

Outsourcing: A Phenomenological Examination

By  
Miguel Cesar L. Bautista

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Approved: Dr. David Wicks  
Professor, Sobey  
School of Business

Approved: Dr. Margaret McKee,  
MBA  
Program Coordinator  
Sobey School of  
Business

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**ABSTRACT**

Through years of differing employment climates, legal proceedings, economic situations and globalization, I attempted to follow the practice of outsourcing within the management literature. This study was undertaken because I wanted to answer the following questions: When was the first appearance of the term outsourcing? Was there a way to examine the activities of organizations through the literature itself? What surrounded the practice of outsourcing in these time periods? My methodology included examining management literature from three time periods. I defined these three time periods to better examine their political, social, and economic situations.

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**Introduction**

The word outsourcing has been a part of management literature since the idea gained prominence in the past 10-15 years. Arguably the term has become ubiquitous in describing the strategies and actions of many organizations as they seek competitive advantage by moving some business activities to external vendors. These vendors may provide a cost advantage due to lowered wages or specialization. I attempted to study outsourcing by: 1) observing how organizations engaged in outsourcing, 2) tracking terms that organizations used to define their activities and 3) using phenomenology to see how organizations observed and came to understand the contexts of their time. I restricted my search to articles that fell within the time period of study while completing my literature review in order to maintain the proper phenomenological mindset. I attempted to find how organizations adapted by examining what they did in response to the political, social, and economic contexts that surrounded them I then attempted to gauge the interest of organizations in outsourcing by looking at how many times organizations defined their activities as outsourced or engaging in outsourcing within the management literature. I examined the management literature across three time periods. I defined these time periods, in order to better search for patterns or repeated activities as evidence of recurrence. My search for organizational interest in outsourcing within the management literature led me to the EPP, (etymological proliferation point) of outsourcing. I also examined globalization, and how it may have affected organizations and their outsourcing activities.

**What is Phenomenology?**

As I attempted to understand how organizations dealt with outsourcing within certain timeframes, contexts and situations, I looked to phenomenology as a way to remain open to their experiences. In this way I was able to see how organizations encountered and came to understand outsourcing.

The connection between phenomenological analysis and management practice is an uncommon one, as Anosike, Shaw and Ahmed (2012) have stated. They argue that phenomenology remains valid as a way for researchers to better grasp the "struggle with the nature of intelligent action by organization" (p. 206). Since I was attempting to learn and study how organizations acted and responded to their environments, I used their work to build a framework that I utilized as I examined the management literature.

Anosike, Ehrich, and Ahmed (2012) explained how phenomenology can help create a deeper knowledge of organizational practices: "Understanding the complexities associated with management practices in the organization, requires a worldview that invites a much deeper scrutiny of how individuals assign meanings to their everyday management actions and experiences" (p. 208). They go on further to say, "To capture the complex reality of lived experience, requires adopting a worldview that embraces non-positivistic research forms, such as phenomenology" (p. 208).

According to Shaw (2012), phenomenology is "the science of the ways in which knowledge appears" (p. 2). Shaw (2012) writes that it is a way to "ground our knowledge of the world in our lived experience, without in the process reducing the content of that knowledge to the contingent and subjective features of that experience" (p. 4). Anosike, Ehrich and Ahmed (2012) also state that "Phenomenology may contribute to the

discipline and practice of management" (p. 210). Phenomenology provides a practical means to explore management. It requires that I be able to immerse myself in the concept as it appears. It depends on a personal involvement with the phenomena. As Anosike, Shaw and Ahmed (2012) mention: "'Phenomenology studies situations that exist and must always begin with ourselves'" (p. 211). Having been engaged in an outsourcing arrangement, I have personal familiarity with the outsourcing concept, and believe I can engage in a phenomenological exploration of the management literature.

### **Phenomenology as Methodology**

Phenomenology is a distinctive way of making sense of phenomena. Anosike, Ehrich, & Ahmed, (2012) suggest the following steps:

- 1) Attend to phenomena as they appear in themselves.
- 2) Set aside categories of things we normally attend.
- 3) Seek out the structurally invariant features of phenomena.

Shaw (2012) calls phenomenology "the study of the lifeworld, the world as we experience it pre-reflectively rather than as we conceptualize or reflect on it" (p. 6). Put simply, the examination of what something is, without adding bias or feeling on it.

Put in a simpler way, Shaw (2012) describes the aforementioned steps by way of a thought experiment. Begin by asking "if someone from ancient times was by magic, brought into the concept (outsourcing), what would they report?" (p. 8). Follow that by rejecting "general argumentation" (p.9), or the opinions of theorists, practitioners, policy analysts, and social scientists; Focus on asking 'why' or 'what' a thing is. Finish with eliminating all that one typically understands, and determine what remains. This method



is also known as eidetic reduction, and it allows a vivid image of the hidden to form from engagement with the phenomena.

What remains in phenomenological research is essence. It is the ability of phenomenological research to arrive at the pure definition of things (the essence) that is of interest to me. Anosike, Ehrich, & Ahmed (2012) mention: "The aim of phenomenology is to arrive at the essence of a phenomenon rather than the essence of a "singular experience; it is relationships that are important in phenomenological seeing" (p. 219). By way of metaphor, a phenomenological explanation of triangles (as mentioned in the Shaw (2012) method is as follows:

- 1) I know what triangles are.
- 2) I also know what the 'essence' of a triangle is. I know that it is separate from the triangle, because it can define all other triangles.
- 3) I have formed this triangle-essence is formed within you.

Phenomenology helped me to discover the essence of outsourcing and the tone in which organizations were defining their actions.

### **Literature Review**

Outsourcing is understood as a strategy that provides competitive advantage through one or a mix of cost saving, efficiencies, and specialization. Outsourcing can be split into two parts. The first part, 'out', is that this vendor is owned by a completely separate entity, external to the firm. The second part of the word, 'sourcing', is the procuring of an activity to from vendor or location. It involves an organization forming a relationship with other organizations. These other organizations may have more competitive wages or higher degrees of specialization, which lead the outsourcing organization to buy the product or service in lieu of the costs of creating the product or service internally. As I explored the management literature, the practice of outsourcing revealed itself as having roots in phrases such as but not limited to contracting out and subcontracting. As the management literature approaches more recent times (the 2000s) I noted that the term outsourcing increased in usage.

What is outsourcing? Lankford & Parsa (1999) defined outsourcing as “the procurement of products or services from sources that are external to the organization. For services, this usually involves the transfer of operational control to the suppliers” (p. 310). Competitive advantage may be gained when products or services are produced more effectively and efficiently by outside suppliers. Outsourcing was also split into enabling two kinds of advantages, operational and strategic. Operational advantages provide short-term trouble avoidance, while strategic advantages provide long-term access to potential opportunities (Lankford and Parsa, 1999).

### **Phenomenology**

In my phenomenological read of the management literature, some articles stood out more than others. These articles stood out because stronger words were used in them and some had direct connections to legal decisions that surrounded outsourcing or directly addressed the economic or social effects of outsourcing. These stronger words were phenomenological triggers – sentences or phrases that evoked feelings or understanding that surround a particular essence. These phenomenological triggers are highlighted in tables six, seven and eight in the appendices as well as within the phenomenological sections of my study. In the phenomenology sections of each era I attempted to follow the phenomenological methodology mentioned in Shaw's (2012) study: 1) what do I see? 2) Why am I seeing these things? 3) What is left to conclude? What remains?

### **The EPP – Etymological Proliferation Point**

When did organizations start to use the outsourcing term? Can a point in time be determined where prevalence of the term outsourcing started to increase? I arrived at my area of focus by examining the AbInform, EBSCO Business source, and JSTOR databases – focusing on the terms offshoring, subcontracting, industrial migration, and outsourcing. I recorded the hits<sup>1</sup> based off the search results in each database, and tabulated them. For the 1980-1989 era, I did a further check and went year by year to determine a year specific EPP. I tallied the hits across all the databases and found the highest total score per year. The full tables and supporting data can be found in the

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<sup>1</sup> 'Hits' – terminology used to express the number of successful retrievals from a search engine.

appendices under tables one through five. I used the EPP as a milestone to help focus the study and help to highlight the increased recurrence of outsourcing. In my study the EPP of outsourcing was the year 1988. I arrived at this by examining the years between 1980 and 1989, while searching for outsourcing on a year-by-year basis. I then summed across the three databases and found the year with the highest number of total hits.

