

*Index*

- Abbey National 113, 154, 155, 158  
 ABN Amro 2  
 Accenture 15, 148  
 accounting functions, outsourcing  
   30–31  
 advantages of outsourcing  
   avoiding bureaucratic costs 25  
   complementary capabilities 24  
   lower production costs 24  
   reduction in assets 23–24  
   relational rent 25–26  
   strategic flexibility 24–25  
   strategic focus 23–24  
 advertising, outsourcing 30–31  
 agency theory perspective on  
   outsourcing 39–40  
 airline industry, business model  
   innovation 153  
 alignment *see* misalignment  
 Amazon 6  
 Argentina, economic liberalization  
   14, 134  
 asset reduction by outsourcing 23–24  
 asset specificity and optimal  
   outsourcing level 36, 141–143  
 Avis 52  
 bandwagoning  
   competitive bandwagoning 82–83  
   effects on outsourcing 78, 79–83,  
   84–85  
   empirical illustrations (Netherlands)  
   83–87  
   institutional bandwagoning 83  
 banking industry, outsourcing of IT 32  
 BBC “African School” documentary 54  
 Benetton 15  
 best-in-world notion 146–147  
 BPO *see* business process outsourcing  
 British Airways 84–85, 113, 153  
 British Petroleum 15  
 British Rail/Railtrack/Network Rail  
   69–70  
 bureaucratic costs 25  
 business model innovation and  
   outsourcing strategy 152–154  
 business process outsourcing (BPO)  
   31–32  
   history of 15–16  
   hollowing-out concerns 16  
 buyer–supplier relationships *see*  
   supplier relations  
 Central Europe, opening up to trade  
   132–133  
*chaebols* (Korea) 41  
 Chelsea Football Club 106–107  
 China 173, 174  
 Chrysler 75–76  
 Cisco 94–95, 154–155  
 communication technologies 13  
 competitive advantage, claims for  
   outsourcing 17–19  
 competitive bandwagoning 82–83  
 competitors  
   awareness of what they do 155–156  
   differentiation from 155–156  
   conceptual perspectives on outsourcing  
   agency theory 39–40  
   categorization 65–66  
   core competences 38  
   costly contracts theory 41  
   critique of approaches 43–46  
   dynamic capabilities 37  
   economizing approaches 43  
   embedded relationships 42  
   industrial organization (IO) 39  
   institutional voids 40–41  
   links between perspectives 43  
   micro-economics 38–39, 43

- omission of social costs 46–47
- real options 40
- relations and learning 41–42
- resource-based view (RBV) 37
- social networks 42
- strategizing approaches 43
- “taper integration” 39
- transaction cost economics (TCE) 35–37
  - see also* outsourceability of activities
- conglomerates, and institutional voids 14
- consumers, impacts of outsourcing 16–17
- contracting out 9
- contractors, motivation and identity issues 101–102
- contracts, costly contracts theory 41
- core competences perspective 2, 11–12, 38
  - best-in-world notion 146–147
  - core and non-core distinction 145–146
  - disregard for value-creating interfaces 147
  - distinction between activities and core competences 145
  - influence of views of Quinn 144–147
  - performance effects of non-core activities 147
  - potentially flawed assumptions 144–147
- corporate strategy and outsourcing strategy 160–163
  - Sparta example 162
- costly contracts theory 41
- Cournot models 38–39
  
- DataMondial 31–32
- David J. Joseph Company 63
- decision-making process
  - complexities of the situation 81
  - conflicts 96–101
  - heuristics 81–83
  - influence of multiple rationalities 96–101
  - influences on 81–83
  - optimal outsourcing tool 163–165
  - outsourcing as experimentation 154
  - uncertainties in 80–81
  - uncertainty over optimal outsourcing levels 139–140
  - uncertainty over R&D outsourcing 140
- Denmark, outsourcing levels 35
- design implementation and competitive advantage 112–113
- Digital 30, 82, 138, 177–178
- disadvantages of outsourcing
  - economies of scope 26
  - hollowing out 26–27
  - interfaces 26
  - limited learning and innovation 28
  - opportunistic behavior by external suppliers 27
  - rising transaction and coordination costs 27–28
  - span of control problem 27–28
- diversification, and institutional voids 40–41
- dominant logic, effects on outsourcing 79
- dotcom firms *see* virtual firms
- dynamic capabilities perspective 37
  
