Backsourcing: Beneficial Strategic Change or Strategy Failure?

ABSTRACT

Backsourcing of activities is a new phenomenon which has received scant attention by the academic literature. It can be defined as the bringing back of previously outsourced activities in-house and this can be a result of expired or terminated outsourcing contracts. In this paper, I look at why firms backsource their activities while distinguishing between factors that are driven by strategic change and those caused by strategy failure. Backsourcing driven by beneficial strategic change can be due to change in strategic focus of the firm, organizational restructuring, use of outsourcing as an entry strategy and unfavorable host country conditions. Backsourcing driven by strategy failure occurs when the firm faces conflict with the external vendor, internal conflict with foreign affiliates, loss of organizational competence, maintaining its corporate image and inability to coordinate multiple outsourcing contracts. This paper contributes to the literature by looking at the reversal in outsourcing trend.

Backsourcing: Beneficial Strategic Change or Strategy Failure?

INTRODUCTION

The past couple of decades have witnessed a flurry of outsourcing activity across many industries and geographic locations. A recent and more interesting trend that has been observed during the current decade is the reversal of this outsourcing activity. Firms are now increasingly re-internalizing their previously outsourced activities; often times bringing offshore outsourced activities back to the home country (Chadee and Raman, 2009). Backsourcing, the term coined to describe this phenomenon, can be defined as bringing the previously outsourced activities back in-house (Dibbern, Goles, Hirschheim and Jayatilaka, 2004; Kern and Willcocks, 2001) and it can be a result of expired or terminated outsourcing contract (Veltari and Saunders, 2006). Backsourcing can be broken down into *domestic backsourcing*, where an activity is brought back from a domestic vendor and *onshore backsourcing* where not only is the activity internalized but is also bought back to the home country. For instance, Caterpillar is the latest firm to join in this trend by bringing its operations back home within the firm and geographic boundaries (Wall Street Journal, March 2010). General Electric is also planning to move its activities back from China to the US.

This is an emerging phenomenon in the area of outsourcing that requires attention (Dibbern et.al. 2004). Nearly one third of companies studied had backsourced their previously outsourced activities (Lacity and Willcocks, 2000; Whitten and Leider, 2006). Deloitte Consulting also found that nearly two-third of the orgainizations have backsourced some of the previously outsourced services (Samuels, 2005; Landis et.al., 2005). However, inspite of this emerging trend the phenomenon has received scant attention by our academic literature. According to Knolmayer (2010) while there are approximately 40,000 academic and newspaper articles on outsourcing and offshoring, there are only 9 journal articles published on backsourcing.

The limited research done on this trend has perceived backsourcing as strategy failure with many negative implications (Wong, 2008). For instance, one of the most commonly used examples of backsourcing is that of JP Morgan Chase which in 2004 brought back its IT functions back in-house thus ending its outsourcing relationship with IBM (Cowley, 2004; Wighton, 2004). The outsourcing deal ended two years into a seven year deal suggesting failure of sourcing strategy. Bringing back previously outsourced activity involve many risks for the focal firm as it entails resetting up of activities and re-integrating them into the organization (Hirschheim and Lacity, 1998). Firms may also incur additional costs when backsourcing and onshoring such as early termination fee to the third party vendor.

In this research, I posit that backsourcing is not always due to strategy failure but often a valid sourcing strategy choice. Backsourcing is a change in the sourcing strategy of the firm and like most choices, could stem from either a change in strategic focus of the firm or due to failure of the strategy. I look at various factors that lead to backsourcing while dividing them into strategic change and strategy failure driven factors. I make this distinction because when backsourcing is driven by strategic change then it is a step towards greater organizational efficiency and a better strategic fit for the firm. But when it is driven by failure then it is a misfit of strategy and has negative impact on firm efficiency.

Understanding the backsourcing phenomenon is important not only for firms that currently outsource their activities but also for those who are planning to outsource some parts of their value chain. Third party vendors will also gain by understanding why their clients backsource and how to possibly prevent it. It is also important for the academic community to study this phenomenon to see whether it is to be viewed as a strategy failure or as a step towards efficiency. In the following section I provide the literature review and develop the theory. The last section concludes

THEORETICAL DEVELOPMENT

In the last few decades, the study of offshoring and outsourcing has gained considerable attention by both mainstream media as well as the academic community. Recent discussions suggest that firms are now increasingly moving activities across geographical (domestic versus offshoring) and organizational (in-house versus external vendors) boundaries. According to UNCTAD (2007) offshoring is defined as the relocation or transfer of activities abroad and this includes transfer of activities within the MNC network of foreign affiliates, (sometimes known as captive offshoring) as well as to third parties (also known as offshore outsourcing). Outsourcing refers to transfer of activities to external third parties but this can be to domestic vendors as well as to offshore vendors.