### **A note on the 1990s**

I was more concerned with the birth of the outsourcing. I made the assumption that 1) I could not examine all the literature from the 1990's onward and 2) that networking and globalization increased the amount of available data within the three databases. That assumption was relatively simple for me to glean from the business databases since more data was shared, more articles could be turned into archives (technology level increase in this year), and there was more opportunity (through the proliferation of computers and information technology) to create and contribute more data into the management literature.

### **Breakdown of Time Periods**

As mentioned in the introduction I broke down the literature into three, ten year time periods, starting from 1960. I chose 1960 as the start date due to 1) availability of indexed, catalogued, and searchable literature becoming available in 1960, and 2) to more easily break down the trends on search engine results. An important observation was that as the literature review approached the 1990-2000s the amount of data that was available became beyond the ability of one researcher to poll and index. The time periods, or 'eras' for helped me to frame my findings, literature reviews, and examinations. The first era

covered 1960 until 1969. The second era covered 1970 until 1979. The third and final era I examined covered 1980 until 1989.

**Era 1: 1960-1969****Economics and Politics**

Many of the articles that I was able to find were from the United States or were written within a United States context. One can reasonably assume that they were written within the political and economic position of the United States.

Of note was the United States economic situation in this era (US Bureau of Labor Statistics, 1960-1969). Unemployment ran high at 7%. The United States economy was in recession as 1960 started. John F. Kennedy led the United States and he instituted policies to get the economy to grow again and to reduce unemployment to 4%. A charismatic leader, he challenged the American people to seek and find what he called the new frontier. JFK promised to get America moving again. By increasing government spending and reducing tax rates, Kennedy sought to improve America's economy. Lyndon Johnson, who took over after JFK was assassinated, worked alongside Congress to build what he called a great society, by sharing the positive performance of the United States economy with all its citizens.

Socially, this era was a time of widespread change. The civil rights movement questioned many of the societal norms for voting, property and employment among African Americans. Such a tone would spread to the other racial minorities in the United States. During this time there was a counterculture driven by the younger members of society; members who were galvanized together by a need to stand against conservativeness and the United States' position and involvement during the Vietnam War (Anderson, 1966).

### **Management Literature Review**

The literature in this period revolved around the concept of subcontracting. There were numerous publications and published studies that consider subcontracting and its effect on labour, and unions.

Gregg, (1964) mentioned “international stratification and Underdeveloped Countries” (p. 195). While his main point was to offer solutions for the economic and social inequality in developing and underdeveloped countries, he laid down an important set of concepts for the evolution of outsourcing. Gregg (1964) stated that work can be moved beyond a country’s borders, for purely economic reasons. Gregg’s (1964) work was the first instance in the management literature that mentioned “economic regionalism” (p. 200), and foretold of an economic divide between the developed and developing world: “...Economic regionalism, which should be of interest to students of international organization, economic development, and the Asian area generally” (p. 200). His commentary was essential to the evolution of the outsourcing activity. He critiqued the slow pace of economic development in developing countries and established Asia as a central player in today’s outsourcing activities: “Every step taken by Asian states towards their greater solidarity was thus an improvement in their bargaining power with the economically strong countries” (Gregg, 1964, p. 200). I believe that this was an important milestone in outsourcing’s development, as he was one of the earliest that argued that 1) there was a divide between the developing and developed world and 2) framed that argument as the economically strong versus the economically weak.

Further examination of the literature of the era revealed a focus on subcontracting. Subcontracting had a direct impact to labor obligations / union obligations. Since

subcontracting had an effect on the job security of existing union workers, its effects conflicted with the goals of organizations to lower costs. This is because organizations had to engage in negotiations between unions and these negotiations cost both time and money. Vyver (1962) provided some groundwork to frame that the overarching mood of the era was that many organizations had a duty to bargain with their employees before seeking to subcontract or contract out work that could normally be done internally. Later in the landmark decision/ study of the Fibreboard case, Vyver's critique set up the cost control and efficiencies vs. job security argument, an argument that was common during this era. He goes on to mention a phrase that has become part of the definition of outsourcing - "the movement of labor" (p. 235).

The Harvard Law Review (1964) provided an additional dimension to the movement of labour, as it examined labor relocation. The review stated that: "industrial migration has become increasingly common in recent years because of heightened mobility and active competition among less developed regions to attract industry" (p. 120). Organizations during this period were beginning to move labor to third world / developing countries and terms such as industrial migration were used to define these activities. The negative connotation of such practices may have stemmed from the fact that industrial migration was considered a threat to union contracts, thusly emphasizing the need for arbitration. Articles in this era mentioned another aspect of subcontracting/ contracting out of the time, the cost of dealing with unions vs. the cost savings of looking to external contractors. Even if the aforementioned Harvard Law Review (1964) stated that subcontracting was an "unfair labor practice" (p. 123), it also mentioned that there were independent economic motives that drove relocation/ industrial migration. An



antagonistic setup of costs vs. keeping the firm's unions appeased was a theme that was reflected often during this era. Joseph (1963) in his take on subcontracting placed organizations in what he called a "security-efficiency bind" (p. 98). The security he referred to was the job security of unions and the efficiency he referred to was in relation to the ongoing work of the organization. Union and management were pitted against each other. Joseph (1963) wrote: "As job security gains prominence as union demand, it runs headlong into management's need to increase efficiency" (p. 99). He went on to say that the resistance to subcontracting "amounted to the insistence on the perpetuation of inefficiency" (p. 100). Although Joseph's (1963) article used language that was meant to advise for labor disputes and concerns, it also mentioned the advantages of outsourcing being skewed in favor of management: "For the employer (management), naturally, subcontracting has its charms. Subcontracting provides flexibility for adjustments to short-run fluctuations in labor requirements and as an alternative to investment in new equipment. Through subcontracting, an employer can avoid having to manage functions which were remote from the major interests of his company, and in this way can utilize specialized skills most efficiently" (p. 101). Later in the article, Joseph (1963) explained why outsourcing was looked at with skepticism and hostility, especially by labor: "from an employee's point of view, on the other hand, subcontracting was a threat to job security. Every job done by an outsider represents lost work for the employees" (p. 102). More evidence of an antagonistic tone surrounding outsourcing was found in Baer's (1965) article. He mentioned: "many people become emotionally involved when discussing it, since subcontracting has become a glandular word—the mere utterance of

the word causing the pulse to throb, the thyroid gland to secrete and the temperature to rise dangerously” (p. 643).

There was further evidence of mounting pressure on the organizations of the era to balance the economic pressures business and the rights and privileges of their employees. An example of this evidence was the Fibreboard decision, an early and significant step towards legitimizing outsourcing. The United States Supreme Court’s decision in the Fibreboard Paper products Corporation vs. NLRB (United States Supreme Court, 1964) was a milestone legal decision reached during this era. Many studies and articles of the era referenced the fiberboard decision, sometimes called the Fiberboard Doctrine. Succinctly the ruling legally compelled companies to negotiate with their unions before attempting to seek out or enter subcontracting arrangements. The Fiberboard Doctrine was a significant because business could no longer avoid the costs associated with negotiation or arbitration. In Baer’s (1965) article, a common (and primary) rationale of organizations was to derive cost based savings. He mentioned that: “in Fiberboard, the company’s motive was solely to reduce its maintenance costs when it let out its maintenance contract” (p.645). Since organizations could no longer simply cease arbitration to cut down on costs, this added a negative dimension to seeking and engaging in subcontracting arrangements. The fiberboard decision was indicative of the United States labor situation. The decision represented a victory for unions, during a time in which unions sought to protect and keep the jobs of their members.

The literature in this era painted the movement of work as a contentious, antagonistic situation, one that required arbitration or legal intervention. On one side of the argument there was the organization; on the other side there was labor. Organizations

sought to eke out advantage even if it was at the expense of labor. Organizations, by definition, sought profit. Outsourcing was one way in which they engaged in efficiency seeking, in that costs were managed by manipulating either the circumstances of the factors of production, or by reading and responding to market forces. Labor, a factor of production, wanted to protect itself against purely economic motives (De Vyver, 1962), a difficult position given the economic pressures of the era. It was this antagonistic relationship between labor and organization that helped to create a negative connotation around outsourcing. Labor in this era sought to protect itself, and maintain job security in an increasingly uncertain environment.