- Eastern Europe, opening up to trade 132–133
- economic liberalization, impacts on outsourcing 14, 133–134
- economies of scope 26
- economizing approaches 43
- EDI (electronic data interchange) development 13
- EDS (IT provider) 15, 148
- electronic auctions (Philips Medical Systems example) 127–128
- embedded networks 119–120
- embedded relationships 42
- emerging countries, impact of institutional voids 41
- employees, impacts of outsourcing 16–17
- Enterprise Resource Planning systems 13, 15
- external sourcing 7, 8, 9
- external span of control
  - competence mechanism for improvement 117–118
  - design implementation 112–113
  - design of supplier relationships 117–118
  - embedded networks 119–120
  - formal decision-making and feedback 116–117

- external span of control (cont.)
  - learning mechanism for improvement 114–117
  - means of improvement 113–120
  - relational mechanism for improvement 118–120
  - relations with suppliers 108–110, 111–113
  - Toyota example 111–112
  - value added through joint activity 118–120
- externalities in outsourcing 138–139
- externalization 7
- farming out 9
- fashion industry, business model
  - innovation 152–153
- financial functions, outsourcing 30–31
- financial services industry, outsourcing
  - trend 32
- firm-level vs. transaction-level analysis 62–64
- Fisher Body 29
- Flextronics 15
- Ford 75–76
  - supplier relations 112
- Fordism 10
- France, outsourcing levels 34
- frequency of transaction, impact on outsourcing 37
- functional areas affected by outsourcing 28–32
- future trends in outsourcing 184–187
  - buyer–supplier relations 187
  - impetus from managerial mindset 185–186
  - international opportunities 185
  - potential for further increases 184–185, 186–187
  - shifts to foreign suppliers 186–187
- Gate Gourmet 84–85, 113
- GATT 132, 134
- General Electric (GE) 106–107
- General Motors (GM) 75–76
  - Fisher Body acquisition 29
  - shift towards outsourcing 11
  - supplier relations 112
  - use of Ford production model 10
- geographic scope of relationships 6
- Germany, outsourcing levels 34
- globalization, effects on outsourcing 132–133
- governments, impacts of outsourcing 16–17
- Harrah’s Entertainment 158–159
- heuristic decision-making 81–83
- hierarchies, and manager’s span of control 108–109
- history of outsourcing 9–16
  - business process outsourcing (BPO) 15–16
  - changes in international trading patterns 13–14
  - communication technologies 13
  - early twentieth century 10
  - economic liberalization 14
  - EDI (electronic data interchange) development 13
  - Enterprise Resource Planning systems 13, 15
  - focus on core competences 11–12
  - Fordism 10
  - IT developments 13
  - Japanese influence 11
  - late-twentieth-century influences 11–14
  - offshoring 15–16
  - outsourcing of IT 15
  - outsourcing of manufacturing 15
  - technological developments 13
  - terminology 9
  - transportation technologies 13
  - US response to competitive pressure 11
  - value from interorganizational relations 12–13
  - value from supplier relations 12–13
- hollowing-out concerns
  - and BPO 16
  - disadvantage of outsourcing 26–27
  - relations and learning perspective 41–42
- human resource management, outsourcing 30–31
- IBM 30, 82, 138, 148, 177–178
- identity and motivation issues for suppliers 101–103

