- working conditions;
- management development;
- cooperatives;
- social security;
- labour statistics and occupational safety and health.

Further, it promotes the development of independent employers' and workers' organizations and provides training and advisory services to those organizations. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs.

Structure

The ILO accomplishes its work through three main bodies, all of which encompass the unique feature of the Organization: its tripartite structure (government, employers, workers).

1. International Labour Conference: The member states of the ILO meet at the International Labour Conference in June of each year, in Geneva. Each member State is represented by two government delegates, an employer delegate and a worker delegate. They are accompanied by technical advisors. It is generally the Cabinet Ministers responsible for labour affairs in their own countries who head the delegations, take the floor and present their governments' points of view.

Employer and worker delegates can express themselves and vote according to instructions received from their organizations. They sometimes vote against each other or even against their government representatives.

The Conference plays a very important role. It establishes and adopts international labour standards. It acts as a forum where social and labour questions of importance to the entire world are discussed. The Conference also adopts the budget of the Organization and elects the Governing Body.

2. The Governing Body is the executive council of the ILO and meets three times a year in Geneva. It takes decisions on ILO's policy. It establishes the programme and the budget which it then submits to the Conference for adoption. It also elects the Director-General.

It is composed of 28 government members, 14 employer members and 14 worker members. Ten of the government seats are permanently held by states of main industrial importance. Representatives of other member countries are elected at the Conference every three years, taking into account geographical distribution. The employers and workers elect their own representatives respectively.

3. The International Labour Office is the permanent secretariat of the International Labour Organization and focal point for the overall activities that it prepares under the scrutiny of the Governing Body and under the leadership of a Director-General, who is elected for a five-year renewable term. The Office employs some 1,900 officials of over 110 nationalities at the Geneva headquarters and in 40 field offices around the world. In addition, some 600 experts undertake missions in all regions of the world under

the programme of technical cooperation. The Office also constitutes a research and documentation centre and a printing house issuing a broad range of specialized studies, reports and periodicals.

Youth Employment

When referring to the term "Youth", the official definition is followed as it is published by the ILO as comprising people aged 15 to 24. Youth accounts for more than 40 per cent of total unemployment worldwide. Estimations reckon with around 66 million unemployed young people on this planet at the moment which means an increase of up to 10 million since 1965. Additionally, under-employment becomes another major concern in politics as newly created jobs are too often low-paid and insecure, without job protection, benefits or prospects for the future.

As the International Labour Organization states in its report from 1998/99:

"Unemployment of youth has far reaching implications on the labour market and society at large. It contributes to economic exclusion and poverty and increases the probability of future joblessness. It results in the loss of a valuable contribution to economic activity and growth from one of the most productive elements of society. It obstructs the movement of young people from adolescence to adulthood and in turn is a major cause of crime and drug abuse. High levels of youth unemployment can also lead to alienation from society and distrust of democratic political processes. As a result social cohesion is undermined."

Nevertheless, youth unemployment is not solely a problem faced by developing countries. In many industrialized economies the youth labour force is confronted with severe problems in finding a proper job. Spain for instance shows critical figures for 1999 with 28.5 per cent of the young labour force jobless although the government managed to reduce the youth unemployment rate by nearly 12 percentage points since 1995. But not only Spain, also Belgium, Finland, France, Greece and Italy have to deal with youth unemployment figures above 20 per cent in recent years.

As far as economies in transition are concerned the countries of Bulgaria, Poland and Slovakia provided data which stated youth unemployment rates of more than 30 per cent in the year 1999, whereas Hungary achieved a reduction of 9 percentage points down to 12.4 per cent between 1993 and 1999.

As for Asia and the Pacific data is rarely available and therefore we can only provide figures for Pakistan, Singapore and Thailand where rates seem to be of less than 10 per cent while the figures in the Philippines are around 15 per cent and peaking 30 per cent in Sri Lanka.

However, it has to be pointed out that the Asian economic crisis in the late 1990s led to a drastic rise of youth unemployment rates by approximately 5 percentage points in Hong Kong (China), the republic of Korea and Thailand. Eight out of seventeen economies in Latin America and the Caribbean which provided data for 1999 showed rates of at least 25 per cent, whereas further eight Latin American countries were below 15 per cent.