### **Phenomenological Evidence**

Organizations in era one saw an increasing split between developed and developing countries, and more instances of economic regionalism. They were beginning to understand that labor and arbitration were regular and required costs as they conduct business. This may have led to the era's antagonistic us vs. them (us being the employer and them being the employed) mentality. Several boundaries were drawn in this era. Gregg, (1964) makes the distinction between ““have not” states, the idea that "economic modernization is an essential element of any rational program of development in the developing world" (p.1). Gregg (1964) further emphasized these boundaries, by saying there is “international stratification and Underdeveloped Countries” (p.2). There were economic boundaries in this era, such as the ones that exist between countries that produce cheaply, and countries that do not. There were also social boundaries, such the one that exists between the daily laborers vs. the manager. On one side of that boundary labor was becoming more aware of its influence, on the other, organizations were paying

more attention to rising operational costs. Unemployment was high in this era (as referenced in the era's economic situation summary) and labor was taking defensive steps to protect itself. De Vyver (1962) highlighted the divide between labor and management, and wrote about arbitration's permanence in managements assessments of labor costs, stating that : " arbitration was economic institution" (p.237). Further, he linked unions and operational costs, "unionism is a new economic factor that the employer may consider in making operational decisions" (p. 237). The feeling of entitlement felt by unions was reflected in their stance on negotiations, in that "unions have insisted that they have a right to negotiation before a business location is moved or before certain work is contracted out." (p. 238). DeVyver even called a breakdown in bargaining a "trial by combat" (p. 240).

This era's status quo was challenged by the social, economic and political contexts of the time. Organizations in this era had to respond to multiple pressures from labor laws, wages, and the movement of jobs vs. the idea of keeping jobs within the United States. The Harvard Law Review (1964) commented on the movement of jobs in a phenomenon known as industrial migration: "Industrial migration has become increasingly common in recent years because of heightened mobility and active competition among less developed regions to attract industry" (p. 103). The review commented on rationale of this migration, on it being purely cost driven: "relocation based on economic antiunion bias should be an unfair labor practice where the employer merely anticipates increased costs" (p.104). On the employer side, Joseph (1963) defended subcontracting as "'a method of getting things done, but without causing problems" (p. 98). He cautioned organizations that continue to subcontract, highlighting

job security and as a key concern for dealing with unions: “from an employee’s point of view, on the other hand, subcontracting is a threat to job security. Every job done by an outsider represents lost work for the employees” (p. 100). Baer (1965) further emphasized the mood of the time by commenting on the union’s perception of subcontracting: “(referring to subcontracting) why is so much heat generated by its utterance?” (p. 643). The opinion of unions on subcontracting or the transfer of work was also captured by Baer: “The transfer of work customarily performed by employees in the bargaining unit must therefore be regarded as an attack on the job security of the employees” (p. 646).

The management literature of this era was written in a somewhat hostile, antagonistic mood. Labor and labor unions acted defensively, that is to say, in a manner that protected their interests first, before attempting to explore other options. Management sought to adapt to the circumstances of the time, and often turned to labor as a lever to pull to make that adjustment. This competitive environment existed within an economic situation that was speculative, and was established in some part as a response to the challenges set forth by a charismatic leader.

## **Era 2: 1969-1979**

### **Economics and Politics**

Brick (2012) in his historical review of the 1970’s described this era as a pivot of change. Politically, era two inherited the progressiveness and the increased awareness of the previous era, alongside loosened labor regulations. Notably, world governments became more aware of their interconnectedness and interdependence. Shangquan (2000)

in his report to the United Nations mentioned that “economic globalization did not fully resume till the 1970’s” (p. 2).

Of note was the 1973-1979 recession caused by the 1973 oil crisis and the aftereffects of leaving the Bretton Woods system (National Bureau of Economic Research, 2010). OPEC started the oil crisis as it placed an embargo on oil, increasing its price. As oil was a raw material for a great deal of products and services, this caused a supply shock to spread throughout the economies of the world. This in turn increased prices, causing inflation to rise. Frum (2000) calls the 1970s the worst decade of most industrialized countries’ economic performance since the great depression.

The oil embargo and the oil crisis allowed countries with lower labor and production costs to increase their returns from exports. Countries with developing economies (mostly in Asia) such as Hong Kong, Taiwan, Singapore and notably China benefited from this environment, because they became more attractive to western organizations. These organizations attempted to mitigate the effects of the recession, such as high oil prices and lowered demand for labor.

Two Asian countries became increasingly industrialized and experienced growth in trade: Japan and China. According to Mosk (2004) Japan became “...internationally competitive, by the early 1970’s” (p. 2) due to widespread industrialization and the proliferation of large Japanese manufacturing enterprises. Mosk (2004) goes on to argue that this was due to an increased “capacity to import and export enhanced by the new international economic order, and its access to American technology bolstered through its security pact with the United States” (p.3) China also entered a period of market

liberalization moving from a centrally planned to a market aligned system. This allowed for freer trade to begin between China and the world. (Qian, 2000)

As the United States exited the Bretton Woods system the United States dollar was set to float – leaving the true value of the dollar for the market to determine. (Hammes, 2003) Other world currencies followed suit. Due to the adjustment period that the market needed, currency values remained in flux. A response to this was that countries increased their currency reserves, causing the United States dollar to depreciate. This added pressure to the increasing price of oil, by forcing United States consumers to use more dollars to procure the same amount of oil.

### **Management Literature Review**

In the previous era outsourcing was perceived as a potential threat to an organization's stability, with respect to labor. Protective of its job security, labor objected to a purely economic rationale for the movement of jobs. This was a threat to the operational and financial bottom lines of organizations, because of the costs of arbitration. However, I saw a shift in the management literature of this era – as organizations examined more economic options for the movement of labour. The era's management literature also made specific mention to modern-day cost havens, such as China, Japan, and India, indicative of a willingness to transfer production to another area of the world. I inferred that as the labor requirements with respect to negotiation and arbitration became increasingly integrated into the costs of labor (as organizations were legally bound to engage in them) organizations sought cost advantages by looking at international labor. Wages in some areas of the world became lower and organizations sought to utilize that difference.

Moxon (1975) showed that there were benefits gained by both the company that was executing the offshoring and the country that was being offshored to. It was one of the first articles in this time period that defined a set of factors that organizations examined before beginning an outsourcing relationship. The factors were: labor, skill requirements, shipping costs and tariffs. In examining labor the managers that Moxon studied mentioned labor costs as a key benefit: "... labor costs in less-developed countries are much lower than in the U.S" (p. 55). Furthermore, organizations sought labor with specific expertise while maintaining cost advantages: "managers also indicated that they often are searching for specific kinds of labor offshore" (p.60) that in the United States "they could not find enough workers willing to do the tedious assembly work required" (p. 60). The managers in Moxon's (1975) study said that they needed large numbers of workers having good dexterity and eyesight and the right kind of mental attitudes. The managers cited as reasons for their labor search abroad were high turnover, poor productivity, and poor quality standards of their U.S. workforce equivalents. Managers interviewed agreed that "offshore workers are better suited to these kinds of jobs, are more productive, and are less prone to errors" (p. 59). Managers indicated that skill requirements were an important determinant of what product they selected for offshore manufacture. Specifically, Moxon's (1975) study mentioned that there was some tentativeness in finding skilled work offshore but if these skilled workers could be trained, the cost benefits would still present themselves: "several firms mentioned that, as they gained experience offshore, they found that they could also save money on skilled workers, particularly technicians" (p. 53). This led to more organizations moving more work offshore. "These firms said that as they evolved toward training more people, and



as they began to find qualified technical people offshore, they had started to take offshore operations which they originally thought too complicated to do outside the U.S.” (p. 54). Shipping costs were also a factor. Many organizations evaluated shipping from a weight and geographic perspective. “They restricted their offshore production to small, lightweight subassemblies, but would do much more offshore if shipping costs were lower. ...Many in firms with plants in Mexico said that transport costs played a big part in their decision to locate there instead of in the Far East” (p. 54). Tariffs as a factor were determined by Moxon’s (1975) study to be unimportant: “In the statistical analysis, however, tariffs do not seem to be an important determinant of which electronics products are made offshore” (p. 57).

In the previous era, recall that the loss of jobs was a major threat to unions. As a counter to that, Moxon’s (1975) study asserted that job transfers / the loss of jobs was an inevitable fact. “For the most part these are job transfers and imports that would have occurred without the establishment of offshore plants, simply by the natural change in competitive position of the United States relative to other countries” (p. 62).

