

Survey: Organizational flexibility a new benefit of global outsourcing

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Companies that have moved some of their business processes offshore say they are more flexible and agile, and better able to adapt to competition in challenging economic environments.

Many say a corporate-wide strategy to guide offshoring decisions is increasingly critical to achieving global [company](#) growth, such as improved service quality and process improvements.

These are among the findings of the 2011 Corporate Client Survey released by the Center for International Business Education (CIBER) and the International Offshoring Research Network's (ORN) Project at Duke University's Fuqua School of Business.

The Corporate Client Survey reflects data collected through May 23, 2011, from participating companies based mainly in the U.S. The study is part of ongoing research into the effects of offshoring trends on American competitiveness and reflects the sentiments of business managers.

"U.S. companies that have diversified the scale and scope of their global sourcing of business services and processes in recent years say they are reaping operational and financial returns," said Arie Lewin, Fuqua professor of strategy and international business and director of CIBER. "For companies that are engaged in offshoring, we've seen a significant jump in the number of respondents who say offshoring activities have led to improved organizational flexibility, from 48 percent in 2009 to 66

percent in 2011."

According to Lewin, cost-savings are no longer the primary driver of global sourcing strategies.

"U.S. companies are transferring more of their professional work abroad, especially in the areas of IT infrastructure, application development and maintenance and innovation processes," Lewin said. "These companies cite a shortage of qualified personnel among the top reasons for utilizing global sourcing of services.

"As the demand for more sophisticated service solutions increases, the competition to attract and retain talent will become increasingly intense as companies and service providers vie to hire from the same pool of professionals."

U.S. companies continue to prefer basing their service operations in far-shore destinations such as India, China and the Philippines, particularly in the areas of IT infrastructure, application development and maintenance, contact centers and innovation activities. Latin America is emerging as a favored global sourcing site, but U.S. companies have yet to find operational or financial advantages in moving well-established and high-performing far-shore operations to near-shore locations.

Survey respondents cited service quality and risks to security and labor among their primary concerns about global sourcing of labor.

While growth in the global sourcing of IT, finance and accounting by large companies is leveling off, mid-size companies report aggressive plans to expand and initiate new offshoring initiatives. Seventy-three percent of responding mid-size companies report plans to expand existing offshore business processes over the next 18-36 months, compared to 55 percent of respondents from the previous year.

Conversely, 41 percent of large companies are planning to expand their offshoring of business processes in the same period, down from 52 percent in the previous year.

Both mid-size and large companies expect to initiate new global sourcing activities, primarily in contact centers, application development and maintenance, engineering, product development and knowledge and analytical services.

Recognition among U.S. companies that global sourcing must be integrated into an organization's comprehensive growth strategy is gaining traction; more than half of U.S. companies in most industries have a corporate strategy in place.

"As U.S. firms increase the scale and scope of their global sourcing, they are laying the foundation for achieving far-reaching organizational flexibility," Lewin said. "They say that with these capabilities, they can redesign processes, enhance efficiencies, improve service quality and enable more effective access to new markets and promoting innovation."

The ORN database includes cumulative responses collected through an annual survey conducted since 2004. As of June 2011, the database encompassed roughly 1850 companies (31 percent large, 36 percent mid-size and 33 percent small) and more than 3000 different offshoring projects.

ORN has launched a Financial Services Executive Roundtable Series designed to share the network's research findings with senior leaders from the financial services industry. Biannual gatherings are held at Duke's campus in Durham, N.C., New York or London during which attendees discuss [outsourcing](#) issues and suggest areas for future research.

Provided by Duke University

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