Youth unemployment in Africa is increasingly recognised as one of the most serious problems currently. Estimations on youth unemployment rates in Sub Saharan Africa suggest numbers between 40 and 75 per cent due to the fact that definitions range widely.

The International Labour Organization (ILO) and Youth Employment

The ILO is one of the most important international bodies concerned with employment and youth employment in particular. Its program focuses on the following aspects concerning youth employment:

1. documenting successful programmes for reducing the number of school dropouts and helping them to return to school
2. identifying innovative pathways from school to work,
3. including better linkages between initial education, building bridges between schools and employers; and evaluating and drawing lessons from labour market programmes for unemployed young women and men,
4. providing policy advice and technical support to governments on how to develop "second-chance" schemes for young school dropouts
5. raising awareness of successful strategies to combat youth marginalization and unemployment
6. setting up demonstration projects/pilot activities that combine training institutions and enterprises to provide apprenticeship, mentoring or work experience for young persons.

Essentially, there are twelve distinct categories in which the International Labour Organization identifies messages for decent work for young people. They contain some of the following important factors. First, the employment intensive growth must be promoted. Countries should adopt policies where overall strategies are being adopted to promote employment intensive economic growth. The second important factor is the importance that education, labour market and social policies play in the creation of youth employment opportunities. The third important factor is the creation of jobs through Information and Communication Technologies and other emerging markets. The fourth important factor is that youth employment and entrepreneurship should be promoted through the possibilities of part-time jobs and internships during the education of young people. This should help people to gain work experience during, not after, their education.

As the fifth important factor stands the problem of school drop outs. It should be ensured that the number of school drop outs should decrease. In addition to that, it is important that vocational training and education must be relevant to labour market needs. In order to account for gender equality among the labour market special emphasis should be put on the promotion of training opportunities especially for young women. Supplementary, the promotion of youth entrepreneurship is another important factor as the paper will show later on. Other factors include important aspects as adapting policies to promote youth employment. One important aspect is the bridging of the information gap. It is sometimes hard for young people to locate the right information. To gain access to valuable information that is fitting their needs and interests is an extremely important factors.

Obstacles

As a matter of fact, rural communities frequently have limited access to knowledge bases which would provide them with necessary information about market potentials, projects and financial partners. Of course, the lack of necessary technical and commercial skills prevents communities from establishing business in this industry. Even if communities would have access to theoretical knowledge they would not be able to comprehend it fully and apply it accordingly. Additionally, it can be noted that the absence of institutional capacities to promote networks is another major hindering fact.

Introduction to the Issue

Low economic development, poor working conditions, unemployment and unequal access to jobs and the advanced global market as a whole are dominant issues in today's global economic environment, particularly in the developing and least developed regions of the world. All these aspects have more or less a macroeconomic dimension and therefore lie not directly in the area of competence of the ILO.

Recent developments

One of the ILO's most recent initiative on these goals is known as "SEED" – a programme designed to boost employment through small enterprise development. Small enterprises often remain the main vehicle for job creation in most countries. For the working poor, it is often the primary and only possibility to achieve or maintain a minimum standard of living for themselves and their families. According to ILO, this is among others a main problem that needs to be addressed in the continuous process of globalisation and its self-inherent polarization between the wealthy and the poor.

Youth unemployment has heavy economic and social costs and consequences for both society and the economy as a whole. For the individual, it implies late employability, contributes to reproducing and compounding poverty, exacerbates social exclusion and lowers self-esteem. For society, it undermines social cohesion and increases the risks of poor health. Spending power in the economy, savings for investment and taxation revenues are reduced, while social welfare increases.

The idea behind SEED is a strategy that shall increase awareness that higher productivity and job quality, safe and healthy working conditions in addition to equal access to the most basic social services will result in a prospering economy and shall therefore be a shared responsibility of political and economic actors.

The ILO, in its 50 year history has accumulated extensive knowledge and expertise on small enterprise development and its wide-ranging effects on economic performance and social well-being. SEED can thus build on this unique experience in order to strengthen the development of this economic sector to better serve employment goals. Putting to work this knowledge through policy guidance, technical assistance and international advocacy is expected to be a stabilizing factor in the implementation of the programme's visionary objectives.