Adding to the context of this era was Ranis’ (1973) work on industrial sector labor absorption. His work framed the economic circumstances in which less developed countries (LDCs) were gaining attention due to the economic advantages of moving work to them. Specifically, Ranis mentioned the flexibility of an LDC to change its economic focus from import substitution<sup>2</sup> to export substitution<sup>3</sup>: “the typical developing country, with appropriate policy changes taking place can transit from import substitution to

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<sup>2</sup> An economic policy that allegedly improves the domestic economy by replacing imports with domestically sourced products

<sup>3</sup> An economic policy aiming to speed up the industrialization process of a country by exporting goods for which the nation has a comparative advantage.

export substitution, with labor-using innovations taking on major significance” (p. 387). Ranis asserted that alongside other organizational and plant related technological choices, one labor-using innovation was outsourcing. “An important phenomenon is clearly subcontracting, both domestic and international” (p. 389). I found this to be indicative of the make or buy question. Economic pressures forced organizations to consider where or how their services were delivered, asking them to weigh costs of keeping services within or looking for and purchasing expertise without.

Given the context of this era, organizations operating in developed economies wanted to take full advantage of the financial, economic, and expertise-based advantages of labor in LDCs. A separate study by Nayyar (1978) on transnational corporations and their activities, concurred with Ranis’ identification of LDCs, listing the so-called poor countries within this era. Nayyar (1978) listed several countries as outsourcing centres. “At the outset, it should be stressed that a relatively small number of countries account for a very substantial proportion of manufactured exports from the less developed world. For instance, in 1973, Hong Kong, South Korea, Mexico, Brazil, India, Singapore, Malaysia, Argentina, Pakistan and Colombia were responsible for 78% of the manufactured goods – excluding petroleum products and unworked non-ferrous metals – imported by the industrialized countries from the third world” (p. 59).

Nayyar (1978) mentioned that in the past two decades, “an increasing incidence of private foreign investment in the manufacturing sector of underdeveloped economies can be observed” (p. 60). He went on to frame the economic situation of the time, in that “there has been a very marked expansion in the value of manufactured exports from

the less developed world, which was particularly noticeable in a handful of countries that followed export oriented rather than import-substituting policies” (p. 61).

### **Phenomenological Evidence**

Organizations in era two saw an increased opportunity to move work offshore or beyond the borders of their home countries. They looked to improve their bottom lines and maintain their product quality by taking advantage of economic differences in different markets. In an increasingly competitive environment work was beginning to move to foreign markets. Moxon (1975) made several references to the offshore differences of the era. He first started by illustrating how organizations responded to the economic situation of the time: "offshore production investments would tend to be made in response to a competitive environment which threatened a company's United States market position, especially if the threat came from low priced imports" (p. 52) He focused on cost, skill and operational concerns for an increase in offshoring investment. “Seventeen of the 20 executives mentioned some form of price competition as an important contributing factor in choosing products for offshore manufacture” (p. 56). Referring to the type of work that was sought out by organizations, Moxon, in describing computer memory manufacture, highlighted that organizations “could not find enough workers willing to do the tedious assembly work required” (p. 57). Operationally, the managers in Moxon’s (1975) study “cited as reasons for their move abroad the high turnover, poor productivity , and poor quality standards of their US workforce" (p. 57). Moxon ended his study on a positive note stating that “most of the firms interviewed stated that they planned to increase their offshore activities,” (p. 63) and “in nearly all

cases companies had experienced good labor productivity, product quality, and delivery schedules” (p. 63).

There was an increase in market liberalization during this time. Notably, this liberalization affected the Chinese market. A set of prevailing economic conditions, namely the oil embargo and a recession, started to move companies away from seeking resource based advantage to seeking people/ labor based advantages. There was also further loosening of labor regulation this era.

Organizations started involving themselves with offshoring and the movement of labour. They saw outsourcing as a solution to the economic problems of the time allowing them to reduce cost and maintain quality. This experimentation may be attributed to organizations seeking labor-oriented (employment, different economic situation, and wages) methods of coping with the economic situation of the time. This era also established the low-cost, manufacturing centers I am more familiar with today, such as China, Taiwan, and India. Many of these centers whose hallmarks were plentiful, cheap, labor with incentives to export their products are still located in developing economies.

### **Era 3: 1980-1989**

#### **Economics and Politics**

At the start of the 1980s the developed world underwent a severe economic recession. The United States Federal Reserve’s economic stance at the time was listed as one of the root causes (Krugman, 1991). Unemployment peaked at 10.8%, marking the low point in the recession. This high unemployment rate coupled with low economic

growth caused stagflation in the United States economy. The aftereffects of the previous era's oil shock contributed to inflation running at 13.5% (Bureau of Labor Statistics, 1980). The manufacturing, automotive and housing industries all had a downturn. The sectors of the country that supported these industries also felt a similar downturn (Urquhart & Hewson, 1983). The Federal Reserve's decision to raise interest rates caused high unemployment at different points throughout the era. A similar situation was faced by Canada, as the value of the Canadian dollar and the United States dollar were closely linked.

On a more positive note, in this era, the Canada-United States Free Trade Agreement was established, further strengthening the economic relationship between the two countries. As this set a legal precedent that supported trade liberalization in the West, the opening of borders between two economic powers may have served to cement outsourcing's place in the business world. (Foreign Affairs, Trade and Development Canada, 2013)

Economic liberalization<sup>4</sup> was rampant in this era especially in the developed world. As a result, manufacturing organizations in developed countries started to explore movement into Mexico, Taiwan, Japan and South Korea (McKinnon, 1993). According to Friedman (2010) it was at this point in history that transpacific trade (the developing countries) equaled transatlantic trade (Europe and to some extent Canada).

Politically, this era marked the end of the Cold War, easing the tension between the post war superpowers of the Western Bloc and the Eastern Bloc (Lewis, 1988). This

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<sup>4</sup> the relaxing of governmental restrictions on trade

easing of tensions was relevant because it allowed organizations to move business to areas with former political or economic cold war alliances.

It was also in this era that the foundation of the modern internet was born. FTP or File Transfer Protocol is still in use today, and it was created in 1980 (Postel & Reynolds, 1985). Hypertext Markup and the birth of the World Wide Web were celebrated in March of 1989. By the end of 1980 approximately 1.1 million people were using the internet (Juliussen, 2014). Technologically this was supported by the growth of personal computers, a phenomenon that also took place in this era. The growth in personal computers rode the invention and proliferation of the integrated circuit in the previous era. This technological groundwork served as one of the platforms for the prevalence of outsourcing.

As organizations in this era began to have increased freedoms in trade, communication, and sources of labor, an increase in inter-organizational communication was observed by Nagellen, Crave, & Bolelli (2004). “Organizational long term trends are leading to resurgence of complex virtual organizations where activities are coordinated through a mix of co-operation and market links.... In their effort to increasingly focus on their core competencies, to benefit from the multiple advantages of various types of cooperative networking structures and to use the new IT solutions in order to relocate some of their business processes... successful firms apply them in new organizational strategies that put into question many conventional beliefs on organizations and their management. These strategies involve a new and responsive work organization, based on co-operative relations not only within the firm but also in its relations with customers, suppliers and competitors” (p. 409).

Through these improvements in communication, I hypothesized that strategic moves done by one organization could be more readily observed by organizations. Through technology these ideas were shared, discussed, and perhaps even stolen – all in the pursuit of competitive advantage. On the supplier side the proliferation of this technology allowed them to better guarantee the quality of services provided as well as provide better tracking and measuring of existing quality assurance metrics. On the organization side, organizations became more aware of the actions of their competitors.

### **Management Literature Review**

The literature shifted into a mode that appeared more dynamic and more responsive to the events of this time. It was in this era that outsourcing was examined more critically by organizations. The articles presented outsourcing as either beneficial or detrimental. As organizations were forced to find non-commodity based solutions to economic fluctuations while grappling with a recession – outsourcing was one of the strategies that organizations used to cope during this era.

In this era, I found that a common format was one of a debate or argument, more about weighing the pros and cons of outsourcing as a way to adapt and cope with the context of the time. Cannon (1989) provided advice on outsourcing, as companies started to “embrace outsourcing as an essential element in fulfilling their supply chains” (p. 38). He emphasized knowledge of the company, the need to remain competitive, and an awareness of any potential loss in competitive position: “outsourcing, which was once a function relegated to the purchasing department, is today a strategic tool that affects an organization’s ability to gain and maintain its position within highly competitive global markets” (p. 38) He stated that organizations must first evaluate and be familiar with

their activities, “recognizing that no company can be the absolute best at everything” (p. 38).

