The Offshore Outsourcing of IT Services From A New Service Development Perspective

Dr. Amber Gul Rashid
Institute of Business Administration (IBA), Karachi, Pakistan

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Abstract
The offshore outsourcing of IT services should be viewed as a new service development activity. This conceptual paper provides an overview of the different terminologies around offshoring, outsourcing, and offshore outsourcing, and then looks specifically at the offshore outsourcing of IT services. It adds to new knowledge by considering the offshore outsourcing of IT services from a New Service Development perspective, and indicates that this is an area where future research should be directed to manage the offshoring process. Within the last two decades, the marketing of new services has become increasingly important, and by viewing offshore outsourcing of IT services as a new service, we can apply marketing concepts to manage the process of offshore outsourcing.

Keywords: New Service Development, IT Services, Offshore Outsourcing

1.0 Introduction

Offshore outsourcing as a global phenomenon is increasingly becoming the norm rather than the exception in certain service areas. The interchangeable use of terms such as "Offshoring", "Outsourcing", and "Offshore Outsourcing" has led to confusion among the academic community and practitioners on what is the appropriate term to use for which situation. Malarvannan (2008) has defined sourcing itself simply as the procurement process.

This paper will first look at the various terms used in this context such as outsourcing, offshoring, and offshore outsourcing. It will then go on to look briefly at NSD, before looking at offshore outsourcing in terms of NSD.

1.1 Outsourcing

Zeithaml and Bitner (2002: 35) mention the "…increasingly popular...phenomenon in business today called outsourcing, which means purchasing whole service functions (such as billing, secretarial services, maintenance, inventory, computer operations, and marketing) from other firms rather than executing them in-house".

Amiti and Wei (2005a: 313) have differentiated between domestic and international outsourcing, with international outsourcing being "…defined as the procuring of service or material inputs by a firm from a source in a foreign country. This term includes both intra-firm international outsourcing (by which the foreign provider of the input is still owned by the firm) and arm's-length international outsourcing (by which the foreign provider of the input is independent from the firm using the input). International outsourcing is part of a country's imports (of goods and services)".

However, the former is perhaps better understood by the term offshoring and the latter as offshore outsourcing. According to Gaston (2005: 263), "…outsourcing has been used to some extent by libraries and information centres for over 30 years and has come increasingly to be used in the sense of offshoring; where a significant amount of research capacity is passed not only to a third party vendor but also to geographically remote locations…". Banerjee and

Williams (2009: 68) mention "the conventional definition of outsourcing is to buy a service from an outside party (Agent), who is beyond the managerial control/perimetre of the client organization (Principal), on an ongoing basis for a transaction fee".

1.2 Offshoring

Sometimes the term outsourcing is used interchangeably with offshoring – the latter being "often misunderstood" (Rutherford and Mobley, 2005: 87). Strategic Direction Review (2006: 8) mentions that offshoring is "…often used to mean the process of moving processes overseas…usually to where labour is cheaper, but…maintaining in-house control".

"Offshoring has already been present for about two centuries" (Aydin *et al.*, 2010: 327). However, using 'offshoring' to define international outsourcing in the way Amiti and Wei (2005a, 2005b) and Strategic Direction Review (2006) have done is a relatively recent development. Aydin *et al.* (2010: 327) mention "The relocation of the textile industry from England to the USA was probably the first offshoring practice. This took place in 1821 (King, 2005)".

Banerjee and Williams (2009: 76) "…use the terms 'Offshoring' and 'International Outsourcing' interchangeably, since it is noted that, both structurally and motivationally, there are very strong correlations between the two types of operations. International (offshore) operations can be internally (within the Principal organization) or externally controlled. Either way, the operation can be categorized as outsourced if the controlling entity is different from the consumer of these outsourced services".

As Rutherford and Mobley (2005: 87) state "Offshoring, the process of relocating discrete business functions or processes to foreign locations, is rapidly expanding." Brandau and Hoffjan (2010: 74) refer to Khan and Fitzgerald (2004) "Offshoring is generally conducted by using one or more of four possible business models: direct offshore outsourcing, third-party offshore outsourcing, joint-venture offshore outsourcing and wholly owned subsidiaries".

