



Contents lists available at ScienceDirect

Journal of International Management

Fox School of Business
TEMPLE UNIVERSITY®

A learning perspective on the offshoring of advanced services

Peter D. Ørberg Jensen*

Center for Strategic Management and Globalization, Copenhagen Business School, Porcelainshaven 24, 2000 Frederiksberg, Denmark

ARTICLE INFO

Article history:

Received 7 January 2008

Received in revised form 25 June 2008

Accepted 25 June 2008

Available online 5 April 2009

Keywords:

Services offshoring

Global integration

Organizational learning

Knowledge transfer

Business strategy

ABSTRACT

Based on longitudinal case studies of offshoring of advanced IT and engineering services from Danish firms to Indian firms, this paper explores organizational learning that occurs over time in both home and host firms and uses learning as a measure of the firm impact of advanced services offshoring. The findings are consistent with the theoretical view that advanced services offshoring must be understood as an antecedent for strategic business development and organizational change in both home and host firms. The study shows that when offshoring partnerships mature and firms gain experience, learning in both home and host firms evolves over time and differs in many cases from their initial objectives and expectations. In some of the Danish firms engaging in offshoring even ignites a process of strategic transformation. Both Danish and Indian firms use the input from their offshoring partnership to upgrade their organizations and business processes.

© 2009 Elsevier Inc. All rights reserved.

1. Introduction

Firms' relocation of activities in their value chain across national borders ("offshoring") and especially to emerging economies and developing countries is a marked trend of international business over the past decade^{1,2}, perhaps even to the extent that offshoring becomes the defining feature of the global business opportunities in the new millennium. More advanced services, including various administrative and technical tasks such as engineering, IT, R&D and finance, are of particular interest in this regard because they are of a fundamentally different nature than the simple and standardized tasks that are usually performed by low-skilled workers in manufacturing and which are the type of tasks that have been subjected to offshoring for several decades (Andersen, 2006; Maskell et al., 2007).

This article addresses the topic of what impact advanced services offshoring has on the firms that engage in it. Based on longitudinal case studies of offshoring of advanced IT and engineering services from Danish firms to Indian firms, it explores strategic and systemic learning that occurs over time in both the home firms and in the host firms. The resulting learning in the home and host firms is therefore used as a measure of the firm impact of advanced services offshoring.

The article contributes to the emergent strand of research in the international business literature on advanced services offshoring and it presents some findings of general value regarding the learning in home and host firms from advanced services offshoring. The overall intention is to contribute to theory-building on the impacts of the offshoring of advanced services.

Based on the findings of the study, I argue that advanced services offshoring must be understood as an antecedent for strategic business development and organizational change in both home and host firms. The study shows that as offshoring partnerships

* Tel.: +45 3815 2658; fax: +45 3815 3035.

E-mail address: poe.smg@cbs.dk.

¹ The academic literature – as well as the broader debate on offshoring – uses different terms when describing and analyzing the offshoring phenomenon. In accordance with UNCTAD (2004), I use the term "offshoring" to denote both firm-internal ("captive offshoring") and firm-external ("offshore outsourcing") relocation of activities to a foreign country. This terminology seems to be the reference point for most academic contributions in recent years, and it is consistent with the terminology used by other authors (e.g. Lewin and Peeters, 2006; Lewin and Couto, 2007; Youngdahl and Ramaswamy, 2007).

² The academic literature – as well as the broader debate on offshoring – uses different terms when describing and analyzing the offshoring phenomenon. In accordance with UNCTAD (2004), I use the term "offshoring" to denote both firm-internal ("captive offshoring") and firm-external ("offshore outsourcing") relocation of activities to a foreign country. This terminology seems to be the reference point for recent academic contributions (e.g. Lewin and Peeters, 2006; Maskell et al., 2007).

mature and firms gain experience, the learning in firms evolves over time and differs in many cases from the initial objectives and expectations. The Indian firms use their Danish partners as bridgeheads in new markets while offshoring even ignites a process of strategic transformation in some of the Danish firms. Both Danish and Indian firms use the input from their offshoring partnership to upgrade their organizations and business processes.

The article is structured as follows: Sections 2 and 3 present the two strands of literature that form the theoretical base of the study, namely the literature on offshoring and selected works from the organizational learning and knowledge literature, including the research design for, first, within-case analysis and, second, between-case analysis. The methodology is outlined in Section 4. Section 5 presents the findings of the case studies using the concepts of, respectively, strategic learning and systemic learning (Child et al., 2005) as the structuring tool. Some limitations of the study are described before the between-case analysis in the Discussion section and the final Conclusion section.

