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# **Outsourcing and Offshoring Decision Making and its Implications for Businesses- A Synthesis of Research Pursuing Five Pertinent Questions**

## **Introduction**

The trend to outsource and offshore knowledge intensive activities (beyond and/or including the traditional low value added activity) is driven by the need to enhance the firms' competitive advantage by exploiting local talent and expertise in host organisations or economies. A simple explanation offered for 'outsourcing' is work or jobs moving or crossing over (boundaries) to another firm and for 'offshoring' it is work or jobs moving or crossing over (boundaries) to another country (Pereira and Malik, 2015). Over the last few decades, scholars (see Hätönen and Eriksson, 2009; Oshri, Kotlarsky, Willcocks, 2015; Lahiri, 2016 etc.) have examined the complex phenomenon of outsourcing and offshoring at the country, industry, firm and managerial levels. Further, fierce competition in global markets have driven businesses to engage increasingly in cross-border trade and investment, including the transfer of knowledge, technology, people as well as intermediate activities forming global value chains (GVCs). The vast body of existing work emanates from a variety of disciplines, including international business and strategy, organization studies, management, economics and marketing. The overall aim of previous studies was to advance our understanding of the theory and practice of outsourcing and offshoring that has changed the face of modern business. More specifically, they reveal the nexus between location choice, motivation and business strategies of disintegration, dispersion and dexterity.

Hitherto, empirical work has uncovered that outsourcing and offshoring has evolved from transactional work to that of more core activities which has led to firms having porous boundaries (Dess, Rasheed, McLaughlin & Priem, 2005). Buckley (2009, 2011, and 2016) has proposed the 'Global Factory' model which portrays the architecture of the firm seeking to achieve a balance between: *first*, internalisation of core activities and externalisation of non-core activities; and *second*, contrast between global and local strategy, which makes the firm more flexible, agile and resilient to external shocks. The outsourcing and offshoring literature thus suggests several benefits for the firm but it also identifies many challenges, such as dealing with the geographic, physic and administrative distance between home and host countries, and differences in the time zones (Manning, Larsen and Bharati, 2015). These challenges further highlight the role of managers, i.e. how do managers deal with these

differences when it comes to managing the global-local contrast, controlling knowledge, and coordinating the network of contractors and allies? Empirical research in this area is, therefore, needed to improve our understanding of these complex decisions making processes and its influence on the outsourcing firm.

Along with empirical insights, the theoretical scrutiny has also expanded from the traditional transaction cost economics and resource-based analysis to the knowledge-based theories of the firm. To add to this growing scope of theoretical inquiry, scholars (e.g. Peng, Sun, Pinkham, & Chen, 2009) have also proposed to explore the role of institutions as it strongly influences the endowment of resources, knowledge, skills and talent. Moreover, institutional development and government policies affect several other factors, such as the quality of infrastructure and industrial clusters that are critical to the outsourcing firm. More visible examples of these effects can be found in the context of emerging economies, such as India, Philippines, and China, and also in advanced economies, such as Ireland, Poland, and Canada. These country contexts provide unique opportunities to widen the scope of theoretical inquiry while providing good backgrounds for testing propositions relating to outsourcing and offshoring. Thus, both, conceptual and empirical contributions that explore the relationship between location and the firm's decision for outsourcing and offshoring decisions from different theoretical lenses are needed to extend the academic understanding of outsourcing and offshoring decisions of the firm and will benefit in theoretical development.

It was under this context that we solicited a call for papers that included any or a combination of the *five* important traditional decision making questions. The five pivotal questions were “*where* to outsource”, “*what* to outsource”, “*how* to outsource”, “*when* to outsource”, “*why* to outsource”) (Hätönen and Eriksson, 2009; Pereira and Malik, 2015). The response to the call for papers solicited several interests from scholars across the globe. There were close to 100 final submissions, of which 50% went through the enormous task of reviews (by over a 100 reviewers) and finally 25 contributions made the final cut.

The rest of the paper is structured as follows. We outline a robust methodology exploring what is already known about the ‘outsourcing and offshoring decision making topic on the five pertinent questions’, by using systematic review methods. Thereafter, we discuss in detail the five big questions- mapping contributions in this special issue with existing literature, and a short conclusion.

## **Analysis of the outsourcing and offshoring literature**

We conducted a review of the literature through a comprehensive search following best practices as recommended by scholars such as Brettle (2003); Grant (2007) and Ward et al. (2008). We followed a combination of ‘rapid review assessment’ and ‘systematic search and review’ (Grant and Booth, 2009) that included as a description, exploring what is already known about the ‘outsourcing and offshoring topic’, by using systematic review methods to search and critically appraise existing research, and also by combining strengths of critical review with a comprehensive search process. More specifically, we aimed to achieve in terms of our ‘search’ completeness of searching determined by time constraints that also aimed for an exhaustive, comprehensive searching strategy. In terms of ‘synthesis’ we report typically a narrative and tabular summary of studies and our ‘analysis’ included quantities of literature and overall quality/direction of effect of the relevant outsourcing and offshoring literature by exploring what is known; recommendations and limitations. We searched Google Scholar, the Web of Science, and the EBSCO databases. We used the following search terms: all of these words (“offshoring”, “outsourcing”, “offshore outsourcing”); the phrases (“make or buy decision”); any of the words (“keep in house”, “location choice”, “where to outsource”, “what to outsource”, “how to outsource”, “when to outsource”, “why to outsource”). We chose twenty top tier journals within the multi-disciplinary fields of management, strategy, international business, organisational studies and sciences and international business and searched for relevant papers from the inception of these journals to those published in 2018. We screened the list and further conducted a backward and forward citation search to identify additional articles that were not found in the initial search. This left us with 556 papers; Table 1 summarises the journals, number of papers and start years included in this review. The contributions in the 20 journals included any one or a combination of the *five* important traditional decision making questions. The same was the case with the contributions for this special issue, wherein there were a combination of questions asked and researched. As is evident from table 1, the highest number of articles for our topic (40 and above) were published in the Journal of International Business Studies (86), the first article way back in 1975, followed by Strategic Management Journal (72), Journal of Business Research (65: previous issues- 40 + this SI 25), Journal of International Management (52), International Business Review (49), Management International Review (45), Journal of World Business (41), European Journal of Operations Research Society (41).