From the perspective of Manning *et al.* (2008: 39) "…offshoring means that business functions supporting home-based and global operations are sourced from a location outside the home country. Often the terms *offshoring* and *outsourcing* are confused. *Offshoring* refers to the process of sourcing and coordinating tasks and business functions across national borders. *Outsourcing*, by contrast, denotes the delivery of products or services by an external provider—that is, one outside the boundaries of the firm. Offshoring may include both in-house (captive, or international, insourcing) and outsourced activities; outsourcing, in turn, may occur both domestically (onshore) and abroad (offshore). Further, offshoring concerns sourcing rather than sales activities, and it supports global or domestic rather than local operations."

Kumar *et al.* (2009: 442) mention "Offshoring is the term now used to describe the growing practice among companies of contracting out the jobs of white-collar workers in service sector industries (e.g. computer programmers) to firms located beyond national borders. The term is equally applicable to employers' offshoring blue-collar workers' manufacturing jobs, for example textile operations (Morton, 2005), to other countries".

1.3 Offshore Outsourcing (or Outsource Offshoring)

Gonzalez *et al.* (2006: 1233) mention that IT offshore outsourcing "…implies contracting all or part of an enterprise's information technology (IT) functions with a provider located in a foreign country (Rao, 2004) that will help the customer through the provision of tangible or intangible, human or non-human resources (Kumar and Palvia, 2002)". Aydin *et al.* (2010) and Levine (2007) are among many who recognize that offshore outsourcing is often called offshoring. Gonzalez *et al.* (2006: 1233) have mentioned that offshore outsourcing is sometimes also "…referred to as *Global Outsourcing*, because global has less negative connotations (Carmel and Agarwal, 2002)" in terms of jobs losses.

Brandau and Hoffjan (2010: 74) quote Bardhan (2006) "Knowledge-intensive R&D activities tend to be transferred to captive offshore centers, rather than outsourced to external providers". While Bahrami (2009: 212) defines outsourcing as "…conducting certain business functions at a different location or contracting those functions out to another firm", he says that "…when those business functions are done overseas, it is called outsourcing offshore".

In the context of the US, Levine (2007: 1) has perhaps summarised the situation around terminology well when stating "Offshoring, also known as offshore outsourcing, is the term now being used to describe the nascent practice among companies located in the United States of contracting out the performance of service sector activities (e.g., call center operations) to businesses located beyond U.S. borders. The term is equally applicable to U.S. firms' outsourcing goods production (e.g., textiles) to other countries, which has been occurring for decades."

1.4 InSourcing, InShoring, OnShoring, ReShoring, NearShoring, NearShore Outsourcing, Hybrid Sourcing, Multi-Sourcing, Right Sourcing

The reason these terms are dealt with together is because they are very closely aligned and there is some overlap (and a lot of confusion!) in what they actually mean. Amiti and Wei (2005a: 324) mention "In recent times, the word 'insourcing' has been used as a shorthand for the amount of outsourcing a country receives from the rest of the world. We use exports of business and computing services as a proxy for insourcing". They define insourcing as "…outsourcing in the opposite direction (from foreign-located firms to domestic firms)" Amiti and Wei (2005a: 314).

"Financial services companies have found that the overseas teams have not had the detailed product and market knowledge to be successful. For these businesses and others, companies have had to cope with customer dissatisfaction and unrest among employees. What started as an attempt to reduce costs, boost efficiency and gain a strategic advantage has ended in a muddle. A new buzzword has been added to the management lexicon, 'inshoring', keeping it at home" (Strategic Direction Review, 2006: 9).

'Onshoring' or 'Reshoring' are also terms with similar meanings, and can better be defined by the example of Sainsbury who decided to bring its outsourced IT function back in-house (Ranger, 2005). Maher and Tita (2010) have written about Caterpillar's relocation from offshore to onshore. 'Nearshoring' or 'Nearshore Outsourcing' is now being used as an alternative to

traditional offshoring, where the service activities are sourced from a foreign, lower-wage country that is relatively closer in distance (Cinquegrani, 2008; Erber and Sayed-Ahmed, 2005; Kanellos, 2009) – the aim is to avoid the disadvantages of offshoring.