How does SEED work, what is it based on and most importantly, what concrete steps and measures are included that shall, in the long run, lead to sustainable prosperity through consistently stable and high employment rates?:

Job Quality

Several Studies have proven that job quality lies at the heart of the problem of unproductive performance and must therefore be improved.

Workers in developing countries suffer from the lack of co-decision instruments such as unions etc. SEED and the ILO take on the challenge by mainstreaming job quality issues into business development services. It is, for instance, developing a training module on human resources management and job quality with a number of projects worldwide.

Gender Equality

Creating an economic environment that is open to women is considered to be vital to progressive development of a society and its employment profile. SEED aims at developing and supporting three main "WEDGE" (Women's Entrepreneurship Development and Gender Equality) objectives:

- Knowledge of risks and opportunities of entrepreneurship for women,
- Innovative support services for women entrepreneurs and special pilot activities,
- Advocacy and voice in terms of legal representation.

Association building

Small and micro-enterprises often face inability to work collectively with others in networking structures due to unavailable, inadequate or inefficient channels of representation. This not only results in the prevalence of informal relations between entrepreneurs and employees and among entrepreneurs but furthermore in the absence of established counterparts to negotiate with.

There is, in consequence, no institutionalised dialogue between economic players and the government in charge of designing the institutional framework for the national economy.

SEED helps small entrepreneurs and their workers to increase their representation in employers' associations and trade unions, and helps them build their own democratic and representative organizations. It assists them in becoming recognized interlocutors of government authorities at the different levels and interacting with a wide range of stakeholders so as to expand their access to economic opportunities and negotiate fair returns for their labour.

Informal sector:

In most of the developing world but also, to a lesser extent, in industrialized countries, employment in the informal economy has grown rapidly.

Informalisation is believed to produce cost-efficient methods of economic performance and will in turn result in increased productivity and competitiveness through means such as outsourcing and subcontracting. This sector accounts for up to 93% of all jobs available to young people but only offers half of the wages available in the formal sector. At the same time, social protection, benefits and crucial basic rights named in the ILO Declaration on Fundamental Principles and Rights at Work are non-existent or not adequately applied.

One of the keys to promoting better working conditions in the informal sector is support for the organization and representation of informal sector workers. The potential role of governments and of workers' and employers' organizations in organizing and representing informal sector workers and/or forming alliances with independent representative bodies needs further elucidation.

The example of SEED was chosen to illustrate the challenges this project is facing, the objectives it aims to achieve and for the simple reason that it deals with the broadest variety of problems that need to be addressed in this matter.

High-Level Policy Network on Youth Employment

Although the ILO, as mentioned above, plays the role of a major actor in job creation and economic development, it would not be able to pursue its goals without the assistance of other key organizations. Kofi Annan, has taken a wise step in the direction of a successive support of several ILO initiatives by convening the High-level policy network on youth employment (YEN) primarily consisting of the UN, the World Bank and the ILO itself. The Secretary-General underlined the necessity of the contribution that small enterprises can make to employment generation.

By taking into consideration the views of a wide range of technical members, youth organizations, intermediary NGOs and government representatives, this new approach to tackling the issue of "Promotion of Youth Entrepreneurship through Small Enterprise Development" is given a highly promising perspective.

In its 55th session, the Millennium Assembly of the UN gave a firm political commitment to develop and implement strategies that give young people everywhere a real chance to find decent and productive work. The ILO, in the spirit of developing a coherent and coordinated international strategy on employment, initialised the work of the alliance by preparing a New Global Agenda for Employment which will not only recognize the importance of the youth of the new millennium as the best educated and trained generation of young people ever and therefore as a great potential for economic and social development.

The spirit of learning from other successful countries and national examples in overcoming ideological barriers shall build the basis for outstanding achievements. All countries and governments need to open up to new, unknown and creative ideas and visions that might mark the beginning of a new era of employment. Overcoming traditions and internal paradigms will be crucial to the process of improving the labour situation in most of the developing countries.

