Outline of today’s lecture

- The nature of outsourcing
- The context from which it emerges
- Outsourcing and IT
- Information policy implications
- Next week’s lab and tute exercises

Outsourcing in the news

A growing number of U.S. medical and financial-services firms are shifting information-processing work to lower-wage countries that lack tough privacy laws, leaving their consumers vulnerable to identity theft and possibly other crimes.

Swartz (2004: 13)

Why outsourcing policy matters

Perhaps the most crucial contemporary issue of information management is whether to outsource all or some of the information technologies to specialized-services firms. The issue is not a transient phenomenon; the shift from company-management computing to outsourcing is accelerating. The decision when, how, and where to outsource is likely to be one of the few information-management issues that will be coming up for review at board meetings.

(Strassman 1998)

What is outsourcing?

‘the purchase of a good or service that was previously provided internally’

(Lehly & Hirschheim 1993: 74)
What is outsourcing?

- ‘access to technical talent is limited because customers are often supported by their previous staff’
- ‘whether or not a firm decides to outsource its IS function, the management of IS cannot be outsourced.’

(Lacity & Hirschheim 1993: 77, 85)

Fordism

- a specific form of work organization?
- the dominant form of work organization within an economy?
- a driving sector within an economy?
- a particular relationship between production and consumption regulating the performance of an economy?

Fordism

- Mass production
- Flow production
- Separation of planning and execution
- Continuous, unskilled work regulated by machines
- Corollary: mass consumption society

Shift from fordism to?

Many arguments (more light than heat?) over what is emerging as dominant form of work:
- a shift to niche markets?
- a new emphasis on skilled labour with IT?
- growing competition from outside the West

Flexibility

Making labour more flexible:
- Numerical flexibility
- Functional flexibility
- Wage flexibility

Numerical flexibility

Distinguishing between a core and peripheral workforce through techniques such as
- casualisation and
- outsourcing
Functional flexibility

‘Flexibility means that every 102 seconds a car comes by, and not only do you have to screw something into the car, but in between you have to tidy up, check your tools, repair things and check you’ve got enough parts. You do not have a single job any more. If there is no work on the line they move you to where there is work. You are working the whole time.’

(Quoted in Tomaney 1990: 48)

The part played by globalisation

• ‘internationalisation of production and services’
• ‘stateless corporations’
• ‘world markets’
• ‘increased integration in the international division of labour’
• ‘internationalisation of financial markets’

(Thompson & McHugh 1995: 97-8)

The Japanese model

Clusters of large firms (sometimes guaranteeing ‘jobs for life’) linked to:

– financial organisations
– elaborate network of smaller firms supplying components and services

The Japanese model

Big firms that subcontract in the hope of:

– reducing investment in fixed capital
– exploiting wage differences with smaller firms
– reducing procurement costs
– shifting cyclical recessions to suppliers

(Innocenti & Labory 2004: 109)

The other side of labour flexibility?

Is all this just driven by managements?

– Struggle against work comes into the open in the seventies
– Growing numbers of self-employed
– Particular importance of IT in modern economy

Outsourcing and IT

‘An important reengineering principle is that companies should focus on their core competencies and outsource everything else.’

(Bill Gates, quoted in Benedon 2000: 34)
Identifying strategic IT-intensive operations

‘How an organization uses information technology determines if it is strategic. Simply possessing or owning information technology that “supports” a business goal may not make it a strategic asset. A good example is the use of microcomputers and wordprocessing software to create documents.

‘It is the document produced and the process and people used to produce it that are strategic assets. It is not necessary to actually own the computer, the software, or even all the people used to produce the document. Most of that can be rented.’

(Phillips 1992: 40)

A different view

‘An asset is by definition something one can sell and something that has a value when a company goes into liquidation. But a company does not own people. And an asset which can give notice and leave is not an asset in any sense of the word.’

(Drucker 1974: 308)

Identifying core competences

Perhaps functional analysis can help?

– should organisations concentrate on their key functions?
– what happens to infrastructure, HR etc?

Core competences — a different view

‘I consider it unwise for management to let someone else manage all of their information systems processes. Information management and information systems (whether computerized or not) are indeed the core competence of almost every business in the information age. With the increasing embodiment of information management into software, the control over information systems remains one of the essential managerial functions that an organization should not fully abdicate.’

(Strassman 1998)

Outsourcing as going offshore

More and more outsourcing leads overseas:

– a logical consequence of globalisation?
– a bad thing?

The case of IBM

• The company’s goals
• The response of the union officials
• The response of the union delegates
Outsourcing and the politics of IM

‘For large bodies of information that are likely to have resale value, “dummy” information could be included that may help reveal the presence of poaching. This is a common remedy for vendors of direct mail lists that has found additional applications in customer service settings. For example, if an insurance company outsourced customer service, they could seed the customer database with dummy accounts of desirable-looking customers with the addresses of company offices.’

(Clemons & Hitt 2001: 29)

Outsourcing and the politics of IM

‘Thus, if the mailing list were resold, marketing materials sent to the dummy customer would be strong evidence. Map companies historically embedded small mistakes in their maps and atlases, for the same reason.’

(Clemons & Hitt 2001: 29)

Information policy implications

What impact does outsourcing (and in a different way, casualisation) have upon the flows of information/knowledge within organisations?

‘Outsourcing is for the lazy’?

‘It is far easier to “order” a programmer, as one might order in a pizza so as not to have to cook, than to sell someone on joining the organization. We pay dearly for outsourcers and consultants that arrest the development of our organizations’ internal capabilities and cause us to place the future well-being of our company in the hands of people who have no emotional stake or connection to our business.’

(Gregoire 2004)

Next week’s lab and tutorial exercises

Lab:
– Have a practice run with last year’s exam

Tute:
– Discuss your answers

Further reading