Aydin *et al.* (2010: 327) give quite concise definitions of "…the following:

- *onshore insource*, referring to the classical way of doing business (i.e. operations which are performed by the company itself in its home country);
- *offshore insource*, meaning that an organisation sets up its own affiliate in another country, especially overseas;
- *onshore outsource*, indicating allowing another entity to conduct the operations in the same country; and
- *offshore outsource*, referring to operations being performed in another country by an external entity".

Companies may also use a sourcing strategy called 'hybrid sourcing' by combining various vendors (Malarvannan, 2008). However, some authors view this as 'multi-sourcing', as mentioned by Briskman (2005), where companies have differ vendors supporting different areas of its IT function, for example. "The speed of the global race for talent means that it will be increasingly difficult to offshore work to just one location or one service provider - companies will have to source from multiple global locations via a network of best-of-breed service providers" (Offshoring Research Network (ORN), 2008: 5). Briskman (2005) does point out that although this can lower risk by not making the business reliant on a single contract, relationship management and performance monitoring become even more important as a result.

'Right sourcing' refers to the trend of combining a number of the above sourcing strategies and finding a solution tailored to the needs of the relevant organization. Briskman (2005) mentions that right-sourcing is useful when trying to save money or increase productivity.

2.0 The Offshore Outsourcing of Services in the Global Context

Bahrami (2009: 213) mentions "Historically, offshoring was primarily confined to jobs in the manufacturing sector. For example, some textile jobs moved to Latin America in the 1970s and 1980s, and then to China in the 1990s (Gray, 2004)". However, offshoring has "…rapidly spread to the service sector" (Strategic Direction Review, 2006: 8). Functions such as research and development (R&D) are being offshored to places like southern India "…where six skilled software engineers can be employed for the cost of an equivalently qualified one in the USA" (Strategic Direction Review, 2006: 8). "In India lately, outsourcing organizations have been providing more value-added banking services" (Banerjee and Williams, 2009: 72).

Kumar *et al.* (2009: 442) mention "No regularly collected data currently provides accurate information on the total number of jobs that have been offshored". Talking about the outsourcing of value-added banking services to India, Banerjee and Williams (2009: 72) state "Industry analysts suggest the market size is approximately USD 300 million, employing about 10,000 personnel and increasing at the rate of 50 per cent annually (Mishra, 2008)". Various other

organizations are benefitting from the offshoring trend, such as the Jones Lang LaSalle real estate advisory consultancy specializing in offshoring, outsourcing, offshore outsourcing and related concepts from the real estate point of view (Jones Lang LaSalle, 2004, 2005).

They conduct frequent and regular surveys of top Corporate Real Estate (CRE) executives at primarily Fortune 1000 companies about how their organizations use offshoring and outsourcing, with firms from the fields of technology, telecommunications, financial services, professional services, insurance and manufacturing companies. Most companies expected to increase the work they offshored in the next five years (Jones Lang LaSalle, 2004, 2005). Asian companies have become an integral part of the production process in many technology-related manufacturing industries (Engardio *et al.*, 2006).

While discussing outsourcing, Bahrami (2009: 214) mentions "Computer and electronic manufacturing, information industries, and professional and business services are the most affected sectors of the economy. Some examples of outsourced functions are finance, accounting (tax preparation), administration, human resources, sales, supply chain management, customer service, information technology, health care services, research and development, design and engineering, telephone call centers, insurance claim processing, and legal transcription services."

Although the Offshoring Research Network had launched the buyer-side survey on the offshoring of technical and administrative work in 2004, the 2007 Service Provider Survey marked the first thorough study of offshoring from the service provider point of view (Offshoring Research Network (ORN), 2008).