**Insert Table 1 here**

What follows below is the detailed discussion of the contributions in this special issue vis-à-vis the extant literature, under each research question.

## **The five big questions- mapping contributions with existing literature**

### **1. *Why* firms choose to ‘buy’ instead of ‘make’?**

The first question has to do with a choice by organisations of whether to ‘buy or to make’? Outsourcing can lead to high profits, become leaner; have access to new technology and knowledge, reduce the time to market. However, it can also be damaging. Several companies failed to achieve the expected cost savings in sourcing from low-wage countries. Horn, Schiele et al. (2013) found that about 75% of outsourcing projects to low-wage countries (non-developed supplier markets) failed, and companies had to re-source components from high-wage countries. Outsourcing has also hidden costs (Mukherjee 2018) and the risks associated with knowledge losses for research and technology that may arise from the lack of integration of new product development activities (Lowman, Trott et al. 2012). To take the most appropriate decision, framework needs to developed. Recently, Hanafizadeh and Zare Ravasan (2018) proposed recently a framework with 23 factors. Medina Serrano, González Ramírez et al. (2018) reviewed the literature and states that practitioners should combine the resource-based view, strategic management and transaction cost economics theories to inform their decision. Our analysis of the twenty representative and top tier journals addressing this first question led to **191** articles and mostly included the following questions: Why is it that firms resort to outsourcing and offshoring [decisions on how each business process should be allocated geographically (‘offshoring’) and organizationally (‘outsourcing’)]? In term of ‘Why’, is it for factors such as increasing competitive pressure? To become leaner by decreasing costs? Better asset utilization while maintaining high customer service level? Through rapid technological developments? Strategizing by resorting to long-term financial implications? By being more strategic when it comes to the new product development cycles and time-to-market? Lack of expertise? Limited production facilities or insufficient capacity? Some papers also investigated a combination of the above ‘why’ factors. In this special issue we have five contributions that throw further light on this first important question of ‘why’ firms choose to outsource or offshore as a strategic decision. Each of these are discussed below.

The first contribution under this topic by Howe-Walsh, Turnbull and Budhwar is titled "Investigation into Advertising Creativity as an On-sourcing Phenomenon in an Emerging Economy: The Case of the United Arab Emirates". Utilising the resource base view (RBV), the study investigates the reasons for (*why*) outsourcing advertising creativity in the United Arab Emirates (UAE) and the strategies used to access creative skills. Findings from this study provide new insights into why firms outsource i.e. to achieve competitive advantage in an emerging economy, thus confirming to other studies.

The next study by Lahiri, Ash, Mukherjee and Gaur titled "Search Motives, Local Embeddedness, and Knowledge Outcomes in Offshoring", explicates the role of external knowledge search motives and host country context (local embeddedness) in driving different knowledge outcomes in offshoring (the *why*). Drawing on the offshoring / offshore outsourcing literature, they develop a classification scheme based on different knowledge search motives (exploitation vs. exploration) and local embeddedness (low vs. deep).

The study by Morris Lampert and Kim titled "Going Far to go Further: Cost-Leveraging in Offshoring, Exploration, and R&D Performance" investigates *why* despite its many benefits, exploration is often too costly for firms to pursue, as offshoring provides a cost-leveraging strategy that can help firms overcome this constraint, and enhance their R&D performance with increased exploration. Implications from their study indicates that offshoring enhances exploration in firms, which, in turn, increases R&D performance.

Enderwick and Buckley build on their previous work on the global factory system, in this contribution titled "Beyond Supply and Assembly Relations: Collaborative Innovation in Global Factory Systems". This contribution synthesises relevant strands of literature from internalisation theory and the resource-based view of the firm to develop a rationale for the adoption of outsourced collaborative ventures in innovation in rapidly changing business environments within the context of global factory systems. This study discusses the important *why* question of outsourcing/offshoring by firms within the global factory system and contribute by portraying the implications of their analysis for the structuring of collaborative ventures, management of lead firm subsidiaries, and the upgrading of contract partners.

The last contribution under the why question is by Lioliou, Willcocks and Liu through their paper titled "Researching IT Multi-sourcing and Opportunistic Behavior in Conditions of Uncertainty: A Case Approach". Their study investigates *why* multi-sourcing arrangements

are a major trend in the contemporary outsourcing landscape, as the existing understanding of what makes these complex ventures effective remains relatively fragmented. This study contributes by focusing on multi-sourcing and opportunistic behaviour of suppliers, and in particular a relatively neglected but major driver of opportunistic behaviour, the uncertainty surrounding the transaction.

## 2. *What* to outsource (what to keep in-house and what to outsource)?

The second question is what to outsource. Non-core activities are the first candidates for this exercise. Manufacturing has been the first area for outsourcing but more recently there have been an increase in outsourcing of business processes and functions, particularly IT (Dekkers, Barlow et al. 2013). Determining what is core and non-core can be delicate question. Hafeez, Malak et al. (2007) has used AHP to measure the uniqueness of activities. The extant literature that we reviewed for the twenty journals has **108** articles that addressed the ‘what question’ and included the following questions more broadly: What ‘core’ segments of the value chain are to be retained in-house? What could be optimally dispersed geographically, to allies and contractors? What is the influence in terms of advances in technology on the firm’s decision to outsource certain areas and retain others? What are the factors that influence a firm’s decision to re-shore and back-source, either some or all their activities? What are the various influences of outsourcing decisions on the local host economies and the competitiveness of its local firms, again when it comes to the firm’s decision to outsource certain areas and retain others? We have nine contributions that throw further light on this second question of ‘what’ firms choose to outsource or offshore (and what they decide to keep in-house) as a strategic decision. Each of these are discussed below.