As with the earlier time-periods, there were some indications in the management literature for policy or legal based decisions towards legitimizing outsourcing activities. One such legal program was the maquiladora program. The maquiladora program was a labor and sourcing relationship that existed between the United States and Mexico. As a vehicle to improve the economic situations of both the United States and Mexico the program established a baseline in which organizations move sections of their production/ service lines to wholly owned Mexican organizations (McCray, 1989). The maquiladora program was indicative of the era’s lowering of economic barriers and increase in trade. As a response to unemployment on the Mexico side of the United States-Mexico border, *maquilas* (manufacturing operations) were created. These maquilas took resources and materials from the United States, processed / assembled / added some sort of value to them and then sold them back to the United States. This relationship was completed within a free trade zone and encouraged foreign investment from the United States to flow into Mexico (Ferrante, 2014). The maquiladora program was a significant step for the management literature of the era. It was a legally and economically compelling activity that a major world economy undertook. The program demonstrated many of the benefits of moving labor to more cost-sensitive economic conditions. The maquiladora program also contributed a great deal to Mexico’s macroeconomic indicators – placing 2<sup>nd</sup> (after oil) in terms of income from exports (Stoddard, 1987). From a financial and economic perspective, the benefits were easy to see. However, to gain these advantages, labor laws and the laws that regulate maquiladoras on the Mexico side of the border were



more lax. Furthermore, the wages of maquilas were lower when compared to similar labor sourced from the United States. There was also some experimentation that was done within this program. Some organizations that were not comfortable with making a full-blown maquiladora investment that was less than 100% were given the option of taking a sheltering plan, as Minogue (1989) writes: “a US company coming down to Mexico does not actually become a Mexican legal entity, instead it would lease plant space from an established maquiladora... who then supplies production workers and takes charge of all paperwork... the U.S company however retains control over the actual production operations, via a production supervisor and technicians” (p. 15).

Some management literature in this era disagreed about the benefit or detriment of outsourcing. Polivka and Nardone (1989) provided a positive answer as to why outsourcing was increasing in frequency and popularity by stating “organizations have strived to gain greater control over their labor costs by seeking to quickly adjust the size of their workforce in response to changing market conditions” (p. 9). Bluestone and Harrison (1988) commented on how the United States became what they called the great jobs machine, and wrote negatively on the growing business practice of outsourcing to achieve lower labor costs. Bluestone and Harrison (1988) emphasized that “...while the United States created nearly 26 million new jobs... America has been rightfully called ‘The Great Jobs Machine’” (p. 127). They said that much of this work was of low quality and low-wage. The lowered quality of work was due to the “the erosion in the real value of the minimum wage... due to the growing business practice of outsourcing to achieve lower labor costs” (p. 127). Skirting the middle of the beneficial-or-detrimental outsourcing question, Wilder (1989) merely commented on the existence and persistence

of outsourcing: “Tentative or not, outsourcing... will become an increasingly prominent fact of life ... in 1990 and beyond” (p. 8)

I infer from the technological and economic situation of this era that as organizations increased their dependence on information systems. Through these systems that were increasingly connected, organizations were able to monitor and control aspects of their business with increasing accuracy. Organizations had the relatively new ability to measure and track more operational data that they increased their attempts to eke even the smallest advantage against their competitors. They were also able to see and record the effects of outsourcing in both their own activities and the activities of their competitors. This inter-organizational competitiveness was further emphasized by a world made smaller through globalization.

### **What is Networked Globalization?**

*Networked globalization* was a term that I coined to explain the overlap between a rapidly expanding global economy and the increased use of information technology and networking systems across organizations of this period. I needed a term that combined the increased interconnectedness of the world with the existing economic and financial interactions that define so much of present-day business. The work of Prasad and Prasad (2003) served as a foundation, helping me to build the definition for networked globalization: “The phenomenon of outsourcing is commonly seen as a complex process of wide-ranging significance that forms an important part of the broader dynamics of currently ongoing globalization” (p. 67).

Prasad and Prasad’s (2003) research confirmed that, while contemporary, economic globalization gained intensity in the 1970s and 1980s, a bigger contributing

factor was “the emergence of global supply chains and production networks” (p. 73), increased flow of capital across national borders, and an increased emphasis on international trade and the integration of international financial markets. These in turn led to the birth of the multinational corporation – entities that currently would not exist if not for outsourced / outsourcing relationships. I believe what was unsaid but assumed in their study was that all this change in the economic, financial, and supply chain situation of the world could not have occurred if not for advancements in networking, and information systems – hence the ‘network’ in networked globalization.

Other pieces in the management literature provide proof for this belief. Natchia (2009) made a connection between technological progression and the practice of outsourcing: “current technological progression includes strong outsourcing economies, the development of global logistics, process availability, minimization of physical goods transportation, and management" (p. 18). Organizations in this era approached a model of “globally distributed work” (p. 20), where different elements of their supply chains were located across several countries, as they practiced “offshoring and globally outsourcing” (p. 22).

If the questions that organizations asked in the previous eras were simply: “how do I reduce costs internally?” or “can I reduce costs in response to my competitors by moving labor to more cost-favorable circumstances?,” in this era organizations were starting to consider the question: “Where can I source a piece of my business from someone with greater competency, in order to better focus on my own competencies?”

According to the management literature, organizations in the previous two eras sought to mitigate the effects of the movement of labor either through cost or economic

measures. In this era organizations were beginning to mitigate and react less to the negative costs of outsourcing and started to consider outsourcing as an advantage to be exploited. In this era, it felt as though organizations were more willing to ponder the “make or buy” decision, exploring both the positives and the negatives of outsourcing.

Prasad and Prasad (2003) stated that the 1980s were very much about how the world was beginning to shrink. Natchia’s (2009) research provides another glimpse into networked globalization by mentioning Government Information and Communication Technologies (or G-ICT). He mentioned that "economic effects such as privatization, the deregulation of financial markets in the 1970s, and the growth in monetary movements were catalysts in the development of economic globalization. Thus, the convergence of globalization, G-ICT, and the growth in monetary movements resulted in the fast pursuit of global competitiveness” (p. 60).

I found further evidence to support this increasingly globalized period in time as outsourcing’s medium of dispersal into the management literature. Hrynshyn (2002) links global capitalism to ICT: "The rise of global capitalism has come at approximately the same time as the particular rapid introduction of new information and communication technologies: personal computers, the Internet, the world wide web, and associated technologies such as satellite communications networks” (p. 88).

Given a world with the financial and economic barriers being lowered by ICT through networked globalization, this era was an ideal time for organizations to begin to questioning and considering outsourcing more as a necessity rather than as an option. What remains of the literature explains how networks, and the explosion of available networking capability due to the Internet. Menzies (1999) wrote, "With digital networks,

the management of the corporate economy is being de-institutionalised from grounded places (factories, offices, etc.), and shifted inside the net. It is being launched into cyberspace, into the networked infrastructure of digital communication itself” (p. 30)

Later in the article he goes on to further emphasize the importance of the internet. “The networks are no longer just a transmission line or conveyance ancillary to getting things done. They are where things are done, and done now. They are the metropolitan center of a new systems economy. In the web work of the global digital networks themselves, the digitized postindustrial economy is being reconstituted as a network of corporate and subcontracting connections operating continuously on a global scale" (p. 30) I assert that as ‘networked globalization’ became the norm, rather than the exception, during era two, for these reasons.

### **Phenomenological Evidence**

Organizations in era two were weighing the benefits of outsourcing vs. its negatives. There were feelings of skepticism among them, as they attempted to make sense of what other organizations were doing. They also saw a further lessening of trade restrictions, alongside the creation of the maquiladora program - a significant milestone in outsourcing due to the size of the countries involved. Wilder (1989), discussed how certain organizations had changing impressions of outsourcing and its effectiveness: “first it was considered bad, an admission of failure” (p. 8), and how “the IS community discovered 'good' outsourcing and 'bad' outsourcing” (p.8). He commented on how “outsourcing has achieved buzzword status, leading to confusion, misunderstanding and fear” (p.8), and how ““much of the confusion arose because outsourcing is a modern variation on an old theme" (p. 8). On the negative side Bluestone and Harrison (1988),

said that outsourcing “is causing a slippage in wages throughout” (p.128). This was likely due to the downward pressure that outsourcing placed on onshore labor. Hackel (1983) called the outsourcing practice a form of expansion: “what has become known as international subcontracting” (p. 1983). He commented further on the negative side saying (in the case of work-from-home arrangements) that “conditions deteriorate further when work is subcontracted to the home” (p. 1348).