Gray (2004) mentions that time zone differences mean the follow-the-sun approach can be used by global businesses; Garner (2004) states that trade liberalization has enabled the growth of offshore outsourcing. Amiti and Wei (2005a: 321) postulate that although "Media reports might give the impression that outsourcing is mostly about the United States and other industrialized countries contracting out services to India and a few other developing countries. This is not entirely correct".

"Offshoring has expanded greatly in the last decade facilitated by globalization and accelerated by advances in technology and communication" (Rutherford and Mobley, 2005: 88). Rutherford and Mobley (2005: 91) mention "India, China and the Philippines are attractive chiefly for their labour costs, while Canada's appeal lies in its labour quality. India and China are secondarily appealing for labour quality, while the Philippines serves as a diversifying locale between the two." Kumar *et al.* (2009: 452) state "While India has seen the majority of US-offshore offshored jobs (Furlonger, 2004), China is still a major focus when it comes to US companies' offshoring locations."

Gaston (2005) focuses on offshoring in the context of UK investment banks and concludes that information professionals need to decide whether offshore researchers can provide value-added services like their UK-based counterparts - given that teams sitting in different locations may have minimal background business knowledge. The majority of jobs offshored relate to call

centres and low-wage technology jobs (Davis *et al.*, 2006). Although Amiti and Wei (2005a: 318) mention "Outsourcing is generally difficult to measure because information on which parts of the production stage are contracted out is not readily available, so we need to rely on indirect measures."

Forrester Research projected that more than 3 million jobs would leave the USA by 2015 due to offshoring (Forrester Research, 2004; Tarbouni, 2004). On the other hand, the US Bureau of Labour Statistics had predicted that there might be as many as 10 million more jobs than suitable workers in the USA by 2010 (Jones Lang LaSalle, 2004, 2005). Bahrami (2009: 214) refer to McCarthy (2004) who "…believes the pace of outsourcing will increase. He estimates job losses of over 300,000 per year and a cumulative loss of 3.4 million jobs by 2015, representing $151 billion in wages". Articles reviewing the literature on offshoring are increasing, such as Brandau and Hoffjan (2010: 78) who have recently conducted "a databank supported media search similar to that done by Bhalla *et al.* (2008), using the search concept of offshoring with respect to all articles in the German business press over a two-year time period commencing in 2004".

The recent global financial crisis or meltdown had a negative effect on outsourcing, offshoring and offshore outsourcing. However, currently things are again looking up. "In the latest forecast released by Gartner, revenues for IT outsourcing are trending upwards after a negative result in 2008-2009, with an overall 3.8 % growth in generated revenues and an expected growth above 4 % for 2010…the worldwide IT management services market was US$207.4 billion in 2009, which was a 3.0% decline from 2008. This markedly contrasts with the annual growth rates in 2007 and 2008 of 10.2% and 6.2%, respectively" (Outsource Portfolio, 2010: 1).

Commenting on the findings of the fifth annual study on offshoring trends (based on a survey of companies across the United States, Europe, and Australia from 2007-2009) by the Offshoring Research Network (ORN), Professor Arie Lewin said "The global recession of the last two years seems to have slowed the creation of new offshore operations…But we can expect the companies to expand the existing offshore operations they established over the past decade" (The Conference Board, 2010: 1).

Kumar *et al.* (2009: 442) mention "The movement of manufacturing jobs overseas predates the current wave of offshoring service sector jobs by decades". Levine (2007) has mentioned that the US domestic outsourcing of service sector jobs was given an impetus by recessions in the economy. Amiti and Wei (2005a: 311) point out "What is new about outsourcing today is that it is increasingly in services. Although international outsourcing of material inputs is still far more quantitatively important than services for a typical industrialized economy…the current wave of anxiety in advanced economies is mostly about international outsourcing of Services".

This is despite the fact, as the authors point out, that "In the past, the service sector was largely considered impervious to international competition" (Amiti and Wei, 2005a: 311). "…innovation services are now the second most prevalent set of services offered by providers (after IT)…" (Offshoring Research Network (ORN), 2008: 6). Mann (2003) has postulated that the benefit of international IT software outsourcing to the economy is the same as that of IT hardware outsourcing – they both increase productivity. Offshoring has been accelerated by the growth of

the development and maintenance of IT applications, customer services, medical services, and call centers (Offshoring Research Network (ORN), 2008; Tarbouni, 2004).