Prior literature in this stream of research has focused on the different typologies (De Vita and Wang, 2006; Erber and Ahmed, 2005; Gilley and Rasheed, 2000) or on entry decisions and location choices (Contractor and Mudambi, 2008; Graf and Mudambi, 2005; Doh, Jones, Mudambi and Teegen, 2005). Some researchers have also examined the impact of offshoring and outsourcing on firm level performance (Bhalla et al., 2006; Gilley and Rasheed, 2000).

While there is extensive literature on the location of activities outside firm and geographic boundaries there is relatively little research on the bringing back of these previously externalized and internationalized activities. Most of the literature that has looked at this new emerging phenomenon has focused solely on the IT activities without examining other value chain activities (Hirschheim, 1998; Dibbern et al.2004). This is largely due to the fact that IT was one of the first value chain activities that was outsourced. As more and more firms outsource IT activities, there is also a greater occurrence of backsourcing in this field.

There are many reasons for backsourcing of activities which can be broadly divided into positive and negative factors (Charkabarty, 2007). Some firms outsource activities on a temporary basis with an intention of bringing the activity back after a while. This is a positive reason where the firms make use of external sourcing to supplement their internal resources especially in times of growth. However there are many negative reasons for backsourcing which include conflict or dissatisfaction with external vendors, increasing importance of the activity within the firm which could have the potential of becoming the core competence (Charkabarty, 2007), and conflict within the firm which promotes bringing back of activity (Thakur, 2010). Bringing back previously outsourced activity involve many risks for the firm as it entails resetting up of activities and integrating them into the organization (Hirschheim and Lacity, 1998).

According to Veltari and Saunders (2006) firms backsource for economic (costs), strategic (loss of control, redefinition of importance of outsourced services, restructuring, change in management) and relational (conflict, lack of expertise of vendor) reason. They also backsource to reduce costs and improve financial performance, overcome flaws in initial assessment of sourcing strategy or due to change in circumstances, changes in business strategy and to stream line operations. Using these different factors for backsourcing, I propose two broad drivers of backsourcing: strategic change and strategy failure.

STRATEGIC CHANGE:

Outsourcing to both domestic and foreign vendors is a strategic decision made by the firm to acquire external resources. Backsourcing is also a strategic decision often made by firms to achieve a better strategic fit. I propose that firms can backsource to achieve a more efficient sourcing strategy due to the following factors: shift in strategic focus, organizational restructuring, loss of organizational competence, to gain entry to foreign markets and also due to unfavorable host country conditions. When firms backsource for these reasons then they are achieving beneficial strategic change which contributes to the long term performance improvements (Zajac, Kratz and Bresser, 2000). Strategic change is defined as discrete changes in a firm's business, corporate or collective strategies (Rajagopalan and Spreitzer, 1997) and this change can be due to organizational and environmental contingencies.

I next discuss factors which make backsourcing a positive strategic change for the firm. These factors make outsourcing no longer a viable sourcing strategy and instead make in-house sourcing the most favorable strategy. I start by looking at organizational factors which cause a shift towards backsourcing and this is followed by environmental factors which are exogenous to the firm.

1. Shift in strategic focus - Non-core to core activities

One of the important strategic reasons for firms to bring back their offshored and outsourced activities back in-house is due to change in the firm strategy. Most of the activities that are outsourced are commodity type services and non-critical functions of the value chain (Quinn et.al. 1994; Heikkila and Cordon, 2002). Firms generally outsource non-core activities to allow for more managerial attention and resource allocation on core activities that are sources of competitive advantage (Gilley and Rasheed, 2000; Quinn, 1992). Core activities are strategic actions that are required to maintain a firm's unique expertise (Prahalad and Hamel, 1990) and firms tend to internalize core activities due to higher transaction costs involved with market exchange. For instance, core activities are internalized due to higher opportunism costs, bounded rationality and information asymmetry.

