The study examines the concept of outsourcing and the possible impact it has on the competitive advantage it has on a company in Nigerian economy. Outsourcing is the practice in which companies move or contract out some or all of their products or service operations to other companies that specialize in those operations or to companies in other countries. The problems indentified in the Nigeria service industry are high operating cost having negative impact on return on capital employed, sub-optimalty in production because of ineffective utilization of resources and inability of organization to identify areas of core competence for competitive advantage. The main objective of this paper is to evaluate the competitive advantage
of outsourcing the products and services in the Nigerian service industry. Questionnaire was employed in gathering data from ten sampled organization in the service industry. The following three hypotheses were formulated in null form: High operating costs have no negative impact on profitability and return on capital employed, Ineffective utilization of resources has no impact on sub-optimality in production and outsourcing has no positive relationship with competitive advantage. Chi-Square statistical method was used to analyze the data obtained from the field. Our findings are that outsourcing helps companies to compare their prices with their own costs and that of top performing companies for cost control. This enables them to adopt the appropriate price strategy for the outsourcing contracts. Further, outsourcing of a segment of the products or services enhances contribution per unit of products and services. As for the companies, it was found that outsourcing enhances their core competence and leads to effective utilization of resources. It was therefore recommended that the top management should aim at taking advantage of the services of experts who specialize in their noncore activities and functions among others. This is to help have a vantage competitive advantage.

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