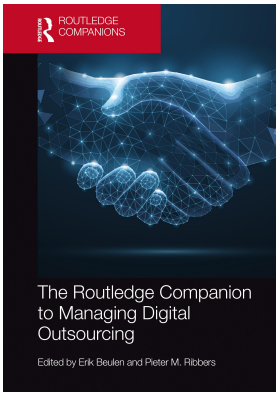

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6
OFFSHORE OUTSOURCING

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6.1 Introduction

IT outsourcing can be defined as:

> the process whereby an organization decides to contract-out or sell the firm's IT assets, people and/or activities to a third party supplier, who in exchange provides and manages these assets and services for an agreed fee over an agreed time period.
>
> *[1, p. 3]*

Strategic drivers for outsourcing may be that the company wants to achieve economies of scale in production, increase efficiency through the use of a specialized supplier, gain access to highly qualified labor, settle or restructure unprofitable work processes. The offshore outsourcing of white-collar work has grown rapidly since the early 21st century [2,3]. The digital workforce of countries such as India and China are only paid a fraction of the minimum wage enjoyed by that of Western firms.

Offshore outsourcing or just offshoring is "the practice among US and European companies of migrating business process overseas to India, the Philippines, Ireland, China and elsewhere to lower costs without significantly sacrificing quality" [4, p. 14]. Following the fall of Communism in 1989, most Eastern European countries started the long road to democracy and a market economy [5], and from the mid-1990s commercialization and mass distribution of the Internet gained prominence. Internationalization and technology development enabled the global sourcing of cross-border products and services, and Western companies have increasingly gained access to cheap labor from Eastern Europe and Asia over the last three decades. Today, there are two main types of jobs in the global labor market. The first is production-related jobs in the export industries, for example in sectors such as maritime and furniture, while the second is knowledge-intensive jobs in service industries in sectors such as IT, banking and finance. According to Jensen and Pedersen [6], the offshoring of IT and other types of administrative services flows to destinations with available talent pools (e.g., Asia, Central and Eastern Europe). IT offshore outsourcing means using an offshore provider to handle some of an enterprise's IT work [7]. More specifically, it implies contracting with a third party (supplier) based at an offshore location (which usually means in a

developing country and separated from the client by an ocean) to accomplish some work for a specified length of time, cost and level of service [8].

Outsourcing and offshoring has become a common business practice in many Western companies, but far from all businesses succeed. Some companies that do not succeed choose to take back the product or service. Backsourcing is defined as "retrieving previously outsourced activities as contracts expire or terminate" [9, p. 165]. Ejodame and Oshri [10] also describe backsourcing as the process where a client firm brings previously outsourced services from a supplier back in-house. According to Veltri, Saunders and Kavan [11], there are two main reasons for backsourcing decisions: first, outsourcing has failed and backsourcing is viewed as a solution to correct outsourcing problems, and second, external and internal changes may motivate firms to backsource activities to respond to new opportunities created by these changes. Typical problems encountered by companies are higher than expected production costs, unexpected transaction costs, lower quality than expected, a knowledge gap between customer and supplier, and lack of control over resources and features. A US survey shows that as many as 70% of US companies have negative experiences with offshoring of IT and that 25% of these companies have brought their services back in-house [10].

A decision to outsource, offshore or backsource implies that the company has to consider costs, resources and its relationship with a partner. In the case of backsourcing, it must also understand knowledge re-integration [10]. Recently, Law [12] introduced the path-dependent pattern or path creation on outsourcing, explaining why firms continue to use outsourcing as a preferred governance mode despite experiencing low performance. Organizational crises and the perception of backsourcing as a success are two elements that enable significant mindful deviations from outsourcing practices and the development of a backsourcing path.

The purpose of this chapter is to provide a basis for understanding organizational maturity for outsourcing, offshoring and backsourcing, as well as showing the characteristics and dominant issues that follow the various levels of maturity.

