

With the advent of globalization, outsourcing has become very important for the survival of organizations. Little research has been done in the area of outsourcing among Kenyan firms. This study sets out to establish and document the use of outsourcing among pharmaceutical manufacturing firms in Kenya. The literature review was done and indicated that, most firms in developed countries have been outsourcing. The researchers recommend that managers need to move from arms length business relationships towards long term collaborative strategic partnership with external business partners. The studies done found a significant relationship between outsourcing and profitability. There are also a number of gains in outsourcing such as freeing top management time to focus more on the core of its business. The study was descriptive in nature. Due to the few numbers of firms in the industry a census survey was done. The firms were 25 in number and the respondent comprised of the top management in the human resources, administration and operations departments. Primary data was used and was collected using drop and pick later method. The questionnaires were verified coded and keyed into the computer. The data was analyzed using descriptive statistics and presented using tables, piecharts and graphs. The researcher found that most firms in Kenya are not undertaking outsourcing for strategic reason or to gain competitive advantage. Mostly they are outsourcing services which look complicated to them and which seem to take their critical time. However, outsourcing should be taken seriously by the firms to give them a competitive edge in the market and to focus on achieving key strategic objectives hence lowering or stabilizing overhead costs. There are very many activities which the firms locally should outsource by emulating the trend setters in the developed nation.