While it is clear that we do not live in a homogenous world and that differences and diversity should be accepted as such it is most important to point out four points that will generally be essential to the success of every national action plan, commonly known as the four "E's":

1. Employability
2. Equal Opportunities
3. Entrepreneurship
4. Employment Creation

1. Educational deficits are wide-spread in the poorest regions of the world. In many ways regarded as the strongest indicator for the status of a national educational system is the literacy rate (also used by the UNDP's Human Development Index, annually published in the Human Development Report). However, in full awareness that a literacy rate can in no way function as a full-scale report on the qualities and lacks of an education system, it will be important to analytically examine the "pros and cons" of a country's vocational training and labour market policies and the extent to which they can productively applied to their current situation and future needs of the economic market.
2. It is no unanticipated surprise that discrimination of women has been throwing a shadow on equal access to the labour market and may other social services and benefits in underdeveloped as well as culturally or religiously (or both) marked countries.
Young women do not have balanced and fair education opportunities which results in a wide gender gap in literacy. Overall, women face greater difficulties to enter and stay in the world of work than men. Inequality is not only a result of cultural characteristics and barriers but also in many ways the outcome of intentional discriminatory practices based on respective legislation. Each country is urged to set targets to rectify disparities in access to education, training.
3. Institutional framework for starting and running a business shall also be subject to close examination. Furthermore, the emphasis shall lie on producing awareness of the risks and opportunities especially for young entrepreneurs to facilitate the founding of small enterprises. Recognizing the potential of the informal economy, policies should be developed to allow this part of the economic system to be integrated into the mainstream economy and raise its productivity through legal facilitation, based on a better understanding of the institutional obstacles.
4. Creating an environment that is attractive to new job creation certainly requires a change in many countries' macro-economic policies, also industrialized ones that, for instance need to rethink their national banks to the aims of increasing employment and economic growth instead of pure focus on fighting inflation. This Keynesian spirit must prevail and find its implementation in national action plans in order to ensure the longevity of job creating initiatives.

These four priorities set the principal frame within which the YEN develops its strategies and alliances. It emphasizes the important and most necessary role of national governments and key actors of a social dialogue and civil society to be involved in the various projects.

The YEN is strongly devoted to the above mentioned goals and will hence provide all involved actors with relevant data and up-to-date indicators on youth employment for the purpose of helping governments to formulate their objectives and strategies. They also encourage sharing of information for the exchange of ideas, policies and know-how on certain action plans.

Youth Entrepreneurship: Chance and Challenge

We, members of the Secretary-General's panel, recommend that the heads of the United Nations, the World Bank and the international Labour Office invite the youth of the world to build a strong alliance

- *To get young people recognised as an asset for economic and social development*
- *To create an understanding that young people are a diverse group with various needs based on factors such as gender, ethnicity, geographical location and the economic development of the countries in which they live*
- *To advocate more inclusive employment policies to fully utilise the potential of young people*

This statement, given at the Millennium Summit reflects the challenge for societies to generate sufficient opportunities for young women and men to obtain decent work in freedom and dignity.

They want to be viewed not only as anonymous subjects and resource-target for the already existing and operating businesses but rather as strategic partners for development. This is considered to be a perspective that fully endeavours the talents, abilities and aspirations of youth entrepreneurs.

Today, there are more than one billion young men and women in the world, the majority of whom live in developing countries. Theoretically, they are the best educated and trained generation ever with enormous capacity in the knowledge of usage of modern communication-technologies that most the business done today is so dependent on.

If we continue to fail in giving the youth fair and free access to the labour market with all its benefits we well soon be regarded as guilty of having wasted the greatest potential of all. It is a fundamental duty and responsibility to establish and protect a system in which they can safely enter and remain in the work force for the longest time possible. Only by doing so will we be able to guarantee stability and progress in sustainable development.

The Millennium Summit set itself an ambitious goal by aiming at halving extreme poverty (this includes people subsisting on less than 1\$ per day) by 2015. This, of course, can not be achieved without the commitment to increased job creation and stimulation of economic needs, for instance by supporting the founding of new businesses in the SME sector.

Definitions:

In this chapter, we shall take a close look at a selected number of terms used in this Preparation Paper essential to our topic. In your preparation for our committee, they might function as a glossary that can guide you in your research on the topic itself and major relevant material also mentioned in this paper:

Business Incubator

A Business Incubator is an economic and social development entity designed to advise potential start-up companies, help them to establish, and accelerate their growth and success through a comprehensive business assistance program. The main goal is to produce successful businesses that will leave the program financially viable and freestanding. These graduates create jobs, revitalize communities, commercialise new technologies and create wealth for local and national economies. Critical to the work of a business incubator is:

- Management that develops and orchestrates business, marketing and management resources
- Shared office services, training, technology support and equipment
- Selection of clients and an acceleration process by which businesses become more independent and progress to graduation.

