

Outsourcing & Offshoring of Support Services

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Our Perspective on Offshoring in Professional Services

- Primarily based on case studies
 - ✓ IT companies
 - ✓ Call centers
 - ✓ Financial services
 - ✓ Location choices of MNCs' development centers
 - ✓ Biotech and pharmaceuticals
 - ✓ Medical services
 - ✓ Legal services

Observations

- Significant offshoring (depth and breadth)
- Primarily commodity services
- Facilitated by:
 - ✓ Low cost of human capital
 - ✓ Low cost of communication
- Accelerated by:
 - ✓ Shared quality consciousness
 - ✓ Improved confidence in offshore work
- Constrained by:
 - ✓ Communication barriers
 - ✓ Client distance (geographic and psychological)
 - ✓ IP concerns

Key Trends

- Offshoring volume has risen significantly
 - ✓ It constitutes a small fraction of total employment changes
 - ✓ Job losses related to offshoring are very visible
- Offshore development centers are seeking to move up the value chain
 - ✓ Dilutes cost advantage
 - ✓ Forces the offshore firms to internationalize
- Politicization:
 - ✓ May slow offshoring
 - ✓ Will force offshore firms to internationalize
 - ✓ Forcing developing countries to open markets in *quid-pro-quo* will open new opportunities for offshoring

Medium Term Implications

- Opportunities for bridges:
 - ✓ Market makers (links between sources and demand)
 - ✓ Arbitrageurs
 - ✓ Market information providers
- The beginning of a major transformation of the global economy
 - ✓ Liquefaction of human capital
 - Will lead to greater efficiency globally
 - Will cause Schumpeterian “creative destruction”
 - Will make the global economy more interconnected