Building on past research on HR outsourcing (HRO) as the ‘*what*’ within business process outsourcing (e.g. Pereira and Anderson, 2012), this first paper by Budhwar Witzemann Katou and Patel titled “HR Outsourcing: Achieving Standardization in Terms of Harmonization of HR Activities Post Outsourcing” investigated conflicting views about its impact on HR's strategic position. This study highlights the processes by which decisions to outsource HR are made, followed by the processes implemented post such decisions and their effect on the HR function. Using a case study approach and semi-structured interviews (N=35) within a German subsidiary of a US MNC, they provide a framework of HR processes seeking to achieve standardization in terms of harmonization of HR activities across the subsidiary. They conclude that it remains questionable as to whether the function

of HR was able to enhance its strategic position through outsourcing.

Pla Barber, Linares and Ghauri's paper titled "The Choice of Offshoring Operation Mode: a behavioural perspective" contributes to the second paper in this '*what*' section. Using a sample of 466 offshoring operations, this study analyses offshoring mode decisions from the rationale of the Theory of Planned Behaviour (TPB). Drawing on this perspective, their results indicate that this decision seems to be clearly influenced by the manager's intentions and partially determined by some competences originated in the resources and experience of the firm.

The study by Morris-Lampert and Kim titled "Going Far to go Further: Cost-Leveraging in Offshoring, Exploration, and R&D Performance", apart from contributing to the why question above, also contributes to the *what* question. Empirical evidence supports their thesis that firms that offshore more of their R&D activities to developing countries engage in greater exploration; second, the degree to which firms benefit from offshoring is contingent on their R&D intensity, such that firms with lower levels of R&D intensity enjoy greater benefits from offshoring for exploration than those with higher levels; and third, greater exploration confers an R&D performance advantage to firms where greater exploration increases firms' successes in preclinical trials. Overall their study offers two implications: (1) what drives firms' exploration is not just what they can do (competencies), but also what they can afford to do (costs); (2) offshoring enhances exploration, which, in turn, increases R&D performance.

Pongelli, Calabrò and Basco's paper titled "Family firms' international make-or-buy decisions: Captive offshoring, offshore outsourcing, and the role of home region focus" also investigated the '*what*' question. They do this by contributing to the literature on the international sourcing decisions that have received increased attention by scholars and policymakers recently as they are important predictors of firms' international competitiveness. Building on the theoretical perspective of socioemotional wealth, this paper introduces the distinction between family and non-family firms as an overlooked variable able to explain heterogeneous international make-or-buy choices.

Zhang and Gopalakrishnan's paper titled "Client Dependence: A Boon or Bane for Vendor Innovation? A Competitive Mediation Framework in IT Outsourcing" is the next contribution to the '*what*' question. They do this by contributing to the IT outsourcing



literature, which they claim has grown in volume and in importance since the 1990s. They further argue that clients and vendors are becoming interdependent in a complex collaborative setting and that client dependence, however, is a double-edged sword. They contribute by building a competitive mediation model, which explores both the bright and the dark sides of client dependence for vendor innovation and they further analyze the role of vendor size as a moderator. Overall, this research highlights dual theoretical routes that expose opposing effects of client dependence on vendor innovation.

Elia, Narula and Massini's paper titled "Disintegration, Modularity and entry mode choice: Mirroring technical and organizational architectures in business functions offshoring" also contributes to the 'what' question by studying the relationship between modularity and entry mode choice in business functions offshoring. More specifically, they define the degree of modularity of an activity as technical architecture (whether it can be detached from the rest of the value chain without loss of synergies). They refer to the entry mode chosen as organizational architecture (whether a captive solution, a partnership or outsourcing).

Modak, Ghosh and Pathak's paper titled "A BSC-ANP Approach to Organizational Outsourcing Decision Support-A Case Study" is the next contribution to the "what" question. In this paper they argue that the phenomenon of outsourcing has been gaining popularity as a standard practice among the mining industries around the globe to meet the competitive challenges. They further make a case that benefits and the advancements of outsourcing can be only realized considering the short-term as well as long-term concerns associated with such a business decision. Their study contributes by proposing an integrated BSC-ANP (balanced scorecard-analytic network process) approach for selection of the best outsourcing strategy (insourcing, outsourcing, and strategic alliance) for operational activities of a case-study coal mining organization in India.

Williams and Durst's study titled "Exploring the Transition Phase in Offshore Outsourcing: Decision Making amidst Knowledge at Risk" is the next paper that partly contributes to the "what" question, apart from the 'what' and 'when' questions below. They do this by exploring the transition phase in information system (IS) offshore outsourcing, focusing on ongoing decisions made in a client-vendor arrangement and the implications these decisions have for knowledge at risk.

The contribution by Lioliou, Willcocks and Liu through their paper titled "Researching IT

Multi-sourcing and Opportunistic Behavior in Conditions of Uncertainty: A Case Approach", apart from contributing to the *why* question above, also contributes to the *what* question- the last in this section. This study research's a rich multi-sourcing case study within the financial services sector, and compares and re-analyses a detailed case in the literature. Developing an extended transaction cost economics perspective, this study focuses on the roles of internal and behavioural uncertainty and the occurrence of opportunistic behaviour. Findings from this study suggest that internal uncertainty creates an 'alignment of actions' problem between outsourcing partners, while behavioural uncertainty can shape an 'alignment of objectives' problem, leading to the occurrence of opportunistic behaviour. Overall their findings contribute to a more thorough understanding of the ways of reducing these uncertainties, facilitating cooperation between multiple vendors.