Researchers have mentioned that some studies have found a positive correlation between service outsourcing and labour productivity (Amiti and Wei, 2005a, 2005b; Gorg and Hanley, 2003; Girma and Gorg, 2003). "While there is some debate in the Business Process Outsourcing (BPO) industry… on the need to provide end-to-end service to survive competitive pressures, on the whole this service industry continues to remain highly fragmented and focused on specific tasks and activities rather than business solutions" (Banerjee and Williams, 2009: 73).

"In sum, service outsourcing is much lower than material outsourcing, but it is increasing at a faster pace" (Amiti and Wei, 2005a: 321); however, "The literature becomes much thinner when it comes to international outsourcing of services" (Amiti and Wei, 2005a: 315). Kumar *et al.* (2009: 443) state that "occupational groups identified as being susceptible to offshoring include office support (e.g. data entry keyers), business and financial support, computer and math professionals, paralegals and legal assistants, and diagnostic support".

"The global analytics/survey research market is valued at USD 10 billion, but only 40 per cent of it is operational enough to be outsourcable" (Mishra, 2008, in Banerjee and Williams, 2009: 73). Garner (2004: 17) stated that four types of jobs are more likley to be outsourced:

1. labour-intensive
2. information-based
3. codifiable
4. high-transparency

Brandau and Hoffjan (2010: 73) look at offshoring as typically creating an inter-organizational relationship and their "…study also attempts to provide additional insight into the controversial role of management accounting in strategic inter-organizational relations for the case of service offshoring".

Banerjee and Williams (2009: 73) point out an important distinction by referring to Spencer (2005), mentioning that the traditional North–South demarcation in cost-based outsourcing may be counter-productive in the increasingly high-end value-based service outsourcing "…The tag of 'South', hitherto an advantage in the cost arbitrage model, may pose a severe delimiter in building the right perceptions of 'Expertise' and 'Environmental stability' in order to facilitate high-end international outsourcing".

3.0 Offshore Outsourcing of IT Services

Bahrami (2009: 214) mentions "Information Technology projects are leading the way for outsourcing". The main countries involved in receiving outsourced IT work are India, Russia, China, Eastern European countries, Israel, Ireland, Malaysia, the Philippines and Latin America (Association for Computing Machinery, 2006; A. T. Kearney, Inc., 2004; Carmel and Agarwal, 2002; Carmel and Nicholson, 2005; Chen and Lin, 1998; Prola, 2004; Swanson and Ramiller, 2004; Zatolyuk and Allgood, 2004).

It had been estimated that up to 25 percent of traditional IT jobs would have been outsourced to developing countries by 2010 (Ball *et al.*, 2006). A trend towards outsourcing means "…technology, specifically information technology - is currently shaping the field and influencing the practice of services marketing" (Zeithaml and Bitner, 2002: 14).

Kumar *et al.* (2009: 443) and Levine (2007: 4) mention that another imperative for offshoring was the "…educational systems of foreign nations that are producing an abundant supply of well educated, English speaking individuals…As English is the language of the computer industry regardless of country, IT services can be provided by a wide array of non-English speaking, comparatively low-wage nations (e.g. Argentina, Brazil, Bulgaria, China, the Czech Republic, Hungary, Jordan, Lithuania, Mexico, Slovenia, Russia, and Ukraine)".

Aydin *et al.* (2010: 326) have recently published a paper that "…aims to examine the degree of changes in action readiness and mindset for the IT offshore outsourcing (offshoring) practice of a number of leading finance and insurance organizations. In particular, the article investigates the action readiness (the state, condition or quality of being ready) and mindset (habits, opinions or perceptions which affect a person's attitudes) of organisations for IT offshoring." They (Aydin *et al.*, 2010: 327) mention "It has been argued that IT outsourcing opens up new opportunities to make use of agile, cost-effective, professional IT operations (Ang and Straub, 1998). On the other hand, this industry has faced several challenges in realising the benefits of IT offshoring (Gartner, 2006)".