- India, business process outsourcing 15–16
- Inditex 152–153
- industrial organization (IO)
  - perspective 39
- inertia
  - organizational inertia 78–79
  - outsourcing inertia 154–155
- information technology *see* IT
  - developments; IT outsourcing
- Infosys 16, 102–103
- innovation
  - business model innovation 152–154
  - limited by outsourcing 28
- insourcing 5–6
  - Fisher Body 29
- institutional bandwagoning 83
- institutional change, influence on
  - outsourcing 130–134
- institutional voids
  - and diversification 40–41
  - and existence of conglomerates 14
  - impact on outsourcing 40–41
- interdependence mechanisms in
  - outsourcing 7–8
- interfaces, importance for value
  - creation 26, 147
- internal operational effectiveness, and
  - performance improvement 105–107
- international outsourcing
  - barriers to 126–127
  - effects of import rules 134
  - influence of IT developments 126–127
- international trading patterns, changes
  - in 13–14
- IT (information technology)
  - developments 13
  - influence on international
    - outsourcing 126–127
  - influence on outsourcing levels
    - 124–127
  - lowering transaction costs 124–128
- IT outsourcing
  - banking industry 32
  - financial services industry 32
  - history of 15
  - Kodak innovation (1989) 30, 82,
    - 177–178
  - studies 30
  - technical contractors (US) 131–132
  - Italy, outsourcing levels 34
  - Japanese firms
    - buyer–supplier cooperation 117–118
    - copying of business practices by US
      - firms 74, 75–76
    - electronics firms' transplants in the
      - US 116
    - important performance measures
      - 71–72
    - keiretsus* 41, 74, 109, 111, 119
    - model for strategic outsourcing 11
    - strategic sourcing approach 33
  - Jarvis 69–70
  - keiretsus* (Japan) 41, 74, 109, 111, 119
  - Kodak, IT outsourcing innovation
    - (1989) 30, 82, 177–178
  - Korea, *chaebols* 41
  - learning limited by outsourcing 28
  - learning through outsourcing
    - 114–117
  - legal influences on outsourcing 134
  - Lufthansa 153
  - maintenance, repair and operations
    - (MRO), outsourcing 30–31
  - management technologies convergence
    - 129–130
  - managerial intent in outsourcing
    - business model innovation 152–154
    - conformity to accepted practices
      - 151–152
    - idiosyncratic outsourcing strategy
      - 152–153
    - role in outsourcing strategy
      - 151–154
  - manufacturing industries, outsourcing
    - trends 33
  - manufacturing outsourcing
    - history of 15
    - studies 28–30
  - Marcos 53
  - market failure, impact on outsourcing
    - 36–37
  - marketing, outsourcing 30–31
  - Matsushita 11
  - methodological and empirical
    - challenges 178–183
    - data sources 181–182
    - influences of time 179–181

- methodological and empirical
  - challenges (cont.)
  - performance measurement 181
  - qualitative and quantitative methods 181–182
  - replication 178–179
  - summary of “good practice” criteria 182–183
- micro-economic view of outsourcing
  - 38–39, 43
  - critique 43–46
- misalignment
  - and lack of benefit from outsourcing 75
  - bandwagoning effects 78, 79–83, 84–85
  - causes 77–83
  - consequences 76
  - definition 73–74
  - delay in response to 74
  - organizational inertia 78–79
  - path-dependent decision-making 78–79
  - prevalence among firms 75
  - punctuated equilibrium model 74–75, 78–83
  - too much integration 75–76
  - too much outsourcing 76
- motivation and identity issues for suppliers 101–103
- MRO (maintenance, repair, and operations), outsourcing 30–31
- negative curvilinear perspective
  - comparison with TCE 62–64
  - empirical evidence 59, 66–71
  - firm-level vs. transaction-level analysis 62–64
  - fit with current theory and practice 59, 61–71
  - mathematical formula 60–61
  - optimal level of outsourcing 57–61
  - optimal outsourcing determinants 65–66
  - outsourcing–performance relation 56–61
  - pro-outsourcing bias in discourse 68–69
  - range of applications 65
  - simplified example 55, 56
  - see also* outsourcing–performance curve
- Netherlands
  - empirical illustrations of bandwagoning 83–87
  - outsourcing in manufacturing industries 33
  - outsourcing levels 34–35
- Network Rail 69–70
- Nike 15, 114
- Nippondenso 111, 119
- Nissan 112
- non-governmental organizations, impacts of outsourcing 16–17
- Nucor 63
- offshoring 3, 15–16
  - identity and motivation issues 102–103
- opportunistic behavior by external suppliers 27
- optimal outsourcing level 57–61
  - and convergence of management technologies 129–130
  - and degree of asset specification 141–143
  - and economic liberalization 133–134
  - and externalities in outsourcing 138–139
  - and globalization 132–133
  - and institutional change 130–134
  - and IT developments 124–128
  - and production technology developments 128
  - and technological change 124–130, 134
  - causes of shifts 124–134
  - changes in outsourcing predictors 134–139
  - changes in theoretical effects 134–139
  - determinants 65–66
  - guidelines for decision-making 163–165
  - identification of 156
  - influences 134
  - optimal outsourcing tool 163–165
  - shifts over time 59, 121–124