### 3. *Where* to outsource (locational choices)?

The third question is where to outsource. This question can be on the macro or micro level. On the micro level, we have to select a provider from a well-defined set. This topic has been long studied (Ishizaka 2012). On the macro level, several criteria need to be considered for this decision, e.g. culture, labour cost, infrastructures, etc. Therefore, for this type of problem, multi-criteria decision making methods are also suitable (Ishizaka, Nemery et al. 2013). Despite being an important problem, there are only a few describing methodologies to select a location for outsource. Two prominent ones are Lin, Wang et al. (2007) and Liu, Berger et al. (2008). Our analysis of the literature on this question i.e. 'where' do firms choose to outsource or offshore (locational choices) within the top twenty journals led to identify **286** examples of articles that broadly included: should these decisions be tactical, strategic and transformational, when it comes to the location (i.e. where)? Further, in terms of location, what are the factors that influence the outsource/offshore-location decision when ownership of the activity is transferred to the foreign vendor? Do internationalization strategies of the firm affect the choice of outsourcing and off sourcing locations? When it comes to locational choices made by the vendee for offshore vendors, are they evaluated on: technical capability, experience, or offshore capability? In terms of 'where', how do the new economic realities affects decision making? Here too, in this special issue, we have nine contributions that contribute to our third question of 'where' (locational choices) when it comes to firm's choice to outsource or offshore (and where they decide not to go) as a strategic decision. Each of these are discussed below.

Khan, Tarba, Nugabdeshev and Ahammad's study titled "Exploring the Determinants of Location Choice Decisions of Offshored R&D Projects" is the next contribution under this "where" topic wherein they extend the understanding of R&D offshoring with a micro-level focus on determinants of location choice decisions for R&D activities at the project level. Using multinomial logistic regression, supplemented with PLS modelling, the article adopts an innovative R&D project-level approach to examine the key determinants of the location choice decisions made by 126 UK-based MNEs. Findings from this study demonstrate that project characteristics- speed, quality, interactivity, innovativeness, and routineness- have a greater impact on location choice decisions than traditional considerations such as cost and wage, which have been extensively examined. Their findings further suggest that the classification of R&D projects is not one of the key determinants of R&D project location-related decisions.

Requejo, Munjal and Kundu's paper titled "Offshore Outsourcing and Firm Performance: Moderating Effects of Size, Growth and Slack Resources" also contributes to the location or "where" research question by exploring the impact of foreign technology and professional services from outsourcing on firm financial performance. Utilising a sample of 1,710 Indian firms over a time period of 13 years, from 2001 to 2013, findings from their study suggest that firms from an emerging country such as India may have alternative motives for offshore outsourcing different from the reasons of firms from advanced economies.

This paper by Budhwar Witzemann Katou and Patel titled "HR Outsourcing: Achieving Standardization in Terms of Harmonization of HR Activities Post Outsourcing", have dually investigated the 'what' (i.e. HRO) and the 'where' when it came to the conflicting views about its impact on HR's strategic position. Whilst investigating the 'where' within a German subsidiary of a US MNC, their findings reveal that the effects of outsourcing on in-house HR showed a decrease in flexibility of the HR function. Further, their study portrayed a slowdown in processing time of transactional HR as well as a decrease in satisfaction and work intensification for HR managers, in the context of a US MNC subsidiary in Germany.

Temouri, Driffield and Delis's paper titled "The global recession and the shift to Re-shoring: Myth or reality?" further contributes to the evolving literature on 'reshoring' in terms of locational choices i.e. the "where" question. Their longitudinal analysis is based on 3,683 MNEs from 14 developed countries investing in 66 host countries over the period 2006-2013.

They argue that despite the high degree of attention that re-shoring has recently attracted in the media, there is a lack of detailed understanding of the drivers of such an important strategic change by a multinational enterprise (MNE). They offer the first large-scale analysis of the factors that influence a firm's decision to re-shore and conclude that MNEs who have engaged in re-shoring in the past are more likely to re-shore again.

López Vargas and Ishizaka's decision making methodology paper titled "An hybrid FCM-AHP approach to predict impacts of offshore outsourcing location decisions on supply chain resilience" in the next contribution, when it comes to the "*where*" question. This paper portrays and proposes a coupled method based on FCM and AHP, which allows simulating locations scenarios over time through an inference process. The simulations foresee the impacts of three alternative locations on capabilities required in a resilient supply chain. The sensitivity analysis of the findings reveals that one location would improve supply chain resilience meanwhile the others would damage it. Overall, this FCM-AHP analysis enhances the understanding of academics and practitioners about the importance of locations criteria and their influence in the supply chain resilience capabilities.

Craig, Buckley and Mudambi's paper titled "Time to learn? Assignment duration in global value chain organization" also addresses the "*where*" or location question by examining outsourcing and offshoring strategies by firms when it comes to establishing and orchestrating global value chains (GVCs). They argue that the literature has mainly focused on two key decision dimensions - control and location - as the primary determinants of these complex organizational structures, and they argue that 'time' or the 'when' is also important, but ignored (we detail this in the 'when' section below). In summary they argue that while control and location are essential decisions for GVC orchestrators, how long these settings are put into effect plays a critical but overlooked role in efficient value chain organization.

Chen and Lin's study titled "The effect of inter- and intra-organizational distances on success of offshored outsourced innovation: A configurational approach" also explore the "*where*" question. This study investigates the role of different dimensions of distance (interorganizational versus intraorganizational, physical versus psychic) on the success of offshore outsourcing of innovation projects. Findings from their study show that co-location by itself is insufficient to achieve successful offshore outsourcing of innovation but requires, in addition, the presence of high inter-organizational physical distance combined with low intra-organizational psychic distance.

Albertoni, Elia and Piscitello's paper titled "Inertial vs. Mindful Repetition of Previous Entry Mode Choices: Do Firms Always Learn from Experience?" is the next contribution to the "where" question. They base their empirical analysis on 410 companies' offshoring decisions undertaken from 2006 to 2011. They argue that mainly 'experience' is meant as the repetition of the same action, and is considered a predictor of the entry mode choice in foreign markets because it allows reducing uncertainty. However, they claim that repetition does not necessarily increase the expected performance, depending on the learning stemming from previous experiences. Focusing on offshoring decisions, namely the choice between captive and outsourcing entry mode, they distinguish between the inertial repetition of routines vs. the mindful repetition of previous entry modes (where the company distinguishes and internalizes the outcomes of the past offshoring initiatives). In summary they then claim that: (i) the latter leads to higher growth perspectives for the focal offshoring initiative, and; (ii) learning is higher when repetition concerns captive entry modes, which they prove in their study.

Further to building on their previous work on the global factory system, and by contributing to the why question earlier, Enderwick and Buckley in this contribution titled "Beyond Supply and Assembly Relations: Collaborative Innovation in Global Factory Systems", also contribute to the location question i.e. the 'where'. This is the last paper addressing the 'where' question in this special issue. They argue that improvements in capability and communication within the global supply base and increased recognition of the complementarities between leading MNEs and specialist contractors have increased the incentives for collaboration within functions traditionally undertaken in-house. Supporting their arguments with the illustration of Apple and Foxconn in consumer electronics, they argue that collaborative relations with an outsourced partner offer benefits in the creation of additional value, more efficient identification of opportunities, effective safeguarding of technologies, and suppression of opportunism.

#### **4. How is outsourcing undertaken?**

The fourth question is how to outsource. Outsourcing can bring changes in working patterns, organisational culture and management styles, which can possibly disrupt the activities of an organisation. In order to avoid these disruptions, organisations need to adopt a suitable

approach towards this change (Sridarran and Fernando 2016). Ishizaka and Blakiston (2012) listed 18 factors to fulfil in order to have a successful long-term arrangement. Our analysis of the literature on our fourth question, how (i.e. the process of outsourcing/offshoring) within the top twenty journals led to identify **381** articles that exemplify questions that largely included: How does outsourcing/offshoring affect the firm's behaviour, structure and organisation within the integrating global economy? How does and can the relation between location, motivation and the firm's business strategies be best captured methodologically to produce a holistic picture of outsourcing and offshoring decisions? How do new locations and the changing landscape therein transform the firm's strategies of outsourcing and its competitive advantages? How does the formation of GVCs get influenced by the host government policies and the local institutional attributes? This is the most complex and the largest researched area, and hence there were 17 contributions that critically discuss, investigate and explore this question of 'how' firms outsource or offshore as a strategic decision. Each of these are discussed below.

Requejo, Munjal and Kundu's paper titled "Offshore Outsourcing and Firm Performance: Moderating Effects of Size, Growth and Slack Resources", having contributed to the "where" question above, also contributes to the "how" question here. Empirical evidence obtained from this study shows that the positive effects of technological knowledge and professional services on performance are moderated by firm size, business growth and slack resources. They further argue that in particular, the benefits of outsourcing in terms of higher profitability are more pronounced for small than for large firms, especially when small firms have higher growth rates and financial slack. This study overall contributes to the resource based view and the internalization theory of the firm. Several managerial implications addressing the "how" question are also derived from the findings from this paper.

The next contribution under this topic by Howe-Walsh, Turnbull and Budhwar is titled "Investigation into Advertising Creativity as an On-sourcing Phenomenon in an Emerging Economy: The Case of the United Arab Emirates". Apart from contributing to the why question, this study examines the less researched aspect of outsourcing from an emerging economy (UAE) to developed countries. More specifically, they examine how firms outsource advertising creativity in the United Arab Emirates (UAE). Using in-depth interviews with 'elite' senior advertising executives, they contribute to both to theory and practice by providing new insights into how firms outsource, to achieve competitive advantage in an emerging economy.

The next paper contributing to this section on “*how*” is by Sinha Malik Pereira and Rowley and is titled "Implementing Global-Local Strategies in a Post-GFC Era: Creating an Ambidextrous Context Through Strategic Choice and HRM". Through a multi case qualitative study design, this paper explains how in times of economic adversity, such as the 2008 global financial crisis, adaptive firms within the Indian IT offshore outsourcing industry implemented several global and local human resource management (HRM) strategies for co-ordinating internal and external processes and managing growth. Applying the theoretical lenses of ambidexterity, HRM practices and the integration-responsiveness framework the paper highlights the importance of strategic choices in achieving ambidexterity and how implementing certain capabilities and HRM practices creates an ambidextrous context. The implications for theory and practice are also discussed.

Pla Barber, Linares and Ghauri’s paper titled "The Choice of Offshoring Operation Mode: a behavioural perspective" is the next paper in this section. Having contributed to the ‘what’ question above, also contributes to the ‘*how*’ question. They argue that since offshoring has recently become an integral part of corporate strategies, choosing the specific offshoring operation mode is a crucial aspect for CEOs. Additionally, and contrary to the common view in the field, our findings suggest that instead of being a possible intermediate option between the 'make or buy' decision, concurrent offshoring can in fact constitute a final state in the evolution of MNE strategies.

The study by Lahiri, Ash, Mukherjee and Gaur (also contributing to the why question), titled "Search Motives, Local Embeddedness, and Knowledge Outcomes in Offshoring", explicates the role of external knowledge search motives and host country context (local embeddedness) in driving different knowledge outcomes in offshoring. Utilising the offshoring / offshore outsourcing literature, they develop a classification scheme based on different knowledge search motives (exploitation vs. exploration) and local embeddedness (low vs. deep). Utilizing this classification scheme, they then discuss four important knowledge outcomes in offshoring: knowledge replication, refinement, renewal and recombination (*how*). In doing so they highlight *how* client-supplier relational governance, and offshoring knowledge, skills and abilities (KSAs) may accentuate the effectiveness of various knowledge outcomes and value creation potential.

López Vargas and Ishizaka’s decision making methodology paper titled "An hybrid FCM-

AHP approach to predict impacts of offshore outsourcing location decisions on supply chain resilience" has also contributed above to the "where" question and here contributes to the "how" question. They argue that the on-going offshore outsourcing processes have resulted in complex, global and more vulnerable supply chain to disruptions. However, they make a case that a good supplier choice would preserve or even improve supply chain resilience and that despite this critical potential effect, this topic remains relatively underdeveloped in the literature. Accordingly, this study proposes a coupled method based on FCM and AHP and contribute by a final model that shows the impact of locational decision in offshore outsourcing process on supply chain resilience.

Magnani, Zucchella and Strange paper titled "The Dynamics of Outsourcing Relationships in Global Value Chains: Perspectives from MNEs and their Suppliers" is the next paper contributing to the "how" question as it investigates the dynamics of outsourcing relationships within global value chains, through six case studies of lead firm-supplier dyads. They consider these relationships from the perspectives not only of the lead firms but also of their suppliers. The authors track the evolution of the relationships by identifying the roles played by heterogeneous resources and capabilities, isolating mechanisms, and relationship-specific investments in creating potential resource dependence/power asymmetries in the dyads. Overall the authors advance a set of propositions to be tested in future research.

Chen and Lin's study titled "The effect of inter- and intra-organizational distances on success of offshored outsourced innovation: A configurational approach" apart from contributing to the "where" question, also portrays the "how" question. Using fuzzy set qualitative comparative analysis, they identify organizational configurations of spatial, temporal, cultural and linguistic distances that are more likely to lead to successful collaborative outcomes from offshore outsourcing of innovation projects. Overall this study highlights the need to jointly consider intra- and inter-organizational distances and both physical and psychic dimensions of distance in offshore outsourcing of innovation.

Lioliou, Willcocks and Liu paper titled "Researching IT Multi-sourcing and Opportunistic Behavior in Conditions of Uncertainty: A Case Approach" is another addition to the "how" research question. Utilising a multi-sourcing arrangement context, through a rich multi-sourcing case study within the financial services sector, this paper compares and re-analyses a detailed case in the literature. This paper argues that though multi-sourcing is a major trend in the contemporary outsourcing landscape, our understanding of what makes these complex



ventures effective remains relatively fragmented. More specifically, this study focuses on multi-sourcing and opportunistic behaviour of suppliers, and in particular a relatively neglected but major driver of opportunistic behaviour, the uncertainty surrounding the transaction. Developing an extended transaction cost economics perspective, this paper contributes by investigation on the roles of internal and behavioural uncertainty and the occurrence of opportunistic behaviour. Findings from this paper suggest that internal uncertainty creates an 'alignment of actions' problem between outsourcing partners, while behavioural uncertainty can shape an 'alignment of objectives' problem, leading to the occurrence of opportunistic behaviour. Overall this paper contributes to a more thorough understanding of the ways of reducing these uncertainties, facilitating cooperation between multiple vendors.

Previously also contributing to the 'what' question, Pongelli, Calabrò and Basco's paper titled "Family firms' international make-or-buy decisions: Captive offshoring, offshore outsourcing, and the role of home region focus" also investigates the 'how' question. Using a sample of 1,180 European firms, they find that family firms are more likely to engage in captive offshoring (i.e., make strategy) rather than offshore outsourcing (i.e., buy strategy). Further, they find that family firms are more successful than non-family firms when undertaking offshore outsourcing, especially when sourcing is global rather than regional.

Having contributed to the 'what' question above, Zhang and Gopalakrishnan's paper titled "Client Dependence: A Boon or Bane for Vendor Innovation? A Competitive Mediation Framework in IT Outsourcing" also importantly contributes to the 'how' question here. Within the context of IT outsourcing, their findings suggest that on one hand, it demonstrate that client dependence has a positive effect, mediated by relationship satisfaction, on vendor innovation and on the other hand, client dependence has a direct negative effect on vendor innovation. They argue that vendor size attenuates the negative effect of client dependence on vendor innovation. The findings provide practitioners with implications regarding how to maximize benefits and yet minimize the obstacles from dependency in an outsourcing relationship.

Having contributed to the "what" question above, Elia, Narula and Massini's paper titled "Disintegration, Modularity and entry mode choice: Mirroring technical and organizational architectures in business functions offshoring" also contributes to the "how" question. Their study proposes that the selection of entry mode should reflect the alignment of the technical

and organizational architectures: that is, they need to be 'mirrored'. They argue in this paper that modular activities are more likely to be outsourced, as modularity decreases transaction costs and knowledge leakages risks, while not-modular activities reflect captive entry modes. Based on the analysis of 486 business function offshoring initiatives, they also argue that firms can "break" the mirror as the entry choice is contingent upon the level of disintegration of the value chain and the offshoring experience of the firms.

Rahman, Yang, Odgers and Ahsan paper titled "An Investigation into Critical Challenges for Multinational Third-Party Logistics Providers Operating in China" is the next contribution to this "how" research question. They set their research context within the entry of the multinational third-party logistics (MN3PL) service providers in China, as it has a far-reaching impact on the development of the Chinese logistics industry. This study aims to identify and prioritise the challenges for strategic importance of MN3PLs operating in China. The authors employ an analytic hierarchy process (AHP) as an approach to assess the criticality of the challenges they identify from the literature through five executives from five large MN3PLs firms who are participants in this study. Results indicate that the most critical challenges confronted by the MN3PLs are the 'cultural' aspects of *guanxi*, when it comes to government regulations, price pressure, and transportation cost. The authors conclude that to remain competitive MN3PLs must build *guanxi* networks with key stakeholders and minimize cost of delivery.

Lai, Wang, Chu and Collins paper titled "Managing interdependence: Using Guanxi to cope with supply chain dependency" is similar to the above paper by Rahman, Yang, Odgers and Ahsan in terms of its context and addresses the "how" question from a Chinese cultural perspective. This paper is contextualised within the logistics outsourcing industry and argues that the dependence on third-party logistics (3PL) providers highlights the need for firms to strategically consider their dependence on their supply chain. The authors here draw on resource dependency theory to propose *guanxi* (a cultural tradition in China of interpersonal connections that facilitate a mutual exchange of favors) as a dependency-coping strategy. Integrating transaction cost economics, they propose the effectiveness of *guanxi* as a dependence coping strategy is contingent on the level of exchange hazards (i.e., uncertainty and asset specificity) in logistics outsourcing. Based on data collected from 149 3PL users in China, they found that *guanxi* is a more potent strategy in highly uncertain environments and less relevant when extensive relationship-specific assets are involved.

Having addressed the “what” questions above, Modak, Ghosh and Pathak’s paper titled "A BSC-ANP Approach to Organizational Outsourcing Decision Support-A Case Study" further contributes to the “how” question here. In this paper, the concept of BSC (balanced scorecard) is applied to understand the impact of outsourcing decision on business performance through its strategic and financial dimensions. They also utilise the ANP (analytic network process) that they argue takes into consideration the interaction effect of the BSC indicators, assigns weights, prioritizes them, and determines the best outsourcing alternative. They conclude by arguing that although there is a vast body of literature on this topic, the same does not elucidate the advantages of the BSC-ANP approach, and further, the application of such concept in mining sector has been rarely considered, when it comes to decision making.

The penultimate study under this question by Driffield, Pereira and Temouri titled “Does offshore outsourcing impact home employment? Evidence from service multinationals” investigates *how* offshore outsourcing impacts on employment in the home countries of the MNEs. They contribute to the literature by using a large-scale firm-level data across 5,746 European service MNEs over 19 years, and crucially showing evidence that the global financial crisis (GFC) period lessened the impact of offshore service FDI on home employment. They further provide evidence that offshoring by location intensive service MNEs is linked to home employment growth during the GFC, while offshoring by information intensive service MNEs to high-income countries is linked to a reduction in home employment. Given the conventional wisdom and media attention focusing overwhelmingly on the negative impact of offshoring on home employment, this paper’s findings are timely in providing evidence-based arguments for the complex relationship between offshoring and employment effects.

Apart from contributing to the ‘what’ question above, Williams and Durst’s study titled "Exploring the Transition Phase in Offshore Outsourcing: Decision Making amidst Knowledge at Risk" also contributes to the “*how*” question here, and is the last in this section. They contribute by conducting a longitudinal exploratory case study of a strategic development project transitioned from a European client to a company in India over a 4-year period. More specifically, here they portray how transitional decisions and knowledge at risk vary across four phases they identify.

## 5. *When* (timing) to outsource or keep in-house?

The last question is when to outsource. This question encompasses not only the first time but also when it comes to renew a contract. Therefore a performance analysis of the existing partnership must be done (Espino-Rodríguez and Ramírez-Fierro 2018). If the partnership is not as expected, another provider can be searched or back-sourcing can be used (Nagpal 2015). The analysis within the literature of the twenty top tier journals resulted in **132** number of articles, examples of which included: How do companies decide when to make, and when to outsource? When should a firm continue to produce in-house? When does it start buying from a new supplier? And when does it continue to maintain an on-going relationship with a particular supplier? When it comes to choices, are factors influencing the outsourcing decisions firm or context specific in terms of what and where it is being outsourced? When it comes to timing are firm's primary strategic objective to minimize risk and maximize value? In terms of 'when' do firms take into consideration increasing or decreasing levels of core competencies, competitive advantages, temporal or permanency, efficiency or inefficiency etc.? We have five contributions that throw further light on this last question of 'when' (the timing) firms choose to outsource or offshore as a strategic decision. Each of these are discussed below.

Temouri, Driffield and Delis's paper titled "The global recession and the shift to Re-shoring: Myth or reality?", apart from contributing above to the "where" question, also here contributes to the timing i.e. the "when" question" when it comes to re-shoring. Their results suggest that increased re-shoring was triggered by the downturn in the West resulting from the recent global financial crisis. However, their results show that the effect of the global financial crisis on re-shoring is smaller when the distance between parent and subsidiaries becomes larger. Interestingly they portray how in turn, as distance increases, the importance of relative costs declines in explaining re-shoring activity.

Craig, Buckley and Mudambi's paper titled "Time to learn? Assignment duration in global value chain organization" also contributes to the "when" question as they argue that the dynamic, temporal nature of global value chains (GVCs) can be further explained via a third organizing decision dimension that has received surprisingly little attention in this literature: time. They posit that this element relates to the length of time that control and location settings are chosen ex ante to remain in effect. They conclude by arguing that this issue can be explored and further assert that assignment durations are linked to activity type, and that

mismatched durations can destroy value in even the most logically controlled and located GVC activities.

Magnani, Zucchella and Strange paper titled "The Dynamics of Outsourcing Relationships in Global Value Chains: Perspectives from MNEs and their Suppliers" apart from contributing to the 'how' question also contributes to the "*when*" question here. In this cross-case analysis, Magnani, Zucchella and Strange identify different lead firm-supplier dynamics, key underlying mechanisms, and related degrees of dependence/power asymmetries. They also found evidence of the development of trust and of partnerships in situations of power asymmetry and of power balance. In doing so they contribute to an under-researched area in International Business about the evolution over time of outsourcing relationships within global value chains.

Oshri and Sidhu's paper titled "East, West, Would Home Really Be Best? On Dissatisfaction with Offshore-Outsourcing and Firms' Inclination to Backsource" further contributes to the "*when*" question. They argue that many firms are disenchanted with their experiences of offshore outsourcing and are considering why relatively few firms choose to 'back source'. In this article they draw on the behavioral theory of the firm (BTF) to propose a new model in which differences in firms' inclination to backsource are ascribed to the level of dissatisfaction with offshoring aspirations. Building on BTF concepts of bounded rationality, problemistic search and satisficing decisions, the model suggests that dissatisfaction with offshoring affects a firm's inclination to back source and is dependent on managerial expectations as well as on internal political support and financial slack for back sourcing. SEM analysis of data from U.S. and U.K. firms in their paper shows support for their proposed model. The study highlights the importance of recognizing the role of managerial perceptions and biases and subgroup political relations in shaping firms' back sourcing behaviors.

Williams and Durst's study titled "Exploring the Transition Phase in Offshore Outsourcing: Decision Making amidst Knowledge at Risk" is the last paper that contributes to the "*when*" question. Their analysis indicates four distinct phases of the transition i.e. that of: penetration, embedment, ramp-up and stabilization. Results from this longitudinal approach have implications not only for understanding the 'what' and 'how' in IS offshore outsourcing but also for a deeper insight into the 'when' question. They do this by drawing on time-compression and knowledge at risk literatures wherein they argue that firms will need to

make ongoing transitional decisions over time as knowledge intensive work is increasingly handed over from client to vendor.

## **Conclusions**

Based on the above detailed discussion on the five pivotal questions (Hätönen and Eriksson, 2009; Pereira and Malik, 2015), Table 2 portrays the mapping of previous research (in the 20 journals selected) vis-à-vis the contributions in this special issue.

### **Insert Table 2 here**

Previous research has attempted to reconceptualise the role of the firm and managers when it comes to the process of outsourcing and offshoring (e.g. Contractor, Kumar, Kundu & Pedersen, 2010). Developing on the same, the discussion above suggests that the outsourcing and offshoring phenomenon is still evolving, both in nature and scope, as is evident from our critical analysis of existing literature vis-à-vis the contributions in this special issue. We see that the most researched question when it came to previous publications was the ‘how’ (i.e. the phenomenon and process of outsourcing/offshoring) is carried out (381 publications in total). This coincides with the contributions in this special issue, where there were 17 papers pursuing this question. This is not surprising given the ever evolving and complex ways organisations are striving to conduct business, wherein their objective is to produce goods and services better (quality), faster (speed) and cheaper (costs). The second most pursued research question was the location choice or the ‘where’ (286 publications). Here too, location choices become very important and interestingly, there were a few articles which studies the ‘reshoring’ phenomenon of how firms looked to bring back work and jobs to their home country. Nine articles pursued this question in this special issue. The third research question then was the ‘why’ or rationale or reasoning of firms to outsource or offshore (191 publications). Here this special issue had five articles pursuing this line of enquiry. Thereafter the next question was the ‘when’ (i.e. the timing of outsourcing or offshoring), where there were 132 publications, comparatively this special issue had five contribution addressing this question. The last, but not the least was the question of ‘what’ (108 publications, with this special issue having nine in this area). In conclusion then, we have seen advances in technology and new socio-political and economic realities, such as

Brexit, have added to the multi-faceted and complex nature of the subject, highlighting further avenues for research. We therefore argue that the academic literature and theories need to keep pace with several developments in this global industry. We further argue and make a case that these evolving developments have implications on the *five* important traditional decision making questions (Hätönen and Eriksson, 2009; Pereira and Malik, 2015). This is imperative to help in developing a finer grained analysis to advance outsourcing and offshoring, at deeper, sophisticated and critical levels. We envisage this collection of papers will contribute to the existing literature as these papers are the latest on this very important topic of outsourcing and offshoring.

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**Table 1: Depiction of the journals, number of papers and start years included in this review (on the five pertinent questions)**

<b>Journals</b>	<b>No of Papers</b>	<b>Time period</b>
Organization Science	20	1994-2016
Organization Studies	05	2000-2016
Journal of International Business Studies	86	1975-2018
Strategic Management Journal	72	1991-2018
Global Strategy Journal	10	2014-2018
Journal of International Management	52	1999-2018
Journal of Management Studies	26	1989-2017
Journal of World Business	41	1971-2018
British Journal of Management	06	1997-2018
International Business Review	49	2000-2018
Academy of Management Journal	09	1985-2016
Academy of Management Perspectives	10	2006-2016
Academy of Management Review	08	1996-2018
Management International Review	45	1987-2018
Long Range Planning	26	1992-2016
Asia Pacific Journal of Management	08	2000-2018
Management and Organisation Review	04	2006-2016
Journal of Operations Research Society	24	2005-2017
European Journal of Operations Research Society	41	1995-2019
Journal of Business Research (previous issues)	40	1998-2019
Journal of Business Research (this special issue)	25	2018/19
<b>Total</b>	<b>607</b>	

**Table 2: Mapping of previous research on the five pertinent question (in the 20 journals selected) vis-à-vis the contributions in this special issue.**

Journals	What	Why	How	Where	When
Organization Science	04	04	16	04	04
Organization Studies	01	0	05	02	0
Journal of International Business Studies	09	19	41	61	10
Strategic Management Journal	11	30	45	26	17
Global Strategy Journal	01	03	04	06	03
Journal of International Management	06	17	36	20	08
Journal of Management Studies	07	13	19	09	06
Journal of World Business	05	12	22	23	06
British Journal of Management	0	0	6	0	0
International Business Review	04	13	19	31	08
Academy of Management Journal	01	01	08	02	02
Academy of Management Perspectives	05	05	08	07	05
Academy of Management Review	01	02	06	02	01
Management International Review	10	12	26	31	13
Long Range Planning	17	20	22	18	17
Asia Pacific Journal of Management	03	03	07	05	02
Management and Organisation Review	0	01	01	03	02
Journal of Operations Research Society	0	04	17	06	02
European Journal of Operations Research Society	09	18	31	10	14
Journal of Business Research (previous issues)	05	09	26	11	07
Journal of Business Research (this special issue)	09	05	17	09	05
<b>Total</b>	<b>108</b>	<b>191</b>	<b>382</b>	<b>286</b>	<b>132</b>