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Book Reviews/Recensions de livre

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Outsourcing—Design, Process and Performance

Michael J. Mol (2007)
Cambridge, England: Cambridge University Press, 218 pp.
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This book helps readers develop a good understanding of outsourcing and its impact on performance. The main objective of the book is to develop a new perspective of outsourcing and discuss ways to control the performance of organizations based on this new perspective. The contents of this book can be divided into seven themes: (i) a critique of the extant literature relating to outsourcing (chapters 1 and 2); (ii) development of a new perspective to examine outsourcing (chapter 3); (iii) the decision-making process relating to outsourcing (chapter 4); (iv) the relationship between outsourcing and performance (chapters 5 and 6); (v) guidelines to practicing managers (chapter 7); (vi) a research agenda for outsourcing (chapter 8); and (vii) future trends (chapter 9). The discussion begins by examining definitions of outsourcing offered by various authors. Author Michael J. Mol has developed his own definition of outsourcing incorporating purchasing, subcontracting, and strategic outsourcing. According to author Michael J. Mol, this book differs from other books in the following three aspects: (i) it proposes a comprehensive outsourcing model based on multiple social science perspectives; (ii) it covers many different forms of outsourcing; and (iii) it examines all aspects of the outsourcing process. As such, this text is useful for academics, practitioners, and postgraduate students.

In chapter 2 the main advantages and disadvantages of outsourcing are explained. One of the arguments in favour of outsourcing is that it increases the strategic flexibility of the firm. This is very important because in the 21st century business environment, firms need to have strategic flexibility in order to sustain their competitive advantage. Among the disadvantages identified by the author, limited learning and innovation are major disadvantages. It becomes difficult for the firm to develop its core competencies if some of the key activities are outsourced. In chapter 2, outsourcing is examined on the basis of different theoretical perspectives, namely, transaction cost economics, resource-based view, core competencies, micro-economics, industrial organization, agency theory, real options, institutional voids, costly contracting, relations and learning, and social networks. This discussion enables the reader to view outsourcing from different angles and is very helpful in developing a good understanding of this concept.

In chapter 3 the need for revisiting the relationship between outsourcing and performance is explained on the basis of practical, theoretical, and methodological perspectives. From a practitioner's perspective, many pertinent questions relating to outsourcing are not clearly addressed in the extant literature. These questions include: How can the results of outsourcing strategy be measured and evaluated? and What is the best way of managing the outsourcing process? The relationship between outsourcing and performance can be examined from a theoretical perspective by applying the established theories in strategic management to study outsourcing. The vast majority of empirical studies examining the relationship between outsourcing and performance have methodological shortcomings. The results of the studies can be improved by overcoming these shortcomings. A new perspective to examine the outsourcing—performance relationship—is proposed in the form of a negative curvilinear function. The main arguments presented in the book build upon the argument that the firm performance is a negative curvilinear function of outsourcing across different activities in its value chain.

Building on the new perspective based on negative curvilinear relationship between outsourcing and performance, the decision-making process relating to outsourcing is examined in chapter 4. The central argument is that it could be possible to control the performance of a firm through proper alignment. Alignment is defined as a state when firms choose their level of outsourcing in order to place themselves at the top of their performance curve and when there is an exact fit between outsourcing levels and outsourcing determinants. Misalignment can occur when the firm is either too integrated or too highly outsourced. Various causes of misalignment are discussed in detail in chapter 4.

Chapters 5 and 6 discuss shifting the performance curve of firms. Chapter 5 addresses vertical shifts of the performance curve, and chapter 6 discusses horizontal shifts and changes in the steepness of the curve. Vertical shift refers to achieving greater levels of performance by performing the same set of activities. Two approaches have been suggested for shifting the curve upwards. The first approach highlights the enhancement of firm performance through proper configuration of its resources and capabilities as suggested by the resource-based view. The second approach, namely external span of control, suggests that performance can be improved by effectively managing supplier relations. It is possible for firms to achieve higher levels of effectiveness than their competitors in the management of external outsourcing relations, thereby achieving a higher level of performance. The horizontal shifts of the performance curve refer to the shift of the curve from left to right or vice versa. This could mean that the optimal outsourcing levels of organizations could become higher or lower according to changed circumstances. The shifts in the optimal outsourcing levels are normally caused by changes in the ability to outsource certain activities. Outsourcing activities in the value chain of an organization can vary due to changes in the general environment. Technological and institutional changes are two principle factors that cause these changes over which organizations have little control.

Chapter 7 provides some prescriptive guidelines to managers for outsourcing. It tries to correct the notion that noncore activities of an organization should be outsourced. There is a belief that outsourcing is becoming more strategic and less focused on cost reductions. According to this view, outsourcing could add value to the products and services of the firm. This chapter argues against this belief and states that strategic outsourcing is possible only for a few activities. This chapter also discusses the development of a tool that will help managers to determine the optimal outsourcing levels for firms. Even though tools like checklists and flowcharts that help managers make outsourcing decisions are available, the help these tools provide is limited. For example, checklists generally focus on one industry sector or one type of activity and hence there are issues relating to generalizability and losing attention on firm-level considerations. Mol suggests that a set of explanatory variables, which would affect the optimal outsourcing levels of organizations, could be identified by examining the extant literature. As such, a multivariate prediction model could be developed. This model would be able to predict what percentage of the total turnover of an organization should be outsourced. Mol also suggests that by ranking all activities of a firm by their outsourceability it could be possible to identify those activities that are either above or below the optimum level. Through this process firms will be able to identify activities that could be outsourced.

In chapter 8 Mol provides some ideas for future research in the field of outsourcing. He discusses some of the theoretical challenges relating to outsourcing and proposes some extensions. Some of the methodological, methodical, and empirical challenges in outsourcing research are also addressed here.

In chapter 9 some future trends in outsourcing are highlighted, which will be of particular interest to practicing managers. Mol predicts that there will be a substantial increase in the outsourcing activities in the next ten to fifteen years.

This book examines the outsourcing phenomenon from the perspectives of both academics and practitioners. The critique of the literature is thorough and insightful and identifies some key gaps in the literature. It also contributes to the literature in the form of theory building by proposing a new perspective to outsourcing. By and large the text meets its primary objective; however, the overall presentation of the text resembles that of a PhD thesis. A spin-off that is more practitioner-friendly would make the book more attractive to managers. The spin-off should have less theoretical debate and more examples from the practical business world. The insights gained from the literature review could be presented to the managers in a more straightforward manner without being heavy with theoretical perspectives. These arguments should be augmented with practical examples of outsourcing. The cases already included in the book could be used for this purpose. In addition, a few more contemporary outsourcing practices in organizations could be included. It would be helpful to managers if a discussion relating to the outsourcing of each activity in the value chain and its impact on organizational performance was included. Likewise, findings from empirical studies about outsourcing different activities in the value chain with relevant examples would add value to this ambitious text.