- steepness of the
  - outsourcing–performance curve 59, 140–143
  - time limit on successful strategies 139
  - uncertainty over decision-making 139–140
- optimal outsourcing tool, guidelines for decision-making 163–165
- organizational inertia 78–79
- outsourcability of activities
  - context dependence 54
  - definition 52
  - factors affecting 54–55
  - simplified example 55–56
  - variation among activities 53–54
- outsourcing
  - definitions 3–8
  - extent of impacts 1–2
  - growing trend 1–2
  - impacts on different performance measures 71–72
  - interdependence mechanisms 7–8
  - organizational phenomenon 50
  - pro-outsourcing bias in discourse 68–69
  - range of possible activities 5, 7, 8
  - two or three forms 7–8
  - wider impacts 72
  - see also* optimal outsourcing level
- outsourcing as experimentation 154–160
  - ability to acknowledge failures 158–159
  - and decision-making uncertainty 154
  - awareness of what competitors do 155–156
  - deviation from what competitors do 155–156
  - employee responses 159–160
  - feedback within and between experiments 157–159
  - identification of optimal outsourcing level 156
  - improving the odds of success 154–159
  - learning from successes and failures 158–159
  - number of experiments required 154–155
  - overcoming outsourcing inertia 154–155
  - selling the notion of experimentation 159–160
- outsourcing inertia, and outsourcing as experimentation 154–155
- outsourcing–performance curve
  - causes of horizontal shifts 124–134
  - changes in outsourcing levels over time 121–124
  - changes in outsourcing predictors 134–139
  - changes in theoretical effects 134–139
  - changing the steepness 143
  - consequences of horizontal shifts 139–140
  - degree of asset specificity 141–143
  - horizontal shifts of the curve 59, 121
  - influence of convergent management technology 129–130
  - influence of economic liberalization 133–134
  - influence of external span of control 108, 113
  - influence of externalities in outsourcing 138–139
  - influence of globalization 132–133
  - influence of improved internal effectiveness 107
  - influence of improved performance 56, 104–105
  - influence of institutional change 130–134
  - influence of IT developments 124–128
  - influence of production technology 128
  - influence of technological change 124–130, 134
  - legal influences 134
  - outsourcability of activities 140–141, 142
  - shifts in optimal outsourcing levels 59, 121–124
  - steepness and performance 141–143
  - steepness determinants 140–141, 142
  - steepness parameter 59, 140–143

- outsourcing–performance curve (cont.)
  - vertical shifts of the curve 56, 104, 107
  - see also* negative curvilinear perspective
- outsourcing–performance relation 56–61
- outsourcing predictors, changes over time 134–139
- outsourcing process
  - and organizational inertia 78–79
  - bandwagoning effects 78, 79–83, 84–85
  - complexities of the decision-making situation 81
  - decision-making conflicts 96–101
  - definition of alignment 73–74
  - delay in response to misalignment 74
  - failure to deliver benefits 75
  - heuristic decision-making 81–83
  - influence of individual managers 94–96
  - influence of the dominant logic 79
  - influences on decision-making 81–83, 96–101
  - motivation and identity issues for suppliers 101–103
  - multiple rationalities influence decision-making 96–101
  - path-dependent decision-making 78–79
  - prevalence of misalignment 75
  - punctuated equilibrium model 74–75, 78–83
  - too little 75–76
  - too much 76
  - uncertainties in decision-making 80–81
  - waves of intense activity 74–75
- outsourcing research
  - methodological questions 50–52
  - need for a new perspective 48–52
  - practical and theoretical questions 48–50
  - weaknesses in current literature 48–52
- outsourcing research agenda
  - economizing and socializing perspectives 166–168, 171–172
  - integrated design, process, and performance framework 171–172
  - international sourcing 173–176
  - management innovation 177–178
  - methodological and empirical challenges 178–183
  - multidisciplinary approach 167–168, 171–172
  - outsourcing process research 168–169, 171–172
  - possible extensions of the framework 173–178
  - privatization 176–177
  - static v. dynamic explanations 171–172
  - theoretical challenges 166–172
- outsourcing strategy
  - alignment with corporate strategy 160–163
  - and business model innovation 152–154
  - role of managerial intent 151–154
- path-dependent decision-making 78–79
- payroll administration, outsourcing 30–31
- PC industry 138
- performance
  - influence of external span of control 108–110, 111–113
  - relation to outsourcing level 56–61
- performance heterogeneity, causes 104–105
- performance improvement
  - internal operational effectiveness 105–107
  - positioning approach 105–106
  - resource-based view 105–106
  - VRIO framework 105–106
- performance measures, different impacts of outsourcing 71–72
- performance prediction, negative curvilinear perspective 56–61
- Philips Medical Systems, electronic auction among suppliers 127–128
- positioning approach to performance improvement 39, 105–106
- privatization of government activities 133–134
- production costs, effects of outsourcing 24