The recession that occurred in era two added to the effects of another severe recession that occurred during this era. This pushed organizations to examine outsourcing more frequently, despite the negative connotation that surrounded it, since recessions place pressure on organizations with respect to hiring and labor. As organizations took advantage of lowered international tensions and economic barriers, the idea of outsourcing became extremely attractive as a response to the era’s recession, inflation, lowered productivity, and relatively high unemployment. With trade between developed and developing countries increasing, the management literature of the time read as though outsourcing was beginning to increase in frequency, as evidenced by the presence of the EPP in 1988.

### **Discussion and Analysis**

Organizations seek to remain profitable. In line with that, organizations constantly respond and adjust to the conditions that surround them and their competitors. The practices of outsourcing and subcontracting were strategies that organizations used to adapt and to adjust to these conditions.

In era one organizations were exposed to the idea that they could subcontract work for purely economic or cost saving reasons. Subcontracting allowed management to control the costs associated with labor. This would allow them to improve margins and lower their operational costs. Labor took this movement of jobs as a threat, and looked to protect itself against the practice. Job security was a priority for them given the increasingly uncertain political and economic environment of the era. The movement of jobs emphasized the antagonistic management vs. labor situation that was prevalent in the management literature of the time. In this era, management associated subcontracting with legal costs due to arbitration or negotiation. Labor associated subcontracting with a loss in job security. Both these associations lead to negative connotation of subcontracting. This lead to less mentions in the management literature, indicating low interest in the topic.

In era two organizations tended to see outsourcing as a solution to the economic challenges of the era. As an effect of the previous era, legal decisions made arbitration and negotiation regular components of labor. In response organizations began to look at international sources for their labor to eke out cost advantages. Organizations treated the movement of labor as a way to take advantage of economic differences in foreign

markets. Many of the present day low-cost centers were mentioned more in era two. Organizations looked to these centers in China, Taiwan and India to provide cheap labor for their requirements. Market liberalization and policies that incentivized export made these countries attractive to organizations in this era. This led to organizations showing more interest in outsourcing, evidenced by an increase in the number of hits in the databases.

In previous eras outsourcing was more used as a responsive and defensive strategy to economic, political and labor challenges. Organizations in previous eras also faced double pressures from attempting to contain and rationalize the financial, economic and social costs of job loss or job movement. In era three, outsourcing was evaluated against the relatively new backdrop of networked globalization, an increased number of information systems, and a more accessible global economy. As the world began to shrink due to networked globalization, organizations further increased their interest towards outsourcing. This was evidenced by another rise in database hits, notably around the EPP in 1988. This is likely due to the rapidly relaxing financial and economic boundaries of the time and the advances in networking technology and information systems infrastructures, organizations of the era. Subsequently, organizations were able to outsource more as more vendors became accessible / visible to organizations.



**Conclusion**

In the management literature, organizations first showed low interest in outsourcing. As organizations experienced networked globalization as well as lowered economic and political boundaries, the interest in outsourcing started to increase. As a strategic activity, organizations outsourced for many reasons. They outsourced as a response to challenging conditions, as an adaptation to legal precedent, as a reaction to competitors, as a cost-saving measure, or as a method for gaining access to an opportunity. The management literature lists outsourcing and subcontracting into different terms but from a phenomenological perspective their essence is the same. They both represent the movement of work to find and attain competitive advantage.

**Appendices**

**Search Engine Tables**

Table 1 – ABI/Inform Search Engine Hits

ABI/Inform	Outsourcing	Subcontracting	Industrial Migration	Offshoring
1960-1969	0	91	4	0
1970-1979	0	80	2	0
1980-1989	133	319	11	2
1990-1999	233379	3447	22	13

Table 2 – EBSCO Search Engine Hits

EBSCO	Outsourcing	Subcontracting	Industrial Migration	Offshoring
1960-1969	29	31	1	0
1970-1979	40	35	1	0
1980-1989	97	63	1	0
1990-1999	4,408	249	1	0

Table 3 – JSTOR Search Engine Hits

JSTOR	Outsourcing	Subcontracting	Industrial Migration	Offshoring
1960-1969	0	489	19	0
1970-1979	0	524	39	0
1980-1989	111	1387	29	1
1990-1999	2,011	2601	39	8

Table 4 – EPP tabulation for Outsourcing

Outsourcing	EBSCO	ABI	JSTOR	Total
1980	6	0	0	6
1981	3	0	0	3
1982	5	4	2	11
1983	7	1	7	15
1984	4	44	8	56
1985	7	22	16	45
1986	14	28	15	57
1987	10	38	19	67
1988	19	38	26	83
1989	22	39	18	79

Table 5 – EPP tabulation for Subcontracting

Subcontracting	EBSCO	ABINFORM	JSTOR	Total
1980	5	37	53	95
1981	1	21	68	90
1982	4	29	61	94
1983	8	25	80	113
1984	4	70	92	166
1985	7	61	95	163
1986	8	76	86	170
1987	15	59	104	178
1988	20	64	136	220
1989	13	46	142	201

**Search Engine Figures**

Figure 1 – ABI/Inform Search Engine Chart

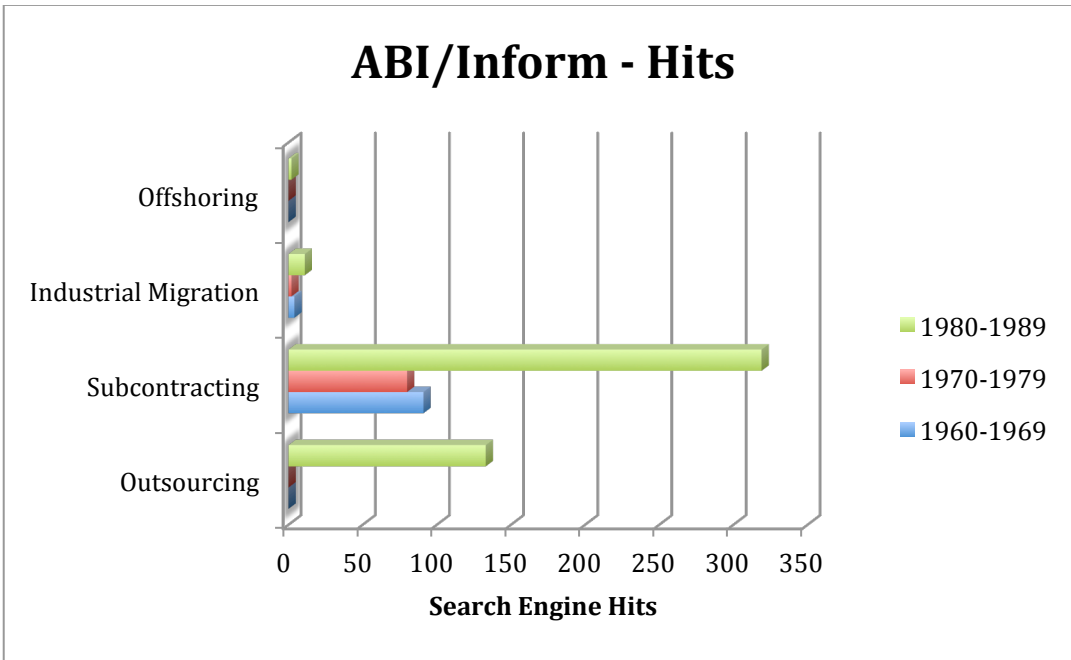


Figure 2 – EBSCO Business Source Search Engine Chart

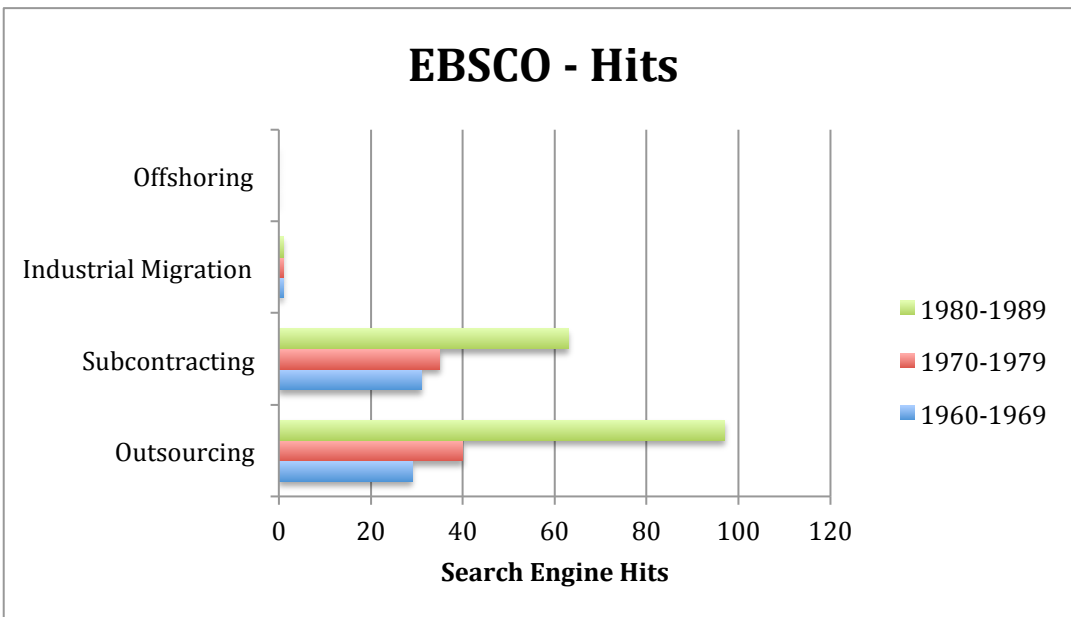


Figure 3 – JSTOR Search Engine Chart

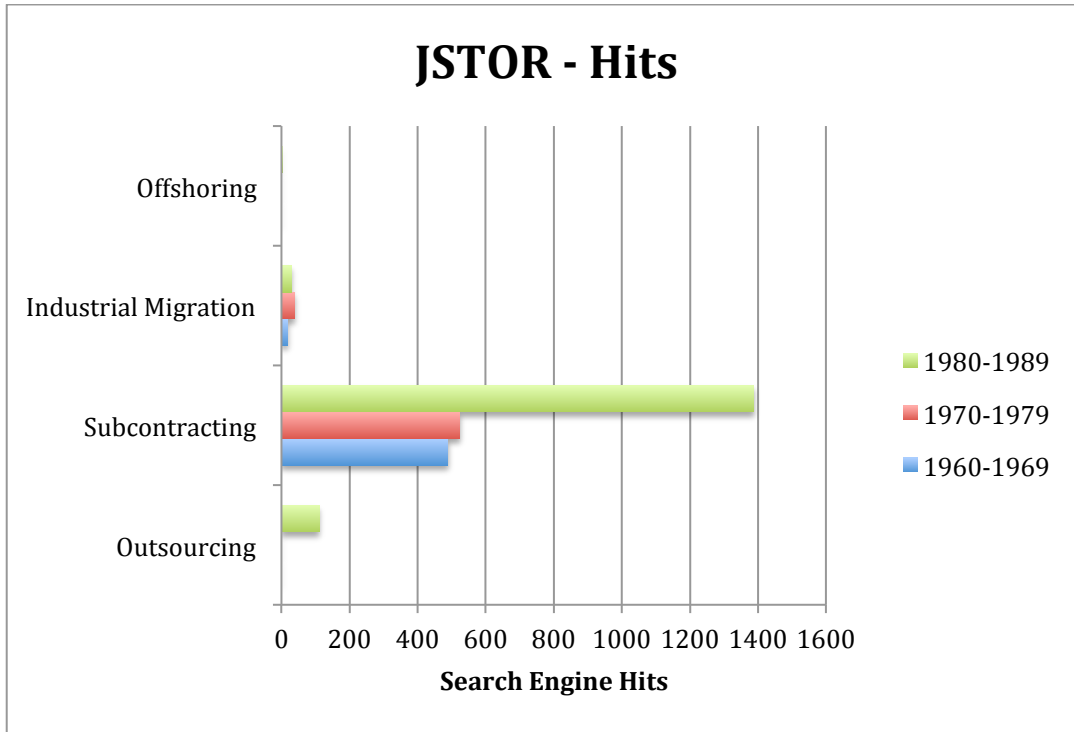
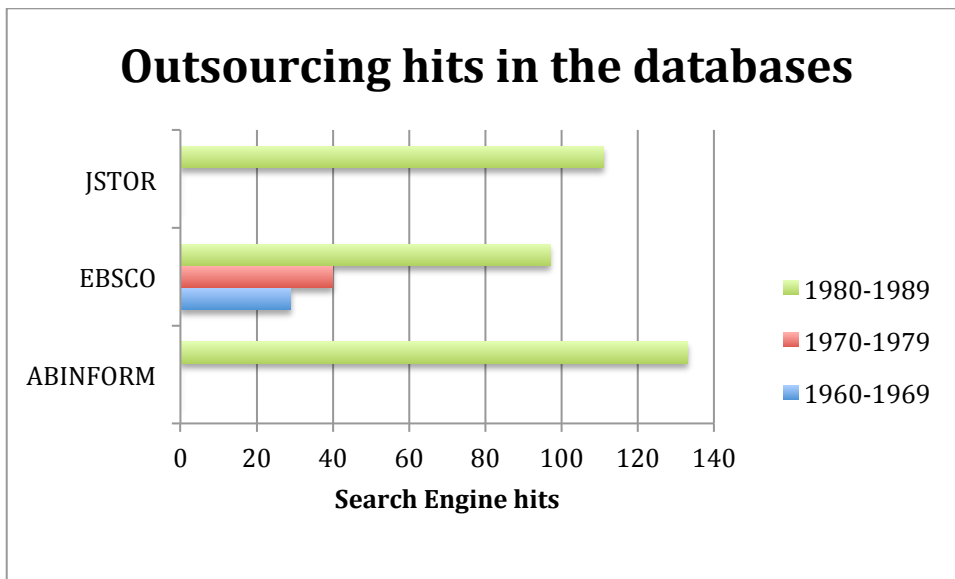
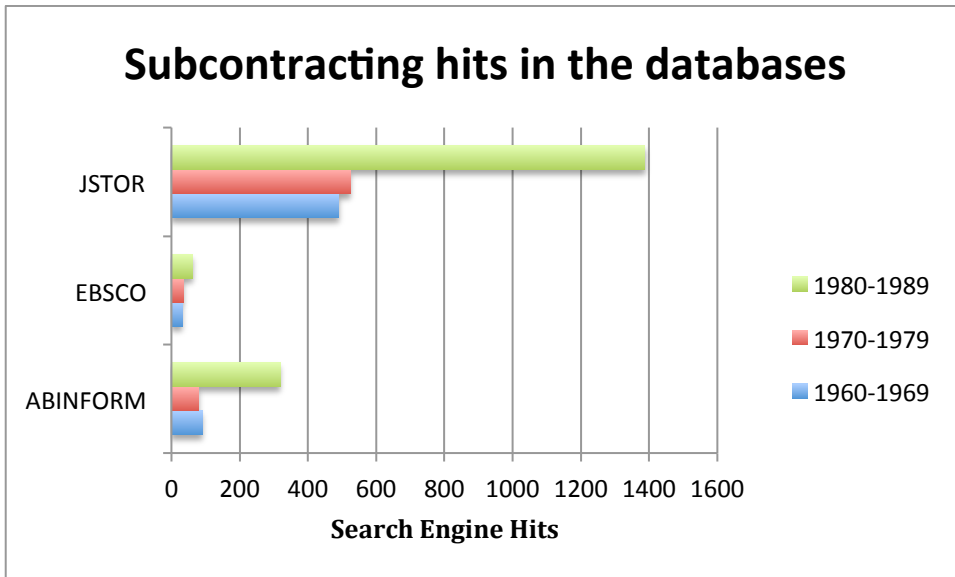


Figure 4 – Outsourcing hits across databases<sup>5</sup>



<sup>5</sup> Tables 1-3 were used to create figure 4.

Figure 5 – Subcontracting hits across databases<sup>6</sup>



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<sup>6</sup> Tables 1-3 were used to create figure 5.

### Phenomenological Citations

This section lists direct quotes from the articles that I studied. They are added here without editing or interpretation to preserve the phenomenological approach.