6.2 Theoretical background

6.2.1 Maturity models

Maturity models have been used in organizational and management research since the 1970s. According to King and Teo [13], such models can describe a variety of phenomena, such as the life cycle or growth of organizations and products. These models assume predictable patterns, preferably called stages or levels in an organization's growth, product sales or application of technology. These levels can be characterized by the fact that they: (1) are sequential by nature, (2) occur in a hierarchical progression that is not easily reversible and (3) contain a number of organizational activities and structures.

6.2.2 Maturity model for outsourcing, offshoring and backsourcing

The development of the maturity model for outsourcing, offshoring and backsourcing has taken place over time, and is based on a targeted research process that first involved the development of a conceptual and theoretical model, then empirical testing of the model and later a revised model [13,14,15]. The revised maturity model shown in Figure 6.1 identifies five stages – internal function, internal service function, outsourcing, offshoring and backsourcing – as explained below [15].

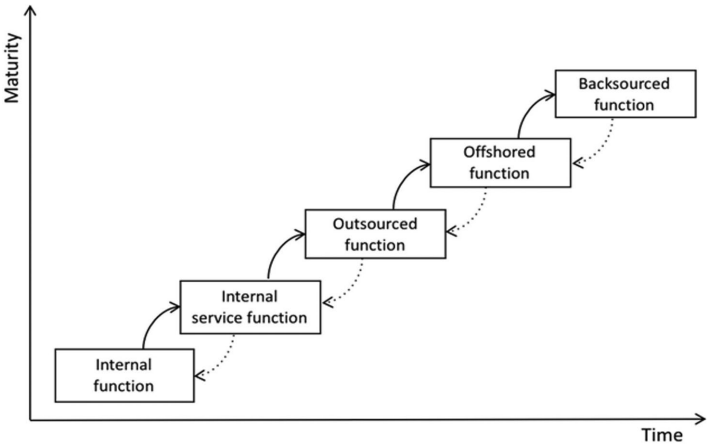

Figure 6.1 Maturity model for outsourcing, offshoring and backsourcing, adapted from Solli-Sæther and Gottschalk (2015)

- Stage one – Internal function. This is the traditional organization where the company manages and maintains an internal IT function. At this stage, efficiency in internal work processes, access to skilled resources and maintaining a good relationship between the IT function and the line of business are important.
- Stage two – Internal service function. An in-house service function delivers services back to the line of business based on documented agreements for services; for example, IT consulting, systems integration, application development and maintenance, and IT infrastructure operation. At this stage, IT costs and resources are still issues, but the significant difference is that the relationship between the IT service function and the line of business is more formal.
- Stage three – Outsourced function. An outsourced function involves a budget, assets such as hardware, software and personnel, and the management of the entire function. At this stage, a contractual relationship is established between the client and the supplier organization, which leads to dramatic changes in the relationship – transactions are formal, control mechanisms change from behavioral control to output control and the personal relationship changes from manager and employee to client and supplier.
- Stage four – Offshored function (or offshore outsourcing). An offshored function delivers IT services from overseas, typically for lower costs. Important issues are reduced production costs, access to qualified resources and partnership quality. The client and the supplier are geographically disparate; they may have different languages, cultures and time zones, and are often asymmetrical in knowledge and economic power.
- Stage five – Backsourced function. A backsourced function is a reverse from outsourcing or offshoring. Due to the termination of a contract, an organization brings IT back either in part or totally. The challenges include cost minimization and operational efficiency, availability of resources and knowledge re-integration, and re-establishment of governance structure.

All stages are conceptualized, so that they are significantly different from each other. There is no overlap in content between the stages, and no stage is perceived as a subcategory of another stage. Each stage is transferable to an empirical setting as the phenomena described are taken from real-life business practices.

6.3 Framework for analysis

Applying dominant problems to stages-of-growth models indicates an existing pattern of primary concerns that firms face for each theorized stage [16]. Kazanjian and Drazin [17] claim that maturity models, implicitly or explicitly, share a common underlying logic. Organizations undergo transformations in their design characteristics, which enable them to face the new tasks or problems that growth elicits. The problems, tasks or environments may differ from model to model, but most models suggest that stages emerge in a well-defined sequence, so that the solution of one set of problems or tasks leads to the emergence of a new set of problems or tasks that the organization must address. Benchmark variables are often used to indicate the characteristics in each stage of growth and to demonstrate that transitions occur throughout the stages. Table 6.1 serves as a framework for analyzing the stages of growth for the sourcing decisions and indicates a set of benchmark areas such as costs, resources and partnership.