2. Offshoring of advanced services

While offshoring of manufacturing from developed (high-cost) countries to developing (low-cost) countries has been addressed in the international business literature for several decades (Buckley and Pearce, 1979; Moxon, 1975; Stopford and Wells, 1972), a number of enabling factors, especially over the past decade, have driven the trend towards the offshoring, or “globalization”, of services: These factors include a mix of trade liberalization, economic and regulatory reform in emerging economies, advances in communication technology, digitization and “tradability” of services, reductions in communication costs, and the availability of a skilled labour reserve in emerging economies has proven to be very powerful one (Karmarkar, 2004; UNCTAD, 2004, 2005; OECD, 2004). In particular, two additional factors have had a catalytic effect on the increase in IT-enabled services offshoring. First, while IT software offshoring dates back to the 1970s (Dossani and Kenney, 2007), the need to fix the “millennium bug” in the late 1990s caused the first big wave of IT services offshoring. Second, the current shortage of skilled labour, particularly a shortage of science and engineering graduates, is driving the current wave of services offshoring (Lewin et al., 2007), combined with the fact that some emerging nations have a large pool of highly skilled workers (Sen and Shiel, 2006; Yifei et al., 2007). Estimates from the United Nations Conference on Trade and Development (UNCTAD, 2004) show that services offshoring of a value of approximately \$32 billion took place in 2001. IT-enabled offshoring alone is expected to reach \$24 billion in 2007, a significant increase from \$1.3 billion in 2002.

From the range of recent scholarly publications it is clear that there is little consensus as to what the impacts of offshoring are at different levels, i.e. national, industry sector, firm (Doh, 2005). Farrell (2005) mainly stresses the economic benefits for companies of offshoring to low-cost destinations, but also notes that cost savings are only the beginning. Farrell argues that “what is needed is a total transformation of business processes to harness the new environment’s potential” (Farrell, 2005, p. 679). In the same issue of the Journal of Management Studies, Levy (2005), in contrast, stresses the potential negative consequences of services offshoring for highly skilled workers. In this respect, a number of concerns are evident in the recent offshoring literature, ranging from the possibility of rising and widespread unemployment, even among knowledge workers, as noted by Levy (2005), to the danger of the “hollowing out” of the competitiveness of firms and nations. This danger is addressed in academic work (e.g. Blinder, 2006; Kotabe, 1989; Sturgeon, 2006; Trefler, 2006) and in the business press (see Economist, 2004), but without clear conclusions as to the long-term dynamics and implications of the trend. Overall, the lack of agreement concerns both offshoring at large across industry sectors and types of activities offshored, and advanced services offshoring in particular. Moreover, offshoring is evolving to become a very complex and variegated phenomenon with broad implications for economic and management theory and practice (Doh et al., 2007) and this certainly applies to offshoring of more advanced services which to some extent may build on the insights from research on offshoring of manufacturing functions but also must be approached as a distinct and new phenomenon (Bunyaratavej et al., 2007).

Some works on the impact of offshoring exist (including services offshoring), notably on the job impact in developed countries (Amiti and Wei, 2005; Farrell et al., 2006; Farrell, 2005; Gereffi, 2006; Jensen et al., 2006; Sturgeon, 2006). There has also been some work on the correlation between services offshoring and financial performance (Kotabe and Murray, 2004) and the impact of offshoring on developing countries (Ernst, 2002; Patibandla and Petersen, 2002), as well as recently work on the dynamics of the offshoring process (Lewin and Peeters, 2006; Maskell et al., 2007). Nevertheless, the question of impacts remains a major question in offshoring research and it not easily uncovered, due to its many facets.

In a number of recent publications some authors have addressed the need to note that something “new” is happening, that offshoring is going into its “next” phase (Dossani and Kenney, 2007; Lewin and Peeters, 2006; Manning et al., 2008), and that offshoring now also encompasses innovation or similar types of advanced business activities (Lewin and Couto, 2007). This article explores this trend further as it addresses the lack of knowledge on impact in the academic literature. Impact is here measured as organizational learning in firms which result from the offshoring of advanced IT and engineering services from Denmark to India. The hypothesis of this article is contrary to the view that advanced services offshoring hollows out offshoring firms. Instead, advanced services offshoring must be understood as a complex phenomenon that over time influences strategic business development and organizational change in both home and host firms.

3. Offshoring and organizational learning

Several authors suggest that a framework drawing on many theoretical perspectives is needed to understand offshoring (Kedia and Lahiri, 2007; Niederman et al., 2006; Hansen et al., 2007). Nevertheless, a single theoretical lens may be useful as a means to shed light on certain aspects of the offshoring phenomenon. Selected works from the organizational learning literature are used here for two reasons. First, offshoring may be seen as a continuous learning process (Manning et al., 2008), and a learning perspective may therefore

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات