THE IMPACTS OF OUTSOURCING ON THE ORGANISATION & ECONOMY – A CRITICAL LOOK ON ERICSSON TRANSMISSION PLANNING outsourced TO INDIA

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ABSTRACT:

Globalisation is a phenomenon that has made the world shrink and business has crossed borders. To add over the advancement in technology has made this much easier. Companies are now indulging in outsourcing for many reasons. Recently, an increasing number of British firms have outsourced the IT and IS to India and other countries. Specifically, this study evaluates the Ericsson outsourcing its transmission planning to India and why are they doing so and how are they managing them. It also evaluates how the outsourced departments can work efficiently providing excellent customer service and thus increasing the business. This study adopts a primary mixed research approach involving a questionnaire as well as interview. The findings from the primary sources give a view and description of Ericsson outsourcing its transmission planning to India the views about the employees and the management. The reasons for outsourcing and how they are managing the outsourced department along with the future of outsourcing within Ericsson and that also provides the picture of outsourcing in general.
CHAPTER I: INTRODUCTION TO THE STUDY

1.1. Introduction:

Cost reduction and effectiveness has caused most of the organizations to be specialized in the limited number of crucial areas. This will pave the way for the organization to move towards the outsourcing activity. Traditionally, outsourcing has performed mainly for the peripheral activities such as cleaning, catering, and security and so on. But now it is mainly focused on more crucial activities of the business such as design, manufacture, marketing, distribution, and information systems.

In both US and European countries, outsourcing plays a main part in the organizational strategy (Kakabadse and Kakabadse, 2002). Actually, there is a proof for the fact that outsourcing with clear cut strategy will enhance the overall strategy of organization (McIvor, 2005; Feeny et al., 2005).

It is considered that outsourcing is the best way to reduce cost and improve performance. For instance, Quinn (1999) contended that the specialist in supply market could enhance the efficacy of their employees by provide training in software system as well as offering more salaries so as to attract more trained people than all but a few integrated firms. In addition, Gottfredson et al (2005) pointed that the drastic development in the supply market has also trigger the outsourcing process for product and service across a range of industries such as computer assembly, financial services, automotive, airlines and entertainment.

Telecommunication industry is one among the aforementioned type of industries. The main focus of the study is also on the telecommunication industry. There are number of reasons has behind the selection of telecommunication industries. Regarding telecommunication, most of the studies have pay more attention on the primary motives of outsourcing (Sturgeon and Lee, 2001; McIvor, 2003; Berggren and Bengtsson, 2004; Davies, 2004). A few numbers of these studies have provided profound information regarding the process of outsourcing along with its outcome. Besides in most of the literature, give more importance to the outsourcing of automotive industry (Collins et al., 1997; Corswant and Fredriksson, 2002; Sako, 2003).

In spite of this , the telecommunication firms have more modular product design as well as shorter life span which has lead to a greater level of outsourcing in the limited number of key areas when compare to other outsourcing firms like automotive industry ( Sturgeon, 2002). As a result, there is a need for further research on outsourcing so as to improve the better understanding about outsourcing in the
telecom industry. For this dissertation, the researcher identified the factors influencing outsourcing by means of examining the experience of three telecommunication firms in UK, via considering how organization assess their ability and identifying influence on suppliers relationship and characterizing the successful outcome in the outsourcing process.

1.2. Background and case study organization:

This research concentrates on Ericsson in United Kingdom one third of the public sector services in UK is outsourced through private & voluntary sectors. The outsourced sectors cover cleaning, catering, security, Information Technology (IT), welfare, defense, healthcare, legal and construction services. UK is the second largest country to outsource just after US and outsourcing is one of the big businesses in the United Kingdom. Since the 1980s there has been extensive growth in outsourcing when the Conservative Govt. of UK introduction of compulsory competitive tendering started on the local government. The growth of outsourcing has also spread to private sector and is not just limited to the public sector.

As per the report of Facilities Management Outsourcing - Central and Local Government Markets - UK 2011-2015, the market value of outsourcing has been estimated as £4.08 billion in 2008 which was raised up to £4.21 billion during 2009. A further increment in the market value of outsourcing has been estimated for 2010 up to £4.26 billion (FM Link 2011). But in contrast, the market value has reduced up to £4.23 billion in 2011 which is further reduced to £4.19 billion in 2012.

1.3. Case study organization:

Ericsson started its global services business in India in partnership with Bharti Airtel 12 years ago in 2000. During an interview of Economic Times it was revealed that according to the Senior Vice President and Head of business unit global services of Ericsson the company has very competent resources in their Indian department (Magnus Mandersson, Economic Times 2012). Statistics show that in the last 6 to 7 years, Ericsson has been walking the upward slope with its manpower in India, the headcount at the Indian departments have increased exponentially to more than 6,500, and 3,000 of it
accounts for the global services. It was also observed from the interview that Ericsson is spreading its wings throughout India from Bangalore to other parts of the country.

Researches and statistics suggest that mobile network outsourcing is growing and would grow at a better rate than much fixed or wireline outsourcing because according to data in the year 2008 revenue from mobile and fixed network outsourcing was almost the same; but it has been predicted that by 2014, the revenue from mobile network outsourcing will grow at a faster rate and shall account for 61 percent of the entire network outsourcing.

1.4. Statement of problem:

Several firms have started to up take the concept of outsourcing, but still there are certain firms who are in doubt on taking the path of outsourcing. This mainly because the nature of global market such as competitiveness and uncertainly are currently presented in the world’s economics. After the arrival of information technology and information system, the outsourcing process has turned out to be more predominant in all aspects of today’s business. Outsourcing functions have both risk as well as some latent requirements hence the outsourcing firms should focus the needs and requirements of outsourcing such as the outsourcing strategies should encompass with the objectives and goals of the firms along with the outsourcing functioning of firms and so on. If such conditions are properly examined by the firms then they can able to make the decision regarding outsourcing and harvest the benefits in terms of cost reduction and effectiveness.

To address some of the issues, this thesis has adopted the case study approach and selected Ericsson’s Transmission Planning being outsourced to India to research the impacts of outsourcing and how it affects. The thesis would concentrate Ericsson in United Kingdom but also gain information and insights from other companies especially the competitors of Ericsson. This shall provide a comparative view for this topic.

1.5. Aim:

The central aim of this dissertation is to identify the impact of outsourcing on overall business performance
**Research objectives:**

1. To identify reasons, impact and benefits of outsourcing.
2. To identify the importance of strategic evaluation and its impact on outsourcing performance.
3. To identify impact of contractual agreement and policies on outsourcing performance.
4. To identify the importance of relationship management on outsourcing performance.
5. To identify current trends of outsourcing in telecommunication companies in UK and understand future possibilities.

From the above research objectives the researcher proposes the following central research question,

**What are the reasons and benefits of outsourcing as well as the perceived aspects which impact on outsourcing operations of Ericsson? What are the future recommendations for Ericsson and what conclusion can be applied to outsourcing in the telecommunication companies in UK?**

**1.6. Structure of the thesis:**

Chapter one discusses the introduction of the study. This presents the research background, the problem statement and the proposed research objectives. Chapter two discusses the proposed review of literature and the relevant theoretical framework of the study. Chapter three presents the detailed methodology of the study as well as the sample size and data collection methods. Chapter four presents the results and chapter five gives the results of the study.
CHAPTER II: LITERATURE REVIEW

2.1. Introduction:
A literature review search was undertaken using citation, database, and hand searching methods from libraries. The database searches of ScienceDirect, Emerald, Sagepub, Wiley and Google Scholar was undertaken. There are numerous studies and reviews that cover a wide range of research questions and issues regarding building blocks of importance of outsourcing, in particular quantitative and qualitative research reports that aim to demonstrate the importance of outsourcing, the reason and the benefits.

2.2. Motives for outsourcing:
It was expected by Lehman Brothers and Goldman Sachs that outsourcing business process has to grow up to $500 Billion within 2004 (Spagat, 2001). As per the report of March 2001, the outsourcing business process referred by Goldman Sachs as “the next big wave” in IT services (Spagat, 2001). As per Spagat (2001), firms that are aimed on providing outsourcing services includes Electronic Data Systems, IBM, Computer Sciences Corporation as well as a fledgling unit of PricewaterhouseCoopers which are the smallest but fast growing firm’s six business lines. Besides, in business process outsourcing, the expected growth along with the involvement of blue-blood corporate acts as an indicative for the significance of issues in the present financial condition.

As per Quelin and Duhamel (2003, p.648), outsourcing denotes the practice of “the operation of shifting a transaction previously governed internally to an external supplier through a long-term contract, and involving the transfer to the vendor”. According to McIvor, Humphreys, McKitrick and Wall (2009), outsourcing has observed to be varied from purchasing decision or financial decision. In fact, outsourcing strategy seems to become solution for cost saving as well as strengthening the core competency in today’s world (Sharma & Loh, 2009; Kurdia et al., 2011).

Since in mid-1980, identification of compatible fit among Information system and organization has been considered as an important issue in IS management apart from the recent focus on the business process outsourcing (Brown and Magill, 1994; Brancheau and Wetherbe, 1987; Dixon and John, 1989; Niederman et al., 1991; Watson and Brancheau, 1991; Abdullah, 2012; Kurdia et al., 2011). Smith et al (1998) pointed that the research interest in Information System outsourcing has been considered as a biggest part for IS as well as organizational alliance which can be started at the beginning of 1989.
Smith et al (1998), Arnett and Jones (1994), Lacity and Hirschheim (1993) McFarlan and Nolan (1995) and Grant and Hoffman (2011), Kite (2012) discussed about opinion of supervisors and entrepreneurs regarding outsourcing, and factors that drive outsourcing along with effective outsourcing strategies. Fretyag et al., (2012) pointed out that outsourcing operations has become a complex process as they involve a lot of business functions. The firms have a tendency to outsource more mission-critical and complex operations so as to improve their business. The dimensions of risks in outsourcing operations are:

1. Nowadays, most of the corporate headquarters have started to involve in outsourcing. As a result, many stakeholders have been found to be influenced by the outsourcing decisions.
2. Outsourcing decisions are not limited in terms of mere cost savings
3. With the sophistication of agreements regarding measurement procedures, financial management of the transferred assets, and re-in sourcing clauses, the contracts have become denser.
4. The process of transfer of more complex interfaces between supplier and the outsourcing company is known as transition management.
5. More complicated operations in control and performance reporting will be involved while managing the relationship under more detailed 'service-level agreements' (SLAs).

From the prior research, we can acknowledge several reasons for outsourcing the Information System by firms. The key reason for outsourcing IS include the financial reasons such as cost reduction (Whitten et al., 2010), financial enhancement (Alangehband et al., 2011) and replacing principle expenses with periodic payments. Also, to simplify the management agenda as well as to focus their core competency, the IS can be outsourced by firms. Information System can also be outsourced for technical reasons such as gaining access to new talent and technology, improving the quality of IS and eases availability of vendors with proficiency along with the proposal of economics of scale (Alangehband et al., 2011).

If the third party providers cost effectively managed the labor intensive back-office support properly, then the outsourcing decision can be taken by larger firms (Zahler, 1992; Hsio et al., 2011). For outsourcing strategic application, the preference can be made in the beginning of early 1990s. At that
moment, it was predicted that over five hundred firms will be outsourced their minimum needs to third party providers at the end of century (Lacity and Hirschheim, 1993).

On the basis of vendor’s perspective, Mosjolic et al (2007) designed the methodology for managing outsourcing products so as to maximize the value to both vendor and their consumers. This methodological process is common for all outsourcing lifecycle. Besides, it is not only assists for managing the existing clients but also for selecting new client and also used for quantifying the benefits of customers resulting from outsourcing harmony. A statistical model framework has been developed by the researcher so as to determine the response of clients at each and every stage of outsourcing process includes:

1) **Opportunity identification** – a predictive tool and model used for selecting as well as targeting the clients.
2) **Client tracking**- a tool and model used for client risk assessment and project assortment management
3) **Impact analysis** – a tool used for monitoring outsourcing results so as to obtain the opinion about the benefits of IT outsourcing which is a part of successful management strategy.

Behara et al. (1995) proposed that the loss of control of the IS function to external parties has turn to be a centre of discussion when the corporate structures are to be decomposes along with acceleration of IS outsourcing phenomenon. Nowadays, on the basis of smaller firms, the larger firms have been widely outsourcing various components as well as services. Additionally, issues on organization structure are highly focused so as to enhance the innovation in organization (Conklin and Tapp, 2000).

### 2.3. The antecedent firm characteristics for IS outsourcing

After analyzing the financial characteristics of the outsourcing firms, Smith et al. (1998) had given the five types of firm-specific factors that drive IS outsourcing and is supported by views in literature. They are:

- Reduced cost (Sharma and Loh 2009; Whiten et al., 2010; Alaghehband et al., 2011; Thouin et al. 2009)
- Focus on core skills (Quéliin and Duhamel, 2003, Benaroch, et al., 2012),
- Liquidity requirements (She 2007; Whiten et al., 2010; Alagheband et al., 2011)
- IS capability factors (Veltri et al., 2008; Deng et al., 2012) and
- Environmental factors (Deng et al., 2012; Lehri and Kedia 2011)

Smith et al., (1998), Alpar and Saharia (1995), Arnett and Jones (1994), Lacity et al., (1994) Loh (1994), Loh and Venkatraman (1992a), Loh and Venkatraman (1992b), McFarlan and Nolan (1995) and Palvia (1995), Sharma and Loh 2009; Whiten et al., 2010; advocated that the internal causes of IS outsourcing are cost reduction and control. As stated by Weaver et al., (2000) and Bhattacharya et al., (2002) and Thouin et al. (2009) outsource vendors can offer the same range of service at a lesser price when compared to the internal IS department. As the outsource vendors have better economies of scale, extreme influence on fringe benefits, availability of lower cost labour, and more determined skills in managing IS, it is possible for them to provide services at a reasonable price (Alagheband et al., 2011).

Cross (1995), Lacity et al., (1994), McFarlan and Nolan (1995), Palvia (1995) and Slaughter and Ang (1996) stated that in order to reorganize the management schedule and to focus on the core business, the firms may outsource their IS. IS has been considered as a commodity service by the senior executives (Whitten et al., 2010). The activities that won’t give major value to the firms will be eliminated by this, with the help of the value chain analysis (Hang et al., 2008).

IS outsourcing is often considered as a way to conserve managerial effort and to focus on fields with better strategic potential, if the supervisors don’t consider the strategic role of IS (Beasely et al., 2009). Weaver et al., (2000) pointed out that a considerable portion of the IS infrastructure can be outsourced by the firms and the strategic aspects such as critical applications development can also be retained. Lacity et al., (1994) and McFarlan and Nolan (1995) pointed out that the firms often outsource IS so as to generate income and improve liquidity. Smith et al., (1998) stated that for the tangible and intangible IT assets of the clients, the vendors have to do an initial payment as per the agreement.

This infrastructure will be utilized by the vendors or the IS employees of the client may also be hired so as to provide services to the clients. The companies loaded with temporary liabilities and high debts are attracted with this initial payment (Hang et al., 2008). As stated by McFarlan and Nolan (1995), in the case of firms that consider divestitures, an asset that is improbable to be documented in the deal can be liquidated by means of outsourcing. Smith et al., (1998) pointed out that firms that consider acquisitions will consider outsourcing as a way to generate capital.
As stated by Smith et al., (1998), Arnett and Jones(1994) Lacity et al., (1994), Loh and Venkatraman(1992a), Loh and Venkatraman(1992b), McFarlan and Nolan, (1995), Palvia, (1995), Slaughter and Ang(1996) and Teng et al., (1995), outsourcing decisions are driven by IS capability factors. For example, IS departments of the firms that have inadequate technical knowledge and tools won’t show any advancement. Without considerable amount of resources, IS infrastructure can be developed or redesigned with the help of outsourcing. In some cases, the firms will decide to outsource after a breakdown in a major system or in IS performance or heavy losses (Beasley et al., 2009).

For example, following the failure of major systems development projects and heavy losses, Massachusetts Blue Cross and Blue Shield decided to outsource their IS (Smith et al., 1998). Other factors such as internal politics, disappointment with the IS department, distrust in the CIO, and insufficient services of the IS department may also be responsible for outsourcing decisions.Hu et al., (1997), Lacity and Hirschheim(1993), Loh and Venkatraman(1992a), Loh and Venkatraman(1992b) and McFarlan and Nolan(1995) pointed out the importance of environmental factors in outsourcing decisions. They added that though these factors are not specific to the firm they will exist in its industry or in the market during the time of outsourcing. Imitative behaviour of the firms or a mix of external media, pressure from the vendors, and internal communications may be responsible for the decision to outsource IS (Lacity et al., 1994; Venkatraman et al., 1994 and McFarlan and Nolan 1995; Lacity et al. 2009).

Smith et al., (1998) pointed out that following the Kodak outsourcing decision most of the established firms have started to consider IS outsourcing as a feasible option. Loh and Venkatraman (1992a, 1992b) advocated that outsourcing decisions are influenced by the factors such as vendor pressure, interests of the vendors in providing the service at a moderate cost, wide coverage in the well-known press and positive response from the stock to the phenomenon. This is supported in the literature of Lehri and Kadia (2011) and Deng et al., (2012). Having identified the antecedents of outsourcing the following section examines the risks of outsourcing.

2.4. Outsourcing in the telecommunication industry:

Several studies were conducted so as to recognize the process of outsourcing in the telecommunications industry. It was argued by Sturgeon and Lee (2001) that in order to attain more benefits in outsourcing, majority of the firms have undertaken the manufacturing strategies and modular
product design to supply non-core areas to suppliers. Likewise, they can supply similar products to other customers so as to achieve greater economies of scale.

Such trend on outsourcing will not only extend the competency of firms but also increase the scale of supplier firms. Majority of the supply base of telecommunication industry are encompassing with large, highly capable turn-key suppliers which have further motivated the tendency towards outsourcing (Arruñada and Vázquez, 2006). The difference between the outsourcing strategy of Nokia and Ericsson was examined by Berggren and Bengtsson (2004) and found that Ericsson encompass with extensive outsourcing strategies on the basis of modular product design and component standardization whereas Nokia expand its strategies on the basis of integral product design with low level of outsourcing.

Further studies of Eisenhardt and Brown, (1998), McIvor, (2003), Davies, (2004) revealed that several telecom firms have extended their outsourcing by means of designing and integrating internally or externally developed components along with the harmonizing the activities of external or internal supplier firms. However, a small number of these studies have provided profound information regarding the process of outsourcing along with its outcome. Though the valuable insights of Nokia and Ericsson have been provided by Berggren and Bengtsson (2004), but they fail to consider the possible outcome of the strategy of both the firms.

Apart from this, most of the studies such as Davies (2004), Kim (2003), Mason et al (2002) have failed to consider the successive outsourcing of many firms and they pay more attention on the motives for outsourcing.

In addition, several outsourcing studies have utilized either RBV or TCE as a theoretical framework while analyzing the outsourcing process in the telecom industry. For example, Davies (2004) and McIvor (2003) have utilized the RBV as a theoretical framework to analyze outsourcing in their studies. Likewise, Sturgeon (2002) has utilized TCE as a theoretical framework to explore how the telecom firms have standardize and codified their activities on reducing the asset specificity in respect to supplier relationship.

Hence, both the RBV and TCE are considered to be an important component in this study. Besides, the rapid changing nature of firm such as telecom industry should access the competency of suppliers apart from the presence of high asset specificity often by means of mutual governance arrangements (Nordberg et al., 1996; Lambe and Spekman, 1997; Vanhaverbeke et al., 2002).

Most of the literature related to outsourcing and manufacturing has paid more attention on automotive industry (Collins et al., 1997; Corswant and Frediksson, 2002; Sako, 2003). Even if the automotive
industry has some similar characteristics to telecom firms including significant cost pressure and increasing competition and so on but still there are certain main differences including shorter product life cycle and modular product structure (Holweg and Pil, 2004) which make the telecom to a greater level of outsourcing than the other firms (Sturgeson, 2002). As a result, there is a need for further research on outsourcing so as to improve the better understanding about outsourcing in the telecom industry.

2.5. Theoretical framework:

Strategic evaluation and outsourcing performance

The companies have to analyze the disadvantages and long-term implications of an exchange with an independent party before going for an external sourcing model. Approaches and resources that are associated with competitive edge (Barney, 1991), (Dierickx and Cool, 1989) and (Wernerfelt, 1984) and core competencies (Ininga and Werle, 2000) and (Prahallad and Hamel, 1990), should be thoroughly understood by the organizations. A particular path of competence development should be adopted by the firms. Besides representing the existing opportunities this path will also indicate the upcoming opportunities (Teece et al., 1997). Outsourcing is usually associated with removal or transfer of human and physical resources. These activities are found to influence the path of competence development.

The strategic issues caused by outsourcing decisions such as capability attrition (Dierickx and Cool, 1989) and (Quinn and Hilmer, 1994), violation of intellectual property (Aron et al., 2005), Gottfredson et al., (2005) and (Walker, 1988), shirking (Alchian and Demsetz, 1972), (Aron et al., 2005) and (Eisenhardt, 1989), and opportunistic renegotiation (Holmström and Roberts, 1998), Klein et al., (1978) and Williamson, 1979) should be considered by the firms.

There has been a relationship between the thorough assessment of the strategic implications of outsourcing and successful outsourcing strategies. If the firms don’t carry out such kind of assessments they can’t develop effective and successful marketing strategies. As a result they may lose their competitive edge in the market.
Contractual completeness and outsourcing performance

The important roles of complete contract for evaluating the outsourcing performance are having extensive theoretical and anecdotal support. Outsourcing organizations are recommended and advocated to examine the results and effects of accepting to incomplete contracts and the importance with regards to create contracts for service level objectives (Lacity and Hirschheim, 1993). Complete contract results to the reduction of probability for opportunistic characteristics and costly negotiations as discussed by Barthélémy (2003). On the other hand, lack of predetermination of certain important facets related to exchange may increase the potential for unexpected behaviour which may be costly for the exchange (Oppo and Zenger, 2002). Contracts are able to restrict opportunistic behaviour and with the help of its control and coordination provisions “facilitate value creation” (Melleeigt et al, 2007).

It is also argued that the outsourcing performances are highly influenced by more complete contract. The positive outcomes are resulted from the risk and uncertainty reduction which are from detailed description of obligations and procedures as well as from the enhancement in inter-firm resource efficiency which are due to contractual coordination provisions.

Relationship management and outsourcing performance

It is also argued the performance of the firm is further influenced and achieved by the development and enhancement of close buyer-supplier relation. The theoretical foundation for the relationship management influence on outsourcing performance is based on the relational perspective of the firm (Dyer and Singh, 1998). The theoretical view and foundation makes the argument that enhancement and maintenance of network for close, cooperative and committed relation with suppliers is considered as the source for competitive advantage for the firm. According to Dyer and Singh (1998), the generation of these relational rents is defined as “a super normal profit jointly generated in an exchange relationship that cannot be generated by either firm in isolation and can only be created through the joint idiosyncratic contributions of the specific alliance partners.”

Information sharing is increased thereby reducing opportunistic behaviour due to the social capitals as advocated by Nahapiet and Ghoshal (1998). Similarly on the other hand, Helper et al (2000) also argued that learning and control opportunism are improved by collaborative relationships. The supply chain literature also includes empirical evidence supporting the hypothesis for cooperative relationship
management practices resulting to superior exchange performance (Chen et al., 2004; Prahinski and Benton, 2004; Hin et al., 2000).

From the above discussion the following hypotheses are proposed.

H1: There is a significant relationship between employee group (India or UK) and their general opinion about features of outsourcing

H2: There is a significant relationship between employee group (India or UK) and their views on importance of strategic evaluation.

H3: There is a significant relationship between employee group (India or UK) and their views on importance of contractual completeness.

H4: There is a significant relationship between employee group (India or UK) and their views on importance of relationship commitment.

H5: There is a significant relationship between employee group (India or UK) and their views on outsourcing performance.

Hence the following framework is identified,
CHAPTER III: METHODOLOGY

3.1. Introduction

This chapter has explored the research methodology adapted in the study in a detailed manner. The main reason for adopting research methodology is to achieve the purpose of the study as well as analyze the implemented strategy so as to determine the response that are related to research objectives and question framed in the research study.

3.2. Research design

In general, research philosophy can be defined as an approach implemented to analyze the data by using collected information and data.

![Diagram showing methodologies and approaches]

**Fig 1: Overview of the Research design**
It is evident from the introduction, hypothesis and research question that the study examines single issues or problem. This study has undertaken the problem related to outsourcing measures adapted by international organization as well as the factors that cause the problem in outsourcing. Several developed countries like USA, UK and Europe has outsourced their different activities to developing countries like India, China and so on. So the problem examined by this study on the basis of perspective of specific sector telecommunication (Information Technology). The hypothesis developed in the study should be a subjective one instead of deriving set of conclusion. Research can either be objective oriented or hypothesis oriented. If the research is objective oriented then the importance should be given more for achieving objective or if hypothesis oriented then the importance should be given more for the evaluation of hypothesis. Besides, the research design should predict the important aspects such as sample, treatment, measures and programs.

The research design is a process in which the researcher has adapted the particular strategy so as to determine the solution as well as response related to research objectives and research question framed in the research study. In terms of validity, objective and accuracy, the response for the research questions are perceived. Thus the research design is deals with the process of managing data collection and analyzing process. Because of this process, the researchers were able to relate the relevant information with the purpose of the study. Here this study has adopted the realistic research design process of Fisher (2007).

3.3. Research Approach

This section has explored the different types of research process along with the approach adapted in the study in a detailed manner. The research approaches are basically classified as inductive or deductive approach, qualitative and quantitative approach. In the deductive approach, the researcher has provided main concern to examine the hypothesis of the study. In the inductive approach the observations are primarily obtained followed by recognizing patterns and framing theories and hence the researchers make use of the inductive approach in the current study. Thus in the current research work, the qualitative analysis has performed by the researcher so as to attaining the factors which affect the outsourcing of information systems and electronics to India (Saunders et al., 2009).

In order to collect the required information and data for the research process, the researcher has adopted the qualitative analysis in the current study. The benefits as well as the influencing aspect of outsourcing can be examined as well as calculated by means of collecting non-numerical information
and data for the study. As of this we can concluded that this study adopted the qualitative method of approach (Saunders et al., 2009).

3.4. Research Techniques and Procedure

**Cross-sectional:** The current study is simple and descriptive which is conducted on a collective sample of population. In cross sectional approach, either the entire sample or part of the sample has to be examined with in a period of time. Here in the current study, the entire sample of population has to be examined. In this study, different firms have been examined with in a period of time. Hence from this, we concluded that this study is highly cost effective and certain groups of population have been observed at particular period of time.

3.5. Research Approach and data collection method

This study has adopted the effective data collection technique. The findings of the study have been influenced by various data collection technique which leads to invalid results. Data can be collected through various data collection technique. In this study, the data can be classified by means of primary data collection approach.

The study adopted a mixed research approach by conducting semi-structured interviews and a questionnaire analysis (Patel and Davidsson, 2003). However the results to be successful the data collection has to be valid, for example Yin (2003) says that it's very important to be well prepared before doing the data collection. So the author prepared the research tool well in advance and identified the most appropriate questions for managers with respect to outsourcing.

As the research is involved with a commercial organization with interviews of its managers who are its exclusive employees, the author had to ensure their availability and approval prior to starting the research journey to guarantee the subsequent success (Saunders et al 2007, p-47). This was accomplished by prior telephone contacts and meeting each manager before the interview date as well as an approval from the head office to proceed with the interviews. Holme and Solvang (1991) say that the strength with a qualitative interview is to make the research situation like it was taken from a conversation in a real life situation.
The researcher selected a few relevant officials at Ericsson and tried to conduct the interview. Unfortunately, due to time factor and a busy schedule the managers and team leaders could not give a face-to-face or telephonic interview, but they were kind enough and asked the researcher to send the interview questions to them and they would answer it according to their convenience and the researcher did as instructed. After sending the interview questions to 10 managers/team leaders the researcher received 4 interviews completed. Despite, of this method the researcher did not compromise with the quality of the responses. If there was anything ambiguous or required further explanation the researcher reverted back to the respondents and asked further questions to be clear in the research. This provided an insight of the officials towards outsourcing and was of immense help in answering the research questions.

Zikmund (2003) considered the questionnaire approach to be simple but effective research tool. In addition the tool is also observed as cost effective and reduces the disturbance and variation in data from “interviewer bias” that occurs during interviewee process. As the main objective of the researcher is to understand the attitude and beliefs of respondents which are having sensitive nature, anonymous characteristics of the questionnaire enables the respondents to provide their inner beliefs, attitudes and perception more hopefully.

Along with open-ended questionnaire, the researcher also selected for survey questionnaire. Quantitative aspects of the questionnaire that tends to recognize the outline of research situations by questioning general questions such as age, gender and occupation is also implemented in the study. Questions like Multiple Choice Questionnaire (MCQ) are also implemented in the questionnaire approach of the study. For predicting and encompassing the “intensity” of attitude with respect to certain aspects of job are determined by means of implementation of Likert scale. Questions subjected to the respondents with respect to the Likert Scale are to be answered based on the options provided ranging from Strongly Agree to Strongly Disagree. The main advantage of using the Likert Scale is that the ability of differentiating the aspects and attitudes (Dundas, 2004). This was carried out only among employees of Ericsson in UK and India to get the views of the provider and the client. The researcher aimed at reaching a total of at least 20 employees from each country.

Miles and Huberman (1994) define data analysis as consisting of three current flows of activities: data reduction, in order to make the data sharp and focused and this would give the researcher to arrange data in a more usable format to making conclusions. And he describes that researcher should go through as taking the reduced data and display it in an organized way, which is done to prepare the data more for conclusion drowning.
3.6. Ethical Consideration:

Ethical resources are found to be resulted in each and every section as well as time period of the research process. The main reason for concerning ethical issue regarding research process was put forwarded by Diener and Crandall (1978). Below are the given aspects to be examined in the research study:

- Malpractice of information
- Dishonesty
- Lack of informed consent

These aspects should be highly emphasized while conducting the research study.

Since the study is highly influenced by ethical norms so that the importance should be given during the research study. It was made sure by the researcher that data was properly referenced as well as cited in the bibliography. The researcher has also made sure that the insights presented in the study are subjective and do not create any set of conclusion.

3.7. Limitations of Research

The limitations faced by the researcher while conducting this research were a few explained below. With books the researcher faced the problem of obtaining the latest data, as the books were a bit old and especially, the printed ones. While, other secondary sources could have had a bias opinion but the researcher has made a proper analysis before jumping onto any conclusions. In terms of primary sources the limitations were getting interviews as mentioned earlier that the researcher was unable to conduct any face-face or telephonic interviews and the responses are subject to confidentiality issues and personal opinions. However, despite of all the limitations the researcher has made every effort to make this thesis valid and depict a true picture of outsourcing and address the research questions.

3.8. Conclusion:

This chapter has utilized both qualitative as well as inductive approach in this study. These approaches are focused on secondary data implementation to a greater extent. The data can be analyzed by
adopting qualitative analysis. The results of the qualitative analysis were obtained by adopting various analytical techniques in the study are discussed in the next chapter.
CHAPTER IV: ANALYSIS

4.1. Introduction:

This chapter presents the results of the questionnaire and the interview which was presented to employees of Erickson in India and UK in the form of qualitative and quantitative analysis.

4.2. Quantitative analysis

4.2.1. Response rate and validity

<table>
<thead>
<tr>
<th>Table 1: Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents</td>
</tr>
<tr>
<td>Complete responses</td>
</tr>
<tr>
<td>Incomplete responses</td>
</tr>
<tr>
<td>Partial responses</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

From the above table it can be determined that most of the participants provided with required information and data for the study. Among the overall participants of the study 65% of the participants were considered to be responsive. It has also been estimated that around 21% of the responses obtained from the participants are incomplete and 14% of the participants were not interested to answer the questions.

<table>
<thead>
<tr>
<th>Table 2: Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability test</td>
</tr>
<tr>
<td>Strategic evaluation</td>
</tr>
<tr>
<td>Contractual completeness</td>
</tr>
<tr>
<td>Relationship commitment</td>
</tr>
<tr>
<td>Outsourcing performance</td>
</tr>
<tr>
<td>Capital Resource</td>
</tr>
</tbody>
</table>
The Cronbach’s alpha value score analysis indicates that most values are above the accepted value of 0.7. This indicates that there is a great deal of internal consistency in the developed questionnaire.

4.2.2. General view of outsourcing among respondents

Figure 1: Group distribution

![Group distribution](image)

The above Figure 1 shows the number of participants on quantitative analysis. In this, EGI participants were about 53% and UK participants were about 47% in the total group.

Figure 2: Experience in Ericsson

![Experience in Ericsson](image)

The above figure 2 shows more than 95% employee have less than 5 years experience and only 5% of the employee have greater than 5 years experience.
The above figure 3 shows that employee satisfaction on management decision. There is 29% of the employee satisfied with management decision and 29% of them not satisfied with the decision. The figure reveals that overall 42% of the employee neutral level.

The above figure 4 shows that 87% believes that outsourcing has an impact in organization and remaining 13% agree with there is no any outsourcing will impacts the organization.
Figure 5: Terms of impact

Above figure 5 shows that 55% percent felt that there is a positive impact in the organization and remaining 45% feels that there is no impact in the organization on outsourcing.

Figure 6: Negative impact

Above figure 6 shows that 71% says there is negative impact on the outsourcing and remaining 29% believes that there is no negative impact of outsourcing.
Figure 7: Reason for outsourcing

Above figure 7 shows that 97% of them says that the cost is the only reason for outsourcing and only 3% of them presenting other causes as reasons for outsourcing.

Figure 8: Effect of future outsourcing

Above figure 8 shows that impact for future with respect outsourcing, in which most of them (55%) indicate that they cannot agree, while 29 percent identify that it is good. It is also observed that the remaining 16 percent think that the future of outsourcing is bleak.
Above table 9 shows that 92 percent of employees identify that there is impact on the economy and remaining 8 percent says there is no impact on the economy.

Above table 10 shows that there is support for the outsourcing process with respect to telecommunication. Participants are found to be equal on supporting both the outsourcing and non-outsourcing process.
Above table 11 shows that 55 percent of the participants support outsourcing while 45% do not support outsourcing.

4.2.3. Comparison of opinion across group on general aspects of outsourcing:

The researcher examined the opinion of the respondents with respect to the above discussed factors across different groups and presented the results in table 3. It was observed that the years of experience ($\chi^2 = 2.346, p = 0.126$), organization as a result of outsourcing ($\chi^2 = 1.730, p = 0.018$), reasons for outsourcing ($\chi^2 = 0.924, p = 0.336$), impact on economy as a result of outsourcing ($\chi^2 = 0.257, p = 0.612$) were not found show relationship with the respondent group (either from India or UK).

It was also observed that the employee satisfaction with the decision ($\chi^2 = 21.481, p = 0.001$), positive impact of outsourcing ($\chi^2 = 20.607, p = 0.001$), negative impact of outsourcing ($\chi^2 = 9.908, p = 0.003$), future of outsourcing ($\chi^2 = 7.015, p = 0.008$), impact on economy ($\chi^2 = 0.257, p = 0.612$) and support of outsourcing ($\chi^2 = 27.686, p = 0.001$).
Table 3: Comparison of opinion across group

<table>
<thead>
<tr>
<th>Crosstab</th>
<th>Chi-Square</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years relationship with Group</td>
<td>2.346</td>
<td>0.126</td>
</tr>
<tr>
<td>Management Decision relationship with Group</td>
<td>21.481</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Effect on Organization relationship with Group</td>
<td>1.730</td>
<td>0.188</td>
</tr>
<tr>
<td>Positive Impact relationship with Group</td>
<td>20.607</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Negative impact relationship with Group</td>
<td>9.098</td>
<td>0.003</td>
</tr>
<tr>
<td>Outsourcing Reason relationship with Group</td>
<td>0.924</td>
<td>0.336</td>
</tr>
<tr>
<td>Future of Outsourcing relationship with Group</td>
<td>7.015</td>
<td>0.008</td>
</tr>
<tr>
<td>Impact on Economy relationship with Group</td>
<td>0.257</td>
<td>0.612</td>
</tr>
<tr>
<td>Support Outsourcing in Telecom relationship with Group</td>
<td>27.022</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Support outsourcing by Ericsson relationship with Group</td>
<td>27.686</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

From the above table it is identified that a number of opinion expressed by the employees are found to vary across the group. From this it is identified that,

H1: There is a significant relationship between employee group (India or UK) and their general opinion about features of outsourcing.

Is accepted.

4.2.4. Comparison of opinion across group on strategic evaluation of the outsourcing process:

Table 4: Comparison of factors of strategic evaluation

<table>
<thead>
<tr>
<th>Strategic evaluation</th>
<th>Group</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>t-test</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation team fully considered our organization’s core competencies</td>
<td>EGI</td>
<td>2.3000</td>
<td>.92338</td>
<td>-2.394</td>
<td>0.022*</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>3.1667</td>
<td>1.29479</td>
<td>-2.352</td>
<td>0.025*</td>
</tr>
<tr>
<td>The extent to which outsourcing decision would impact future strategic options or</td>
<td>EGI</td>
<td>2.5500</td>
<td>.88704</td>
<td>-2.539</td>
<td>0.016*</td>
</tr>
<tr>
<td>alternatives was fully evaluation</td>
<td>UK</td>
<td>3.3889</td>
<td>1.14475</td>
<td>-2.505</td>
<td>0.018*</td>
</tr>
<tr>
<td>Consideration was given to capabilities that may be important in future</td>
<td>EGI</td>
<td>2.4500</td>
<td>.94451</td>
<td>-3.099</td>
<td>0.004**</td>
</tr>
</tbody>
</table>
It is observed that among all the aspects which were examined for impact of strategic evaluation it can be seen that employees from UK had a much stronger understanding of the impact of strategic evaluation. It is observed that different facets including consideration of core competencies during outsourcing (mean = 3.1667, SD = 1.294), impact on future strategic options (mean = 3.3889, SD = 1.114), current capabilities (mean = 3.1667, SD = 3.556), impact on customers (mean = 3.444, SD = 1.119), loss of internal capability (mean = 3.6111, SD = 1.447) and supplier risk (mean = 3.277, SD = 1.074).

Hence

**H2: There is a significant relationship between employee group (India or UK) and their views on importance of strategic evaluation.**

Is accepted.

4.2.5. Comparison of opinion across group on contractual completion of the outsourcing process:

**Table 5: Comparison of factors of contractual completeness**

<table>
<thead>
<tr>
<th>Contractual completeness</th>
<th>Group</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>t-test</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentive contracts with well defined performance rewards and penalty clauses are in place</td>
<td>EGI</td>
<td>2.65</td>
<td>0.933</td>
<td>2.342</td>
<td>0.025*</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>3.55</td>
<td>1.423</td>
<td>2.292</td>
<td>0.029*</td>
</tr>
</tbody>
</table>
Performance objectives are clearly detailed in the contract

<table>
<thead>
<tr>
<th></th>
<th>EGI</th>
<th>0.745</th>
<th>3.838</th>
<th>&lt;0.001**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>1.243</td>
<td>3.741</td>
<td>&lt;0.001**</td>
</tr>
</tbody>
</table>

Clauses for switching and re-internalizing activities should relationship fail are in place

<table>
<thead>
<tr>
<th></th>
<th>EGI</th>
<th>0.875</th>
<th>3.194</th>
<th>0.003**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>1.084</td>
<td>3.158</td>
<td>0.003**</td>
</tr>
</tbody>
</table>

The contract clearly presents a dispute resolution process

<table>
<thead>
<tr>
<th></th>
<th>EGI</th>
<th>0.850</th>
<th>2.193</th>
<th>0.035*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>1.096</td>
<td>2.164</td>
<td>0.038*</td>
</tr>
</tbody>
</table>

The contract development and approval process involved a cross functional team

<table>
<thead>
<tr>
<th></th>
<th>EGI</th>
<th>0.827</th>
<th>1.616</th>
<th>0.115</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>1.450</td>
<td>1.572</td>
<td>0.128</td>
</tr>
</tbody>
</table>

It is observed that among all the aspects which were examined for impact of an effective contract, it can be seen that employees from UK had a much stronger understanding of same. It is observed that different facets including consideration of incentive contracts (mean = 3.55, SD = 1.423), performance objectives (mean = 3.61, SD = 1.243), re-internalization of activities (mean = 3.66, SD = 1.084), dispute resolution (mean = 3.44, SD = 1.096) and need for a cross functional team (mean = 3.11, SD = 1.096).

Hence

**H3: There is a significant relationship between employee group (India or UK) and their views on importance of contractual completeness.**

Is accepted.

4.2.6. Comparison of opinion across group on relationship commitment related to the outsourcing process:

<table>
<thead>
<tr>
<th>Table 6: Comparison of factors of relationship commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship commitment</td>
</tr>
<tr>
<td>Group</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Long term commitment towards building up of relationship is identified.</td>
</tr>
<tr>
<td>EGI</td>
</tr>
<tr>
<td>UK</td>
</tr>
<tr>
<td>The relationship with the provider is identified to be a partnership.</td>
</tr>
<tr>
<td>EGI</td>
</tr>
<tr>
<td>UK</td>
</tr>
<tr>
<td>A positive relationship with provider and management team is expected by our senior management</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Risks and rewards are shared with our outsourced partner</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>The investments made are unique to our relationship with the provider.</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

It is observed that among all aspects which we were examined for the impact of effective relationship commitment, it can be observed that UK employees had much stronger understanding of the concept. It is observed that the differential aspects including consideration of long-term commitment (mean=3.33, SD=1.283), partnership with contributor (mean= 2.27, SD=1.127), direct relationship with contributor and administration (mean=1.94, SD=1.109), profit and loss with outsourcer (mean=3.33, SD=1.283), unique bond with provider (mean=3.61, SD=1.036).

Hence

H4: There is a significant relationship between employee group (India or UK) and their views on importance of relationship commitment.

Is accepted.

4.2.7. Comparison of opinion across group on outsourcing performance:
Table 7: Comparison of factors of relationship commitment

<table>
<thead>
<tr>
<th>Outsourcing performance</th>
<th>Group</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>t-test</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>We feel that the outsourcing performance has met or exceeded expectations with respect to total annual costs.</td>
<td>UK</td>
<td>2.20</td>
<td>1.056</td>
<td>3.186</td>
<td>0.003**</td>
</tr>
<tr>
<td></td>
<td>EGI</td>
<td>3.38</td>
<td>1.243</td>
<td>3.159</td>
<td>0.003**</td>
</tr>
<tr>
<td>We feel that the outsourcing performance has met or exceeded expectations with respect to quality performance.</td>
<td>UK</td>
<td>2.20</td>
<td>.767</td>
<td>5.292</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td></td>
<td>EGI</td>
<td>3.77</td>
<td>1.060</td>
<td>5.204</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>We feel that the outsourcing performance has met or exceeded expectations with respect</td>
<td>UK</td>
<td>2.30</td>
<td>.801</td>
<td>5.189</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td></td>
<td>EGI</td>
<td>3.88</td>
<td>1.078</td>
<td>5.109</td>
<td>&lt;0.001**</td>
</tr>
</tbody>
</table>
We feel that the outsourcing performance has met or exceeded expectations with respect to reliability or dependability.

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>2.25</td>
<td>1.019</td>
<td>4.150</td>
</tr>
<tr>
<td>EGI</td>
<td>3.66</td>
<td>1.084</td>
<td>4.136</td>
</tr>
</tbody>
</table>

**statistically significant at 1% level and * significant at 5% level

It is observed that among all aspects which we were examined for the impact of effective outsourcing performance, it can be observed that Indian employees had showed much stronger perception of opinion. It is observed that the differential aspects including total annual costs (mean=3.38, SD=1.243), quality performance (mean=3.77, SD=1.060), responsiveness or flexibility (mean=3.88, SD=1.078), reliability or dependability on outsourcing (mean=3.66, SD=1.084).

Hence

**H5: There is a significant relationship between employee group (India or UK) and their views on outsourcing performance.**

Is accepted.

4.3. Qualitative Analysis:

The second form of primary research was interviews. The researcher had drafted a few questions for the interviewers, which comprised of the management. Due to busy schedule the managers at Ericsson were unable to give a telephonic or face - face interview. But, they were kind enough to ask the researcher to send in the interview questions through email and they would respond to it. The researcher received 4 interview sets from the managers. The responses of the managers are analysed by the researcher further in this chapter following which a thematic analysis is carried out.
4.3.1. Reason for outsourcing

The managers were questioned with respect to the reasons behind Ericsson decided to outsource and the common response identified was the cost benefit while ensuring the best quality of product for the customer. The primary objective of this research to understand outsourcing and its impacts on the organization and the economy, therefore, to evaluate this it is necessary to know the reasons for outsourcing, why companies are outsourcing. As the sample of this research is Ericsson the researcher has interviewed the managers at Ericsson. When asked the reason why Ericsson is outsourcing 2 of the managers responded that Ericsson remains in the strongest possible position to offer its customers the best possible deal whilst maintaining the right profit margin for the Market Unit. The other two managers said that the company outsources to reduce cost so that they could carry on in the competitive market in a much more cost effective way.

This is observed from the following responses,

Manager 1: "To ensure we are in the strongest possible position to offer our customers the best possible deal whilst maintaining the right profit margin for our Market Unit."

When questioned about the reasons for outsourcing to India it was observed that business language and time of working were the key choices as observed from the following statements. One of the managers was of the view that India is established as an outsourcing hub and has a large staff base. The second manager responded that the work can be done in much more cost-effective way because of cheap labour and its proximity to developing markets. The couple of managers were of the view that India has a lot of positive points such as the location, time zones, cost-effective, English speaking population and availability to provide round the clock service to the customers.

Manager 1: "Some of the reasons we chose India is their location, first business language is English and due to the time zones we can offer customers an almost round the clock service within normal working days."

Manager 2: "India was selected due to its low cost base for supplying staff"
4.3.2. Impact of competition and economic recession

During the primary research the researcher proposed a question to clarify upon this finding and get the views of Ericsson on its management on the relationship between recession & competition with outsourcing. Two of the managers were of the view that yes these two factors play very a major role on the decisions of outsourcing, it was also elaborated by one of the managers that in this race of cutting prices Chinese companies are posing a great competition and threat to companies in UK.

Manager 2: "A major part I think. We are facing major competition from China who are willing to undercut prices and who are currently establishing themselves as a major player in the UK."

Manager 1: "The main driver for the Outsourcing is caused by the competition to provide Services cheaper than their competitors. The recession has speeded up this process as companies struggle to cut costs quickly while still maintaining a good service to there customers."

4.3.3. Impact on UK employment

When asked if outsourcing has affected employment in UK. The respondents of the research all somehow agreed to the fact. This is observed from the following statements,

Manager 1: "Yes it will partly. No headcount moving forward will be employed on shore and therefore it may be. We will of course be hiring graduates on shore but possibly only the cream."

Manager 4: "At present for every 2 jobs we are sending to India we are losing one position in the UK. The outsourcing will remove the high productivity low skill work from the UK and make it harder for people to find work."

4.3.4. Benefits of outsourcing

After the reasons for outsourcing it was necessary to evaluate the benefits from outsourcing. All the 4 respondents of the interview are of the view that the most important and primary benefit if outsourcing is a substantial reduction in the cost and makes them more cost-effective. Some examples include,

Manager 1: "Outsourcing allows us to move the operating costs of the project from On Shore to Offshore thereby making some substantial savings. E.g. in Ran planning & Performance to achieve
our wanted position to ensure we achieve our right headcount model we can realize this by offshoring."

The respondents were asked about the possible competitive advantage they would attain with respect to outsourcing process. The ability to change in a highly competitive market was the key idea which was identified. The following statement proves testimony to this fact,

Manager 3: "Ericsson was the first to win big Managed Services contracts in the UK, this has placed them in pole position to win more work, as they have a fully equipped and trained work force ready to take on any challenges that is thrown at them, and they know have a large workforce of support staff located in India and Romania."

4.3.5. Management and Future of outsourcing:

The managers when questioned about future of outsourcing to India most of the responses were positive. This is observed from the following statements,

Manager 1: "They are looking strong. Due to the Ericsson Academy which is very big and the high number of graduate engineers means we have a high selection of competent engineers."

Manager 2: "We will always be looking at out sourcing due to the benefits highlighted above which allows us to keep our key skilled staff within the UK and to bring in Project Talent in the future to work with India. We see EGI as a fully integrated part of Transmission Planning and thus controlled/managed from the UK."

From the primary research undertaken by the researcher it is observed that the management are of the view that clear communication efficient training and proper monitoring is necessary for getting the maximum benefits from outsourcing. Couple of the managers made it clear that outsourcing should be used 100% and also monitored efficiently. One example includes,

"The only way that outsourcing is going to really work and save the company money is if proper training is given and that the overseas workers are able to work efficiently and ensure the work they do is right first time and requires minimal input from the UK staff. If they can’t do the work and require constant
support from the reduced UK workforce, then productivity will drop and have a negative effect on the company and its perceived ability to do the work the customer requests.”

The next question put up to the managers by the researcher was if Ericsson follows the rule and whether Ericsson has a direct and a cordial relationship with its offshore partners. The reply to this question was a positive one from all the managers.

Manager 4: “Yes it does. In Ericsson land each country must adhere to the Ericsson Blueprint which means each Market Unit must comply with the same set of rules. There are a number of high level gates that must be met to satisfy this before the handover takes place”

Table 8: Qualitative analysis

<table>
<thead>
<tr>
<th>Basic themes</th>
<th>Organizing themes</th>
<th>Global themes</th>
</tr>
</thead>
</table>
| • Cost benefit  
  • Best quality of product  
  • Right profit margin | Determinants of outsourcing | Reasons for outsourcing |
| • Business language  
  • Time of working  
  • Location  
  • Round the clock service to customers | Reasons to outsource to India | |
| • Compete with Chinese  
  • Recession and competition are inversely related | Impact of competition and recession | Impact of outsourcing |
| • Loss of job for UK employees  
  • Continuing trends | Impact on UK employment | |
| • cost effective  
  • head count model implementation  
  • allocation of work  
  • saves time | Benefits of outsourcing | Benefits of outsourcing |
• Positive impact in India
• Training academies give good graduates

<table>
<thead>
<tr>
<th>Future of outsourcing</th>
<th>Management of outsourcing</th>
</tr>
</thead>
</table>
• Need for clear communication
• Clear training
• Proper monitoring
• Effective blue print of operation

From the above table it is identified that there are four main global themes which are identified by the managers with respect to important attributes of outsourcing including reasons, impacts, benefits and management of outsourcing.

4.4. Conclusion:

This chapter has presented the results of the primary analysis using the questionnaire and the interview results and has arrived at conclusion to the proposed research hypotheses. The following chapter discusses these results in relation to the proposed research objectives and literature thereby concluding the study.
CHAPTER V: CONCLUSION

5.1. Introduction:

This chapter has provided the conclusion to the study by identifying the implications, limitations and future research directions.

5.2. Implications of this study:

The central research question of this study is,

What are the reasons and benefits of outsourcing as well as the perceived aspects which impact on outsourcing operations of Ericsson? What are the future recommendations for Ericsson and what conclusion can be applied to outsourcing in the telecommunication companies in UK?

It is identified that the following implications are made with respect to this research question.

From the study it is identified that there are three main antecedents to outsourcing performance,

- Promotion of clarity and reduction of uncertainty is required during establishment of contractual provisions that expresses obligation and requirement as proposed by each party. Complete contracts are able to serve for coordinate resources and arrange incentives among firms by means of controlling and mitigating natural risks. For creating values within firm, resources are to be collected and allocated effectively and specify the labour division established and the communication process within firm. Activities of such type are coordinated and supported by coordination provision in the contract (Mellewigt et al, 2007; Reuer and Ariño, 2007).

- Hayes et al., (2005) and Lei et al., (1996) pointed out that because of the path dependencies, the decision-making committee should focus on the factors that can represent and cant represent valuable capabilities in the future and influence of outsourcing on strategic alternatives. Similarly this study has also identified the importance of strategic evaluation.

- Both client and vendor will face many risks in each strategic telecommunication system development outsourcing project. This is because, these types of projects will be unique and
the client organizations won’t have exposure in this regard. As a result, failure in such
projects will produce long-term impacts on the organization. There are some common factors in
the development of a strategic system and the development of any telecommunication system.
So we should consider the existing gap between performance of outsourcing between the client
and vendor specifically in the telecommunication industry. These development projects will
need resources, planning and management. Development processes will also need the same
factors.

- Madhok and Tallman (1998) discusses that the collaboration-specific-quasi-rents is depended
  on the concept of unique synergistic benefits which is obtained by combining the resources of
  the firms with resources of trading partner. In addition Madhok and Tallman (1998) advocates
  that “greater appreciation of the relationship management process” is essential for the
  realization of potential value in collaborative inter-firm arrangement. According to Dyer (1996)
  the advantages of establishment of close supplier relationship as described by Japanese
  automakers are significant relationship specific investments, reduction in transaction costs and
  superior operational performance.

Based on the reasons and benefits of outsourcing as identified from the thematic analysis the following
recommendations are proposed in this study.

1. Ericsson needs to investigate different performance related implications related to resources of
   provider, their capabilities and the probable impact on the client. Currently Ericsson has
   outsourced to only two countries. In future in case the company decides to outsource to a
different country the probable implications need to be arrived at (Luo, 2002). There is
increasing demand for outsourcing of different departments to emerging economies like India
hence obtaining talented employees who have the ability to improve the service offerings of
Ericsson maybe difficult. Hence Ericsson should aim at making attempts to improve in-house
talent pool in UK, look for other countries with untapped potential or give incentives to attract
the best employees in India.

2. There is a need for Ericsson to identify the influence of human capital (both on shore and off
   shore) on firm performance as this has a direct impact on their business/product scope.
3. Ericsson should also consider conducting their own internal case study analysis which focuses on probable measures which need to be improved with respect to ensuring that there is no reduction in quality or profit as a result of outsourcing operations.

4. Ericsson should also examine the influence of integration of external process (between client and provider) and internal processes (within Ericsson UK) as proposed in the study of Luo et al., (2010).

**5.3. Limitations and future research:**

There are a number of limitations which need to be acknowledged despite the contributions made by this study. In this study it can be observed that the performance measures were all identified based on a subjective nature, as the researcher did not have access to objective data. In organizational research it is a common practice to make use of a survey research design approach as the data is collected from top managers in the company who have an in-depth knowledge on how the firm operates and its related performance (Malik & Kotabe, 2009).

How the researcher identifies that robustness of the data and the subsequent information attained would have been enhanced if one had supplemented the data collected with real objectives measures (e.g., ROCE, P/L ratios etc). There is an inherent sensitivity related to the nature of offshore outsourcing operations as a result of which the researcher has been unable to access objective data. The researcher also faced limitations related to unwillingness among respondents to share exact information in terms of firm performance. As a result of this dissertation faced difficulties in terms of collection and use of data. One suggestion and future research direction related to this aspect is accessing secondary data in the form of archival records. There is a lot of secondary empirical data which is accessible to the researcher including industry reports as well as company documents.

Another limitation which is attributed to this research involves the lack of involvement of other resources or capabilities which affect the outsourcing performance. However the researcher feels that concentrating on three main aspects helps in presenting a more in-depth focus on the main research question. In future this theoretical framework can be tested by making use of firm level resources and
human capital in their framework as it will add weight to the effectiveness of measuring impact on outsourcing performance.

Another interesting avenue of research involves breaking down the wide range of outsourcing operations which have been promoted by Erickson and categorizing them into a more detailed range based on the type of activities that are being carried out. However it has been impossible for the researcher to do this as fine grained activity level data was not made available to the researcher. In future researchers could work on this approach which may generalize the results of this study.

The final limitation of this study is the operationalization definitions which have been adopted for strategic evaluation, relationship commitment and contractual completeness. These definitions while appearing to be narrow tries to ensure that the view point is represented by both the providers as well as the clients In future separate items could be developed for the client as well as the provider.

5.4. Conclusion

Outsourcing of operations to offshore locations definitely causes some ripples in the company as serious hardships to in house employees and their families is the result. However if proper efforts are taken the company can ensure that the knowledge pool and the highly talented employees are maintained in the company. The company also should keep in mind the economic aspect of ensuring cost reduction as a result of outsourcing operations. When Ericsson expands its outsourcing operations they need to ensure that they keep in mind impact of strategic evaluation, relationship commitment and contractual completeness.

There are a number of issues which are currently unknown about outsourcing as the magnitude of outsourcing, the resultant benefits and effects are not identified very clearly. From what is known the researcher would like to conclude the dissertation by identifying the following conclusions,

1. Outsourcing is and in the foreseeable future an aspect companies in the telecommunication industry in UK identify with as it would impact their competitive performance.
2. Global economic integration as well as technological developments are bound to have an impact on actual jobs of people in the UK. This will definitely cause issues with respect to employment relationships and may alter probable incentives for human capital accumulations.

3. Outsourcing has always looked like to be connected always to increased UK employment and investment rather than to overall job loss. Many of the UK jobs are definitely lost to other countries around the globe. In general, nevertheless firms involved with offshore outsourcing are not shifting net jobs overseas and only are creating jobs both in the United States of America and in many other countries.
References:


Appendix I

Questionnaire

Section I:

1. How long have you been working for Ericsson?
   - [ ] Less than 5 years
   - [ ] More than 5 years

2. How satisfied are you with the management decision?
   - [ ] Very much
   - [ ] Neutral
   - [ ] Not at all

3. Has outsourcing had any effects on the organisation?
   - [ ] Yes
   - [ ] No

4. Did it have any positive effects?
   - [ ] Yes
   - [ ] No

5. Did it have any negative effects?
   - [ ] Yes
   - [ ] No

6. What is the reason for outsourcing?
   - [ ] Cost
   - [ ] Others

7. What is the future of outsourcing?
   - [ ] Good
   - [ ] Bad
   - [ ] Cannot say

8. Has outsourcing impacted the economy?
   - [ ] Yes
   - [ ] No
9. Do you support outsourcing in this sector?

- Yes
- No

10. Do you support outsourcing by Ericsson?

- Yes
- No

Section II:

Identify your level of agreement with the following statements:
(Five point Likert Scale – 1-Strongly agree, 2- Agree, 3-Neutral, 4-Disagree, 5-Strongly disagree)

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<th>Statement</th>
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<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>Evaluation team fully considered our organization’s core competencies</td>
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<tr>
<td>The extent to which outsourcing decision would impact future strategic</td>
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<td>options or alternatives was fully evaluation</td>
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<td>Consideration was given to capabilities that may be important in future</td>
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<tr>
<td>The impact that outsourcing would have on our customers was evaluation</td>
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<td>The risk of external suppliers acting opportunistically was considered.</td>
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<td>The potential negative consequence of losing our internal capability to</td>
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<td>perform the activity was considered.</td>
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<tr>
<td>Evaluation team fully considered our organization’s core competencies</td>
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### Contractual completeness

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<tr>
<td>Incentive contracts with well defined performance rewards and penalty clauses are in place</td>
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<tr>
<td>Performance objectives are clearly detailed in the contract</td>
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<td>Clauses for switching and re internalizing activities should relationship fail are in place</td>
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<td>The contract clearly presents a dispute resolution process</td>
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<tr>
<td>The contract development and approval process involved a cross functional team</td>
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### Relationship commitment

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<tr>
<td>Long term commitment towards building up of relationship is identified</td>
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<tr>
<td>The relationship with the provider is identified to be a partnership</td>
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<tr>
<td>A positive relationship with provider and management team is expected by our senior management</td>
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<tr>
<td>Risks and rewards are shared with our outsourced partner</td>
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<tr>
<td>The investments made are unique to our relationship with the provider</td>
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### Outsourcing performance

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<tbody>
<tr>
<td>We feel that the outsourcing performance has met or exceeded expectations with respect to total annual costs.</td>
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<td>We feel that the outsourcing performance has met or exceeded expectations with respect to quality performance.</td>
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<tr>
<td>We feel that the outsourcing performance has met or exceeded expectations with respect to responsiveness or flexibility.</td>
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<tr>
<td>We feel that the outsourcing performance has met or exceeded expectations with respect to reliability or dependability.</td>
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### Capital Resource

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<tbody>
<tr>
<td>Our provider has employees who have a bachelor degree and relevant experience</td>
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<tr>
<td>Our provider has employees who have sound knowledge domain and undergo training</td>
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<tr>
<td>Our provider has infrastructure (servers, broadband, routers, modems, voice and data circuits etc.) are state-of-the-art</td>
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<th>Statement</th>
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<tbody>
<tr>
<td>We and our providers share compatible culture and policies</td>
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<tr>
<td>We and our providers make mutually beneficial decisions in most circumstances</td>
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</tbody>
</table>