6.3.1 Dominant problems and benchmark areas

The first area for benchmarking is *costs*. Cost considerations are an important issue in all sourcing decisions. The first step is to measure the baseline IT service and its associated costs. In making the initial outsourcing decision, companies are concerned about their internal production costs, and they will choose outsourcing where the market is cheaper or better than their own IT services. An argument for the offshore outsourcing decision is the lower labor costs overseas. When companies decide to backsource, managers use arguments such as "external production costs are higher than expected" and "unanticipated transaction costs"

Table 6.1 Framework for analysis, adapted from Solli-Sæther and Gottschalk (2015)

Stage / *Areas for benchmarking*	*Stage one: Internal function*	*Stage two: Internal service function*	*Stage three: Outsourced function*	*Stage four: Offshored function*	*Stage five: Backsourced function*
Costs	Efficiency in business process	Establish baseline for service levels and costs	Lower production costs due to scale economies	Cost reduction due to cheap labor Unanticipated transaction costs	Re-establish operational efficiency in-house
Resources	Access to qualified labor	Professionalization of the service function	Access to top-class resources	Resource flexibility, better access to skilled developers Knowledge gap between client and supplier	Regain control of resources
Partnership	Maintaining internal relationships	More formal relationship between line of business and service function	Formal contractual relationship between client and supplier	Client-supplier differences in terms of geography, time zones, language and cultures	Re-establish internal governance structure

[11,18,19]. As such, cost concerns follow maturation. Regardless of the source, the goal is to minimize costs and achieve operational efficiency.

The second area of benchmarking is *resources*. Companies have to integrate and exploit IT services, internally or from a supplier, to produce competitive services. In running an in-house IT function, there may be a challenge accessing skilled resources. Companies can try to professionalize the IT function by organizing IT as an internal service function. An outsourcing agreement may potentially give the organization access to world-class resources, but the challenge is still to integrate and exploit strategic IT resources from the supplier together with the client company's own resources. If the organization loses control over resources and service function, it is difficult to accelerate the pace of innovation [11]. In offshoring, the knowledge, which earlier could be transferred between people in the same organization or country, now has to be transferred between business professionals in the client company and IT professionals in the supplier company in the low-cost country. In bringing IT back in-house, resource availability is once again a critical factor for success.

The third area of benchmarking is *partnership*. Relationship issues between the internal staff function and line of business may arise because of differences in the professional culture, i.e., between the IT professionals and the business professionals. An internal service function will typically have some kind of documented agreement with the line of business, regulating governance structure, service level and fees for service. An outsourcing contract has the purpose of facilitating exchange and preventing opportunistic behavior between the two parties; however, contractual issues may arise. In an offshoring relationship, the parties have to handle geographic distances, cultural differences, language barriers and time zones. Backsourcing implies the re-establishment not only of systems but of personnel and governance procedures [9,11].

6.3.2 Path of evolution

As indicated above, there may be a general path or trend from an in-house staff function (stage one), via an in-house service function (stage two) to an outsourced function (stage three), followed by an offshored function (stage four), and then potentially a backsourced function (stage five). The most obvious path is from the initial stage one, via intermediary stages two, three and four, to the final stage five. However, other paths are possible. For example, some stages may be bypassed, and also, a temporary return to an earlier stage may be possible.

6.4 Two business examples

In this section, two business examples are used to illustrate the stages-of-growth model and the analytical framework. This approach was selected to understand the inherent complexities and the underlying constructs, in addition to debating the economies of offshore outsourcing. According to Yin [20], the case study method is preferred when examining contemporary events, especially when the focus is on a contemporary phenomenon within some real-life context. The case study's unique strength is its ability to deal with the full variety of evidence, including documents, artifacts, interviews and observations. Two cases of offshore outsourcing information systems development (ISD) relationships were selected with the following similarities: Nordic client companies with suppliers from South-East Asia (India and Bangladesh), and client companies whose aim is to save money and access a skilled work force. The cases provided a broad base of offshore outsourcing practices, suggesting that the case in each cooperating constellation would be of interest.