Table 6 - Phenomenological Proofs – Era 1

Title/ Citation	Item	Excerpt
Atimia / (Gregg, 1964)	1	Page 1, line 10 - " <b>have not</b> " <b>states</b> , the idea that " <b>economic modernization</b> is an essential element of any rational program of development in the developing world."
	2	Page 2, line 14 "... <b>international stratification</b> and Underdeveloped Countries."
Labor arbitration after 25 Years / (De Vyver, 1962)	3	Page 236, line 1 " <b>arbitration</b> as economic institution..."
	4	Page 237, lines 14 " <b>unionism</b> is a new <b>economic factor</b> that the employer may consider in making operational decisions."
	5	Page 238, line 37 " <b>unions</b> have <b>insisted</b> that they have <b>a right to negotiation</b> before a business location is moved or before certain work is contracted out."
	6	page 240, line 42 "when collective bargaining breaks down, <b>a strike is ordinarily</b> the culmination of such break down... labor and the public may view the resort to " <b>trial by combat</b> "
Labor law problems in plant relocation / (Harvard Law Review,	7	Industrial <b>migration has become increasingly common</b> in recent years because of heightened mobility and active competition among less

1964)		developed regions to attract industry."
	8	Page 104, line 22 " <b>relocation</b> based on economic <b>antiunion bias</b> should be an unfair labor practice where the employer merely anticipates increased costs because..."
	9	Page 107, line 30 "difficult problems arise when there is some <b>admixture</b> of <b>noneconomic antiunion motives</b> with the economic."
Protect your freedom to subcontract / (Joseph, 1963)	10	Page 98, "a method of getting things done, but without <b>causing problems</b> "
	11	Page 99, "at minimum, there is less opportunity per employed for overtime or promotion to skilled jobs. <b>Subcontracting is resented</b> most strongly when men are on layoff or if the regular workforce has been reduced... his attempts to prevent subcontracting may be the best way possible for him to protect his interests."
	12	Page 100, "amounts to insistence on the <b>perpetuation of inefficiency.</b> "
	12	Page 100, "from an employee's point of view, on the other hand, <b>subcontracting is a threat to job security</b> . Every job done by an outsider represents lost work for the employees."
	13	Page 101 "many companies have felt so strongly about maintaining their freedom to subcontract that they have <b>refused to arbitrate disputes</b> over



		the issue."
Subcontracting - twilight zone in the management function / (Baer, 1965)	14	Page 643 "(referring to subcontracting) why is so much <b>heat</b> generated by its utterance?"
	15	Page 646, "Job security is an inherent element of the labor contract, a part of its very being. ... The transfer of work customarily performed by employees in the bargaining unit must therefore be regarded as <b>an attack on the job security</b> of the employees..."
	16	Page 646, "In the union's quest for greater job security, <b>managements' assignment</b> of work must be a principal target."

Table 7 - Phenomenological Proofs – Era 2:

Title/ Citation	Item	Excerpt
Motivation for investment / (Moxon, 1975)	1	Page 52, "offshore production investments would tend to be made <b>in response to a competitive environment</b> which threatened a company's United States market position, especially if the threat came from low priced imports."
	2	Page 56, "Seventeen of the 20 executives mentioned some form of <b>price competition</b> as an important contributing factor in choosing products for offshore manufacture."
	3	Page 57, "managers from companies making computer memory... could not find enough workers <b>willing to do the tedious assembly work</b> required..."
	4	Page 57, "they (managers) cited as reasons for their move abroad the <b>high turnover, poor productivity, and poor quality standards</b> of their US workforce."
	5	Page 57, (referring to tedious work) "all managers interview agreed that <b>offshore workers are better suited to these kinds of jobs are more productive</b> , and are less prone to errors."
	6	Page 63, " virtually all executives interviewed expressed satisfaction with the performance of their offshore plants. In nearly all cases companies had experienced <b>good labor productivity</b> , product quality, and delivery schedules."

	7	Page 63, " most of the firms interviewed stated that they planned to <b>increase their offshore activities.</b> "
Does unemployment affect migration / (DaVanzo, 1978)	8	Page 512, " <b>local economic conditions</b> do affect outmigration, but only within the subset of people most seriously affected by them."
	9	Page 512, "persons looking for work are more responsive to <b>economic determinants...</b> "
Industrial Sector Labor Absorption / (Ranis, 1973)	10	Page 395, "As the <b>economy shifts</b> from a natural-resource-based growth pattern... to a <b>human-resource-based</b> system... there is an increasing sensitivity to the continuously changing factor endowment..."
	11	Page 404, "with respect to other organizational and plant-related technological choices, the most <b>important phenomenon is clearly subcontracting, both domestic and international.</b>
The motivation for investment in offshore / (Nayyar, 1978)	12	Page 59, "there has been a very <b>marked expansion</b> in the value of manufactured exports from the less <b>developed worked</b> , which is particularly noticeable in a handful of countries that followed <b>export-oriented rather than import-oriented policies.</b> "
	13	Page 59, " export expansion has been associated with... <b>foreign investment</b> in manufacturing which is directed towards <b>overseas sales</b> rather than domestic markets."

	14	<p>Page 61, " a <b>relatively small number of countries</b> account for a very substantial proportion of <b>manufactured exports</b> from the less developed world.... Hong Kong, South Korea, Mexico, Brazil, India, Singapore, Malaysia, Argentina, Pakistan, and Colombia were responsible for 78% of manufactured goods..."</p>
	15	<p>Page 78, " <b>transnational based industrial exports</b> from the third world <b>increased rapidly, in the past decade</b>, and is likely to increase further in the future."</p>

Table 8 - Phenomenological Proofs – Era 3:

Title/ Citation	Item	Excerpt
Keeping Outsourcing in Hand / (Cannon, 1989)	1	Page 38 "to gain the <b>competitive edge</b> , you may have to give up some control."
	2	Page 38 "the expectations and effects of outsourcing have evolved <b>far beyond costing</b> to encompass <b>corporate strategic planning</b> "
	3	Page 38 "No company can be the absolute best at everything..."
	4	Page 38 "the <b>universal objective</b> of every company considering outsourcing is to <b>expand on existing strengths in areas where the company is already differentiated from the competition...</b> "
	5	Page 39 "meeting customer needs during times of <b>rapidly changing technology</b> has been the most critical issue in the <b>transition from purchasing to outsourcing.</b> "
	6	Page 39 "it's important to maintain consistent communication with <b>technologically advanced</b>

		<b>vendors</b> - both on current and future plans for development."
	7	Page 41 " outsourcing puts production design responsibility into too many hands, <b>risking fragmentation of proprietary information.</b> "
Outsourcing Fad or Fantastic / (Wilder, 1989)	8	Page 8, "first it was <b>considered bad</b> , an admission of failure by information systems departments. Then the IS community <b>discovered 'good' outsourcing and 'bad' outsourcing...</b> there is a great deal of confusion about the issue.
	9	Page 8, "outsourcing has achieved buzzword status, leading to <b>confusion, misunderstanding and fear.</b> "
	10	Page 8, "much of the confusion arises because outsourcing is a <b>modern variation on an old theme.</b> "
	11	Page 8, " <b>there are security, privacy, and control issues.</b> "
Growth of Low wage employment / (Bluestone &	12	Page 128, "(referring to outsourcing)... something else is going on within both the

<p>Harrison, 1988)</p>		<p>service and manufacturing sectors of the economy that is leading to a slippage in wages throughout.”</p>
<p>On the definition of contingent work / (Polivka &amp; Nardone, 1989)</p>	<p>13</p>	<p>Page 9, “ analysis on the effects of staffing methods, have reached various conclusions... some view the flexibility as necessary to meet variable market conditions.... Other analysts have concluded that staffing methods have <b>detrimental effects</b> for both employees and employers.</p>
<p>Contracting Poverty; (Hackel, 1983)</p>	<p>14</p>	<p>Page 1347, “ corporations have diversified their strategies for multinational expansion, through what has become known as <b>international subcontracting.</b>”</p>
	<p>15</p>	<p>Page 1348, “... conditions <b>deteriorate further</b> when work is subcontracted to the home. Here, women work in isolation... even lower wages, no social welfare benefits, totally at the whim of the multinational supplier... to reduce overhead and minimize the chance for labor uprisings.”</p>

<p>Increasing Global competitiveness with United States Mexican Maquiladora operations / (McCray, 1989)</p>	<p>16</p>	<p>Page 4 "countries worldwide are reducing their trade barriers, resulting in a <b>global economy</b>."</p>
	<p>17</p>	<p>Page 4, "to be successful in this global economy a firm must develop an <b>international strategy</b>."</p>
	<p>18</p>	<p>Page 4, "firms with labor intensive manufacturing based in developed countries experiencing rising wages and other costs find this difficult."</p>
	<p>19</p>	<p>Page 4, "a company will often place its labor intensive operations with a firm in a <b>less developed country</b> in an area such as Latin America or the pacific rim."</p>
	<p>21</p>	<p>Page 5, "Mexican <b>wages have</b> become more of a <b>bargain</b> on the world labor market."</p>
	<p>22</p>	<p>Page 28, "the increased competitiveness in the business world today requires that firms develop strategies <b>that reduce cost while maintaining quality</b>."</p>



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