The Capability Maturity Model (CMM) is a service mark owned by Carnegie Mellon University (CMU); although the model has diversified into many different areas such as business processes and developing people, software development (and by extension, IT offshoring) were originally its primary areas of concern. For software development processes, the CMM has been replaced by the Capability Maturity Model Integration (CMMI) (CarnegieMellon Software Engineering Institute, 2010); it can also be used to facilitate outsourcing decisions in the IT field.

Real-Time Technology Solutions (RTTS, 2010) has been keeping an index of published statistics regarding offshoring since May 2003, and their website offers a plethora of information on this subject. Brandau and Hoffjan (2010: 88) mention authors such as Merchant and Van der Stede (2003), Park (1996) and Vivek *et al.* (2008) who indicate "…companies coordinate and monitor the offshoring of services with the aid of a broadly defined concept of management control". Gonzalez *et al.* (2006: 1233-1234) mention "varied and mutually interrelated" factors about offshore outsourcing which "explain the emergence and growth of IS OffOut in recent years":

- Globalisation
- Shortage of qualified labour
- Cost savings
- Need to shorten development cycles
- Development of telecommunications and internet

4.0 The Link Between Offshore Outsourcing (of IT Services) and New Service Development

The researcher proposes that the very process of offshore outsourcing of a service is a new service development process. Theoretically and conceptually, this is backed up by the literature. Brandau and Hoffjan (2010: 75) have argued that "…the offshoring of services is an inter-organizational innovation".

"Authors like Cook *et al.* (1999), Den Hertog (2000), Avlonitis *et al.* (2001), Gadrey *et al.* (1995)…have stressed that innovation in services can be related to changes in various dimensions. Some examples include innovation in the service concept, the client interface, the delivery system and technological options. Innovation in the service concept includes changes in the characteristics of the service itself. This dimension is most widely recognized" (de Jong and Vermeulen, 2003: 845).

NSD, hence, by definition, also includes offshore outsourcing; it is essentially a change in the delivery system. Menor and Roth's (2007: 826) definition also backs this view as they "…define a new service as an offering not previously available to the firm's customers that results from either an addition to the current mix of services or from changes made to the service delivery process."

de Jong and Vermeulen (2003: 845) mention that where innovation in services is related to a new client interface, this dimension of innovation "can even entail clients acting as co-producers of the service offering (e.g. van der Aa and Elfring, 2002)... Innovation in the delivery system refers to the internal organizational arrangements and processes that have to be managed to allow service workers to perform their jobs properly, and to develop and offer innovative services (e.g. Cook *et al.*, 1999; Gadrey *et al.*, 1995; Den Hertog, 2000; Avlonitis *et al.*, 2001)…This type of change is often the direct result by the preceding ones (the linkage between the service provider and its client, and/or the service concept)."

This is precisely the change that happens within an organisation when it decides to offshore outsource its IT services. Translating this into what this means in practice, the researcher studied the offshore outsourcing of IT services from the NSD perspective in a large multinational based on two case studies.

5.0 Conceptual Model of the Offshore Outsourcing of IT Services as NSD

The conceptual framework presented in Figure 1.1 depicts in pictorial form the elements/themes that play a role when considering offshore outsourcing of IT services in terms of NSD. The conceptual framework puts forward the offshore outsourcing of IT services as a NSD process. This has been a result of a research process that includes both inductive and deductive research strategies in which the literature review as well as the research process itself have both played key roles.

The elements included in the framework are a combination of the areas identified in the literature review, and ideas that emerged during the subsequent data collection/gathering/analysis process. Hence, the conceptual framework was first formulated as a result of the findings of the literature

review, and then further modified in the light of data collection and analysis. The proposed conceptual framework is discussed below:

1. The offshore outsourcing of IT services can be viewed as a New Service Development process and as such, can be explored by looking at two areas:

a. The NSD process itself

b. The new service that is delivered or offered as the result of the NSD process

Due to the simultaneity of production and consumption in services, the NSD process and the new service developed as a result of the NSD process have a very close relationship.