6.4.1 Data collection and analysis

Data were collected in two steps: first during 2011–2013 through 12 interviews, and second with two additional follow-up interviews in 2017. In-depth interviews following a semi-structured approach were employed as the data collection method. For each case, six interviewees were selected among the participating organizations, both the client and supplier side were covered. The duration for each interview was between one and two hours. Interviews took the form of personal meetings – in person or via Skype. The same researchers conducted all interviews to assure consistency. The questions were addressing ISD, dominant problems, benchmark variables, description of the evolution and the economies of outsourcing. Each interview was documented as soon after the interview as possible to preserve accuracy. The initial interviews were of exploratory character, whereas follow-up interviews were targeted to discuss relevance of the model.

For the purpose of this study, a content analysis approach was applied, as data needed to be analyzed and interpreted [21]. In the analysis, pertinent patterns and similarities in the responses were looked for and identified. The individual cases served as the evidentiary base for the study. The purpose was not to portray any single one of the relationships, but rather to synthesize the lessons learned, which were dispersed throughout the separate, cross-case issues. Below, the results from the case studies are presented and discussed with respect to stages-of-growth, dominant problems and benchmark areas, and evolutionary path. To illustrate the application of the analytical framework presented in the previous section, the two client organizations are analyzed based on the relevant parameters of the analytical framework (costs, resources and partnership).

6.4.2 Case one

Stages-of-growth. The client company is a leading Northern European supplier of electronic payment and information solutions (named: Payco). Payco operates in five countries: Denmark, Norway, Sweden, Finland and Estonia. Payco offshored part of its application development and application maintenance to a global service supplier based in India back in 2003. Every year, a number of calls were made for individual project contracts. Over the years, Payco had developed a standardized set of sourcing models by outlining the tasks/roles that were sourced to the offshore service supplier, the tasks/roles retained by Payco, organizational structures, methodology used to operate the model (e.g., scrum or Waterfall) and key sourcing governance mechanisms. These sourcing models included sourcing of application maintenance, application development and managed service production support and test center. All aimed at increasing the offshore rate, and hence resource flexibility and cost reduction. According to Payco's sourcing manager, "The motivations for offshore outsourcing was increased flexibility, lower labor costs, greater innovation and access to skilled developers."

The ISD project studied was the "Web Portal." The one-year project used scrum methodology to develop and maintain the application. The teams had daily scrum meetings, backlog meetings, weekly meetings and live demo meetings with business unit(s). All project team members were trained in scum methodology and some members were certified. According to Payco's project manager, the two companies had built trust and communicated well using English as a common business language during their long relationship. The supplier provided employees with an internal cultural training program to help them understand Nordic values and culture, as stated by the supplier's on-site coordinator. Software development by the

offshore team finished in time and on budget, having met the technical and quality requirements. Payco's project was successful since the project goals were achieved.

Dominant problems and benchmark areas. Cost considerations were an important issue in all Payco's sourcing decisions. An argument for the decision to offshore was the lower labor costs overseas. According to Payco's sourcing manager: "Home country consultants do not have the same low level of costs as our outsourcer." All software was tested and quality checked. Payco's project manager stated, "The control activity was merely aimed to ensure the deliverables were in accordance with quality specifications." The performance pricing model fixed milestone-based pricing for defined deliverables, i.e., four new releases of the Web Portal. Although transaction costs were significant, such as follow-up, travel and control costs, these did not offset production cost advantages for the global service supplier. As stated by the supplier's scrum master, "Achievement of goals were important to our team members, because success would influence bonuses and future careers."

During the long-term relationship, Payco had learnt to integrate and exploit IT services, from the supplier, to deliver competitive services. The offshore outsourcing agreement gave Payco access to world-class resources, and the two parties had built standardized procedures for integrating and exploiting strategic IT resources from the supplier together with Payco's own resources. For example, the parties had developed a project handbook, which specified the general approach for projects, including the scope, resources, knowledge management, project management processes, quality, agreements, project methodology and contacts.

As Payco's IT manager characterized employees at the supplier, "They have high procedural skills, but they sometimes have trouble seeing the solution in a business context." The supplier's onsite coordinator, co-located with the client company in a Nordic country, maintained the dialogue on business requirements including release planning, and prioritization of tasks.

During their long-term relationship, the two companies had built trust, achieved common values, and they communicated well using English as a common business language. Payco's project manager emphasized that earlier successful experiences made them confident that they could achieve success again: "Our trust in the offshore team was high from the start and it remained high for the rest of the project." This was confirmed by the supplier's on-site coordinator: "We have worked together in more than ten years and we have a very good relationship." Key governance mechanisms, such as contract with deliverables, quality requirements, and commercial terms, suppliers review of deliverables and participating in scrum meetings, escalation points for any sourcing issues, milestone-based payments, were established and recognized by both parties. The supplier investigated expectations and perceptions of partnership quality. According to the supplier's project manager: "A customer satisfaction questionnaire was sent every six months."

Evolutionary path. Payco had matured into offshore outsourcing (stage four) over time. Focus on costs had driven the company toward an ever cheaper, more efficient and flexible production of services. However, Payco has realized that tight cost control, access to and control of resources and expertise, and the long-term commitment from both parties were essential for success, as summarized in Table 6.2.

6.4.1 Case two

Stages-of-growth. The client company is a leading provider of open-source web application acceleration software (named: Webco). The software development began in 2005 as an idea by Norway's largest online newspaper. Today, leading websites all over the world rely on this software,

including Facebook, Twitter, eBay and The New York Times. The supplier, a software development provider, is a Norwegian IT consultant and offshoring company, with administrative offices in Norway and a main services and development department in Bangladesh. The supplier, a small- to medium-sized enterprise, offers IT development and maintenance services to European organizations. It was founded in 2010, reflecting the managers' previous experiences with offshoring to Bangladesh and India. The client had no experience with offshoring software development activities to low-cost countries. According to Webco's CEO, "The main motivations for the arrangement were lower development costs, better access to skilled developers, and contributions to local community development."

The offshore project studied was the "Administrative Console." The project was defined as a scrum-based software development project with a duration period of 15 months. The purpose of the project was to develop software to configure the web accelerator. Webco signed a contract with the supplier in Norway, which gave it access to a systems development team of IT workers in Bangladesh. Webco's project owner was responsible for the program development, which included a description of user stories and architecture.

The supplier office in Norway assisted and coached the process, including helping with the scrum methodology, communications and culture building; the plan was that Webco would communicate directly with the offshore team after a start-up period. Webco's project was not successful because of delays and poor quality of source code.

Dominant problems and benchmark areas. Webco decided to purchase system development services from a supplier in a low-cost country. The expectations of low production costs and high quality of the development work were not met. The poor quality of the software developed by the offshore team, the demand for extra quality assurance and the need for extensive reprogramming of the software by Webco's onshore team meant that the project was not finished on budget and schedule. Webco took over the software programming and spent approximately a year rewriting and improving the code. In this case, higher than expected transaction costs ruined the cost advantages of the supplier, and Webco subsumed the system development.

During the project, two development teams, one onshore in Norway and one offshore in Bangladesh, worked closely together. These teams were established across organizational borders with the intention of improving understanding of the business process, providing insight into both business and technical challenges, as well as using each other's professional expertise. Initial trust was soon diminished, and high knowledge-based trust was never achieved due to the offshore team's poor product performance. According to Webco's CEO, the offshore team did not have the necessary competence: "They didn't have the same professional level as our onshore team, and thus knowledge transfer became difficult." This was confirmed by the supplier's scrum master: "There were a lack of quality in code for some sprints, and the client was not very happy." In addition, the supplier's lack of business understanding made the software development work difficult and the supplier's commitment to quality declined. The problem of supplier competence strongly influenced the backsourcing decision.

To facilitate relationship, building a special "on-boarding program" was initiated by the supplier's office in Norway. According to a project member of the supplier, there were physical meetings between members of the onshore and offshore teams over a one-week period. The aim was to increase motivation, shorten start-up time and bridge the gap between the client's onshore team and the supplier's offshore team. According to Webco's project owner, "The need for this program became clear when we sensed a cultural and organizational mismatch between the onshore and offshore team during the initial face-to-face meeting."

To reduce this gap, training of the offshore team took place to teach them about the aim and objectives, project organization, roles, responsibilities, processes, methods, expectations and culture. In addition, the supplier's project coach trained the offshore team in the scrum methodology. The intentions were good; requirements and needs were specified in contract, but it proved time-consuming to build a trusting relationship. The great challenge Webco faced was the achievement and the enforcement of agreed terms.

An effective communication and operations structure had to be established in each organization and between both parties, but this was too time-consuming. The discovery of flaws in the contract motivated backsourcing.

Evolutionary path. Webco took a huge step from an in-house function (stage one) to an offshored function (stage four), as they had no previous experience with offshore outsourcing. This proved to be problematic as the software development project was not finished on budget, was delayed for several months, and the quality of the source code was poor. In addition, the established management structure worked poorly. Webco took the system development back under internal control, and the project was subject to additional costs for rewriting the source code. The result of backsourcing (stage five) was risk reduction, higher quality of source code and lower maintenance costs. See Table 6.2 for a summary of the case.

6.4.4 Lessons learned

First, these two business examples demonstrate that both companies tried to justify their sourcing strategy based on evaluating the possibilities for production cost savings. In addition, transaction costs such as meetings, training, travel and control costs were significant and influenced the sourcing decisions. Second, client companies experienced different levels

Table 6.2 Two business examples

Client organization	*Situation/stage*	*Dominant problems*	*Evolutionary path*
Payco – Northern European supplier of electronic payment and information solutions	Application development and maintenance offshored to a global service supplier based in India	Transaction costs did not offset production cost advantages of the global service supplier Had built standardized procedures for how to integrate and exploit resources Well-established governance structure among partners for different sourcing models, training program to understanding values and cultures	Payco had matured into offshore outsourcing Cost control, resource control and long-term commitment essential for offshoring success
Webco – Provider of open-source web application acceleration software	Application development offshored to a consultant company in Bangladesh	Budget overruns, schedule not met and low quality of source code Knowledge gap between parties, low knowledge-based trust between teams Cultural and organizational mismatch	Webco's step from in-house to offshored function proved to be problematic Backsourcing decision aimed to reduce risk and cost, and to improve source code quality

of success in integrating and exploring suppliers' resources with their own resources. Although the intention behind offshoring was to gain access to world-class resources from the supplier, this was not achieved in one of the cases. The knowledge of client business practices was particularly difficult to transfer to a supplier in another culture. Third, outsourcing contracts provided a legally bound, institutional framework in which each party's rights, duties and responsibilities were codified and the goals, policies and strategies underlying the arrangement were specified. In addition, partnership was a complement to overcome constraints in the adaptation and execution of contracts. In case one, Payco and its supplier had a long-term commitment and had established a governance structure that nourished continuity and flexibility when change and conflicts did arise. In case two, there were no such governance structures that could help.

6.5 Return to the beginning or a step forward?

The suggested multidimensional analytical framework incorporating areas such as costs, resources and partnership concerns, as suggested by Solli-Sæther and Gottschalk [15], indicates that companies undergo transformations in their design characteristics, which enable them to face the new tasks or problems that growth elicits. These areas may explain why service functions are steadily on the move.

Economic theories address performance, such as high economic benefits, low transaction costs, effective contracts, good principal-agent cooperation and efficient division of labor. Neo-classical economic theories regard every business function as a production function [22], where their motivation is driven by profit maximization. According to Henisz and Williamson [23], transaction cost economics is a comparative contractual approach to economic organization in which the action resides in the details of the transactions on the one hand and governance on the other. In transaction cost economics, firms are hypothesized to take sourcing decisions to minimize the sum of production and transaction costs [24]. Following production and transaction cost theories, the sourcing of the IT service function will continuously be on the move, looking for the best opportunity to lower costs. At one point in time an outsourcing or offshoring decision is reasonable; later, because of changing conditions, backsourcing may lower the costs.