- production technology, influence on  
optimal outsourcing levels 128
- punctuated equilibrium model 74–75,  
78–83
- purchasing 7–8  
outsourcing 31
- Quinn, James Brian, influential views  
on core competences 144–147
- R&D (research and development)  
change in relation to outsourcing  
135–138  
outsourcing 31  
predictor of outsourcing levels  
135–138  
uncertainty over outsourcing  
decision-making 140
- Railtrack 69–70, 113
- RBV (resource-based view) 37,  
105–106
- real options perspective on outsourcing  
40
- recruitment, outsourcing 30–31
- relational rent 25–26
- research *see* outsourcing research; R&D  
(research and development)
- resource-based view (RBV) 37,  
105–106
- Ryanair 106, 153
- Smith, Adam 9
- social costs and benefits of outsourcing  
46–47, 159–160  
impacts on employees 16–17  
impacts on society 16–17  
impacts on stakeholders 72  
influence on outsourcing decisions  
46–47
- social networks perspective on  
outsourcing 42
- Sony 38
- Southwestern (airline) 106, 153
- span-of-control problem 27–28  
*see also* external span of control
- Sparta 162
- specificity  
costly contracts theory 41  
in the buyer–supplier relationship 6  
stakeholders, impacts of outsourcing 72
- Stork Industrial Modules, electronic  
auction experience 127–128
- strategic flexibility though outsourcing  
24–25
- strategic focus 23–24
- strategic outsourcing notion 7–8  
benefits for consultants 148  
benefits of more outsourcing 149  
increasing strategic value from  
outsourcing 149–151  
influence of 147  
nature of outsourcing relationships  
148  
potentially flawed assumptions  
147–151  
supplier-driven rhetoric 148  
transformational outsourcing 148
- strategizing approaches 43
- subcontracting 7–8, 9
- supplier networks  
embedded networks 119–120  
source of learning 41–42
- supplier relations  
buyer–supplier relationships 6  
external span of control 108–110,  
111–113  
Toyota example 111–112  
value added through joint activity  
118–120  
*see also* external span of control
- suppliers  
motivation and identity issues  
101–103  
opportunistic behavior 27
- “taper integration” 39
- Tata Group 14, 41, 102–103
- TCE *see* transaction cost economics  
(TCE) perspective
- technical contractors (US) 131–132
- technological developments  
impacts on outsourcing 13  
influence on optimal outsourcing  
levels 124–130, 134
- Toyota 11, 75–76  
attempts to emulate 112  
external span of control 111–112  
partnering model 119  
supplier relations 25, 83  
support from supplier network 85



- trade unions, impacts of outsourcing 16–17
- training, outsourcing 30–31
- transaction cost economics (TCE)
  - perspective 35–37
  - comparison with negative curvilinear perspective 62–64
  - critique 43–46
  - definition of alignment 74
  - domination of thinking on outsourcing 45–46
  - need for extensions beyond the framework 44–45
  - percentage of variation explained by 45–46
  - relevance over time 45
  - validity of assumptions 44
- transaction costs 27–28
  - effects of IT developments 124–128
- transformational outsourcing 148
- transportation technologies 13
- TVR (sports car producer) 53
  
- Unilever, vertical integration 10
- United Kingdom, outsourcing levels 34
- United States firms
  - changes in international trading patterns 13–14
  - copying Japanese business practices 74, 75–76, 118
  - effects of changes in import rules 134
  
- important performance measures 71–72
- outsourcing response to competitive pressure 11
- technical contractors 131–132
  - see also specific firms*
  
- value creation
  - from interorganizational relations 12–13
  - from supplier relations 12–13
  - importance of interfaces 26, 147
- vertical disintegration 7, 8
- vertical integration 5
  - and institutional voids 41
  - industrial organization tradition 39
  - mid twentieth century 10–11
- virtual firms 26–27, 76
- volume uncertainty, impact on outsourcing 36
- Volvo 53
- VRIO (Valuable, Rare, Inimitable, controlled by the Organization) framework 105–106
  
- Williamson, Oliver 35–37
- Wipro 16, 102–103
- World Trade Organization 132, 134
  
- Zara fashion stores 152–153