2. Both the NSD process and the new service delivered consequently are shaped by the following elements, and this includes the management of the element itself as well. For example, not only communication itself plays a pivotal role in the NSD process, but also the way it is managed shapes the process as a whole.

a. Decision-Making
b. Communication
c. Diversity
d. Culture
e. Change
f. (Virtual) Team Working
g. Supply Chain
h. Risk
i. Customer Relationship
j. Employee Relationship

} Including Their Management

This research considers offshore outsourcing from the perspective overwhelmingly of the onshore front-line IT staff, although the management and supervisory point of view is also included to some extent. The perspective of the offshore staff is excluded. From the perspective of the front-line IT staff – staff defined for the purposes of this research as those onshore IT staff who interface directly with the business end users (customers) - these elements are seen as links in a chain, having interdependencies and being interlinked. In fact, for them it may be difficult to separate aspects of, for example, supply chain and its management from aspects of employee or customer relationship and their management.

3. Trust is at the centre of all the elements listed above; it shapes the management process.

4. There is a multi-dimensional relationship between the NSD process, the service delivered as a result of the NSD process, and the elements (including the overarching technological/legal aspects).

6.0 Conclusion

When an organisation decides to engage in the offshore outsourcing of IT services, it very often runs the process of offshore outsourcing as a project. This project will, by its very definition, be a new service development process. There are very many other ‘world views’ or frames of reference that one can use to research the offshore outsourcing phenomenon, but the one that, in

this researcher's view, can provide the most immediate benefit in practice is to look at it in terms of new service development.

The NSD literature is extremely rich in the advice it gives practitioners, with its roots in strong theoretical and empirical evidence. The offshore outsourcing world, on the other hand, even yet relies on word-of-mouth and anecdotal evidence of 'how to improve' without sound theoretical underpinnings. With the wisdom of hindsight and in light of the recent economic crisis, it is more imperative than ever to engage in research about offshore outsourcing. NSD is an appropriate choice to act as the linchpin of offshore outsourcing in the global context. The purpose of this paper was to try and bridge this gap in sound academic theory about offshore outsourcing and how to get better at it. It presents the conceptual/theoretical basis for the multi-site case study research conducted by the researcher for her doctorate thesis.