The central tenet in resource-based theory is that the unique organization of resources is the real source of competitive advantage [25]. A company's resources include not only physical assets such as infrastructure and information systems but also its competencies. The ability to leverage distinctive internal and external competencies relative to a specific environmental situation affects the performance of the company. Thus, the value potential of an outsourcing or offshoring arrangement is to gain access to the supplier's resources. A firm's own resource endowments, particularly its intangible resources, are difficult to change except over the long term, and even more difficult if the client and supplier are not located in near proximity. Although human resources may be mobile to some extent, capabilities may not be valuable as some of them are based on firm-specific knowledge, and others are valuable when integrated with additional individual capabilities and specific firm resources [26]. Client companies may lose control over outsourced services, and there may be large knowledge gaps between the client and the supplier [11].

Every outsourcing contract has the purpose of facilitating exchange and preventing opportunism, but outsourcing contracts can also be characterized by long durations of inter-partner dependency and unanticipated contingencies in uncertain environments. A contract alone is insufficient to guide outsourcing arrangements, cooperation is also

needed [27]. Cooperation is an improvement process through mutual forbearance in the allocation of resources, such that one party is made better off and no one is worse off than it would otherwise be. Poppo and Zenger [28] argue that contracts and relational governance are not substitutes but complements.

Digitalization occurs in each step of the maturity model. At the stage of backsourcing, the digital perspective has transformed the in-house function in terms of automization and intelligence. After the stage of backsourcing, a new iteration of maturity steps can emerge, where digital outsourcing is not just a matter of systems, but also a matter of business functions. We can see a never-ending spiral where exploration and exploitation of digital opportunities take place in an interaction between internal and external digital service functions over time.

6.6 Conclusion and implications

The path of outsourcing is important, as it may be argued that backsourcing is a return to the beginning, where this organizational change is seen as a waste of time. The suggested stages-of-growth model indicates a path of evolution from the in-house function(s), via the outsourced and offshored function, and finally to a backsourced function. It is not a return to the beginning, but something that has been altered. As time passes, a company's product and services change, and so do the internal production processes. As a consequence, its focus on IT costs, resources and relationships changes and matures. Moves may be caused by production and transaction cost economics, contract shortcomings and opportunistic behavior.

For practitioners, a stages-of-growth model represents a picture of evolution, where the current stage can be understood in terms of both the history and the future. According to Burns and Stalker [29], companies can use maturity models to identify which stage they are in, particularly when using the characteristics of each stage. Having positioned their firm, the particular model has the potential to help managers in identifying upcoming issues and, thus, provides a framework for planning and orchestrating the evolutionary journey. Using the benchmark variables suggested for a specific model may provide practitioners with a set of considerations that may deserve special attention. Therefore, the concept of stages-of-growth models should enable practitioners to better understand, manage and plan for the evolution in their firms [13]. According to Burns and Stalker [29], an important feature of a stages-of-growth model is that it can identify for management where major transition points occur and also the change factors that need to be managed if staged growth is to be accomplished effectively.

For researchers, the stages-of-growth models have the potential for creating new knowledge and insights into organizational phenomena. Such models represent theory-building tools that conceptualize evolution over time. The stages-of-growth model for outsourcing, offshoring and backsourcing represents a theory to be explored and empirically validated. Further research should carry out empirical testing of the framework. Another promising direction for further study could be a more thorough analysis of how digitalization will change outsourcing strategies and decisions.

It remains an interesting question to explore how automation and robotics influence digital supply chains, and how government initiatives will succeed in bringing back formally offshored jobs. Digitalization alone is not a reason to favor or dismiss backsourcing. However, the traditional offshoring practices are increasingly counterbalanced by rising labor costs in offshoring countries and new technologies.

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