- Assistance in obtaining the financing necessary for business growth.

Informal Sector

Unfortunately, there is no universally valid and true definition of the “informal economy”. However, we can attempt to approach the term by defining what it is not and by providing a few distinguishing characteristics:

- a) Absence of official protection and recognition
 Non coverage by minimum wage legislation and social security system
 Predominance of own-account and self-employment work
 Absence of trade union organization
 Low income and wages
 Little job security
- b) Much of the names by which the 'informal' sector is called - as listed below – essentially characterizes it in terms of what it is not: it is not the formal sector (non-formal), it is not controlled by the government (non-plan, hidden, unofficial, unrecorded), it is not legal (illegal, black, shadow) and it is not taxable (unrecorded, parallel). But recent research and exploration on the issue has resulted in a more benign approach, where the names and definitions have used the characteristics of the sector itself (casual, family enterprise). Some emphasize its poverty focus (subsistence, petty commodity, one-person enterprise) as well as its 'temporary' nature (transient, intermediate). In reality, it is all of these taken together, that define all the characteristics of the sector.

Outsourcing

Outsourcing is the practice in which a company purchases a product or process from an outside supplier rather than producing in house (as opposed to import substitution).

Outsourcing is the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Outsourcing is a management strategy by which an organisation outsource major, non-core functions to specialised, efficient service providers. Companies have always hired special contractors for particular types of work, or to level-off peaks in their workload. They have always partnered-formed long-term relationships with firms whose capabilities complement their own; companies have always contracted for shared access to resources that were beyond their individual reach whether it be buildings, technology or people. This is different from subcontracting because the customer does not own the raw material or manufacturing process but buys the product based on the specifications offered by the supplier. The customer trains and develops the supplier to form a supply chain partnership.

Benefits:

1. Outsourcing allows a company to farm out those products or processes that tie up valuable employees
2. Increase productivity and throughput by focusing on core products
 Available staff is focused on your core business
3. Outsourcing can reduce staff and overhead
4. *Expertise:* By combining the supplier and the organisation knowledge they will have a larger variety of expertise which can only be beneficial to the organisation.
5. *Flexibility:* Managers can plug in precisely selected training and development resources just-in-time to address urgent, unique needs that may arise in the organisation and then unplug these resources once the needs have been met.

Risks:

1. Control - Outsourcing cedes control to the provider,
2. Reversibility - Once a process has been handed over to an outsider, it will be extremely difficult and costly to bring it back in-house,
3. Morale - Severe cuts in staff can damage the morale of existing workers. The human aspect in respect of outsourcing is often overlooked,
4. Contract costs - The time required to manage the contract may make it more expensive,

5. Quality of Service - The quality of the good or service must be monitored because of the contractor's incentive to save money.

Subcontracting

This is the case when a manufacturer contracts with an outside supplier to produce a component, process or product or the manufacturer specifies the materials to be purchased by the subcontractor. The manufacturing process is controlled by the manufacturer.

Benefits:

1. Increase capacity during peak demand,
2. Reduce overtime,
3. Reduce temporary or fulltime staff needs,
4. Reduce overhead,
5. Reduce costs.

Risks:

1. Dependent on the reliability of the outside supplier,
2. Non-transparent chain of subcontractors,
3. Potential risk of dealing with subcontractors not in compliance with ILO-defined labor standards and workers' rights (wage-dumping, disregard of union rights...).

Attempting to briefly sum up what will be the most relevant issues and crucial to our committee's debate, we reached a conclusion that takes the form of a concrete agenda, consisting of the following points:

1. Awareness of institutional support systems for youth entrepreneurship development
2. Institutional support mechanisms for the realization of youth entrepreneurial opportunities
3. Risk taking and risk bearing of entrepreneurial ventures
4. Adaptive capabilities and skills to commercialize new knowledge: quality control and standardization guidelines that facilitate competitiveness of small enterprises
5. The role of academic institutions in promoting young entrepreneurs

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