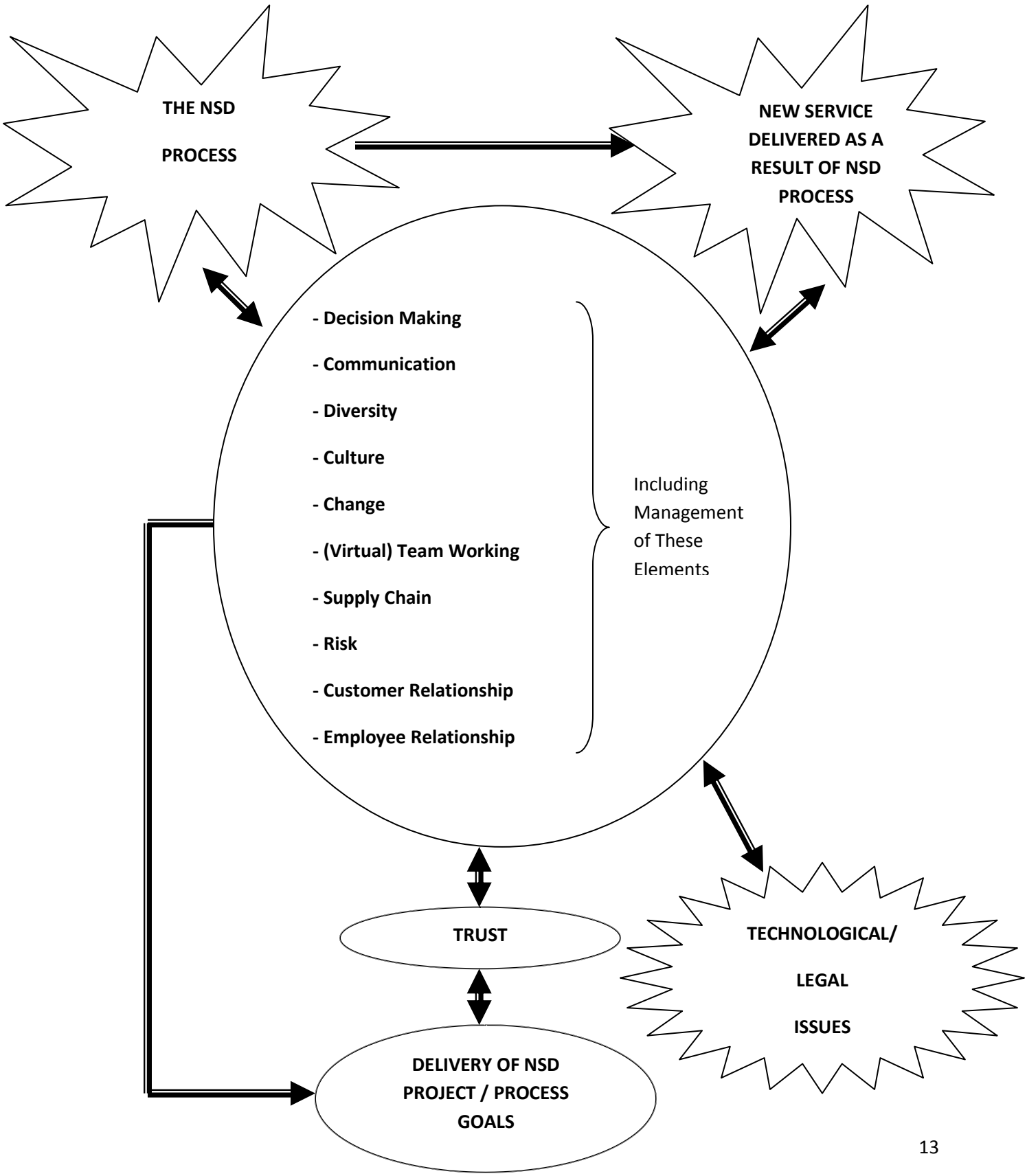
Offshore outsourcing has fast become the realm of management consultants and much- touted 'recommended best practices'. However, it is imperative that these be seen within the context of a solid theoretical framework, and this requires a greater degree of inter-disciplinary research than is currently happening. The current research is done with the aim of looking at the offshore outsourcing of IT services using the NSD lens, but the researcher acknowledges that there are various other perspectives and angles to the offshoring phenomenon apart from NSD. The key thing is to break out of our 'silos' and start looking at these issues from a multi-disciplinary perspective.

The offshore outsourcing of IT services is a relatively new area in NSD. In reality, although a lot of research is now being done on the offshore outsourcing of IT services and the process around it, there has been very little research done in looking at this process from the NSD point of view. Hence, the entire NSD process is run without openly acknowledging that it is indeed a NSD process! As a result, much of the knowledge that can be used from the literature available on the NSD process is never utilized in the process of the offshore outsourcing of IT services, much to the detriment of the overall process. This combination of factors brings us to an area in the current literature where there is a gap in knowledge that this particular research has tried to bridge.

Additionally, offshore outsourcing as a phenomenon needs to be seen in the context of many fields such as service intermediaries, organizational learning, organizational performance, internal marketing, business transformation, business-to-business/industrial marketing, organizational studies, information systems, global operations management, organizational knowledge management, sustainable competitive advantage, strategic change, etc. NSD is only one way of looking at the offshore outsourcing of IT services. Non-IT offshore outsourcing may have its own particular set of issues that would also be interesting to look at. Additional research on the other areas would also help in understanding how they influence the offshore outsourcing of IT services in terms of NSD.

Figure 1.1 Conceptual Framework:

The Offshore Outsourcing of IT Services as NSD



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