Often times when a formerly non- core activity, which is outsourced, becomes strategically important and a source of competitive advantage then the firm is more likely to bring it back in-house. For instance, when firms which are not in the IT industry shift their focus towards IT then they are more likely to bring back their previously outsourced IT activities. According to Wong (2008) when firms start viewing IT as a strategic resource rather than a commodity, they are more likely to backsource their IT activities. The study by Deloitte also found that many firms had outsourced activities that they wrongly thought were non-strategic and had eventually backsourced them (McLaughlin and Peppard, 2006).

Thus when a firm shifts its strategic focus and an activity changes from being non-core to core then backsourcing is a positive sourcing decision. Backsourcing in this case is a move towards better strategic fit for the firm.

2. Organizational Restructuring

Restructuring of the firm can also lead to changes in the sourcing strategies. When a firm is acquired or merged with another firm it often adopts the sourcing strategy of the acquirer. For instance, some pharmaceutical firms started outsourcing their clinical trials to offshore vendors only after merging with another pharmaceutical firm (Thakur, 2010). In another example, Halifax Bank of Scotland canceled its outsourcing contracts with IBM and others, after merging with Bank of Scotland (Bushell, 2003). In this case, backsourcing due to mergers and acquisitions is not a sign of failure as the firm now acquires capability to conduct the activity internally.

Divestments from a particular geographic region or a product line are also strategic reasons for the firm to backsource a particular activity. Another reason why organizational restructuring that can impact outsourcing decisions is due to the change in the composition of top management (Bowman and Singh, 1993). The top management makes important strategic decisions in the firm and their philosophy is reflected in sourcing decisions as well. Changes in the top management, due to restructuring, can bring about reversal of outsourcing decisions regardless of performance of the activity.

Restructuring in the vendor firm may also lead to backsourcing especially when the vendor is acquired by a firm which caters to the competitors of the focal firm. M&As in the vendor firm may change the way the firm views its existing contracts and can also lead to employee turnover. These factors can cause the client firms to revaluate their sourcing strategy.

Strategic decision making is a dynamic process that needs to change with organizational changes. A firm is better placed if it changes its strategy according to the organizational structure. Internal changes in the organization can lead to backsourcing which can have a positive impact on the organization.

3. Outsourcing as an Entry Strategy

Firms often enter new markets by first outsourcing to local suppliers and then using direct methods of market entry. Offshore outsourcing is no longer just a means to access low cost labor but also to explore new markets (Pfannenstein and Tsai, 1004). Firms prefer to use foreign vendors when first entering the host country to overcome liability of foreignness and to gain access to local networks. For instance firms in the pharmaceutical industry prefer to use foreign Contract Research Organizations (CRO) to run their clinical trials in a new country (Thakur, 2010). This helps them to learn more about the local regulations without significant investment in a foreign affiliate. Firms tend to prefer outsourcing to direct investment due to lower costs and risks in the host country.

However once the firm has gained adequate experience in the host country it can set up direct investment. In this case the firm backsources its activities and moves it in-house. When a firm uses outsourcing to gain experience in foreign markets then it is not strategy failure when it backsources to internalize in the foreign market. Internalizing is a beneficial strategic change in this instance.

4. Unfavorable host country conditions

Offshore outsourcing is a combination of outsourcing and offshoring and is more complex than domestic outsourcing. Firms outsourcing in foreign countries face numerous problems such as political and economic risks, and weak intellectual property protection laws. Firms have onshore backsourced their activities due to host country problems such as lack of efficient third party vendors, poor infrastructure and high political risk (Bunyaratavej, Hahn and Doh, 2007). Many of these problems in host countries are exogeneous and the firm has no control over them. For instance, pharmaceutical firms faced problems in conducting clinical trials in Russia due to the government's decision to change regulations related to clinical trials and had to bring back their project to their home country. In another instance, firms had to re-internalize their operations due to changes in the intellectual property protection rights of the country which rendered the use of external vendors dangerous to the firm.

Thus under certain circumstances, the host country regulations may change suddenly leaving the country unfavorable for conducting an activity. In the event of environmental changes, a change in the sourcing strategy is not sign of failure but rather a positive change in the dynamic strategy.

STRATEGY FAILURE:

Backsourcing is a make or buy decision and a firm's decision to re-internalize its activities can be due to market failure. While, as discussed in the previous section, failure is not always the cause for backsourcing, firms can retreat from outsourcing to overcome the disadvantages of market transactions. Market failure is defined as the transaction costs that can be overcome by internalizing the activity (Williamson, 1971).

Transaction costs are additional costs of contracting such as costs of writing up contracts, execution and enforcement of the contract (Teece, 1981). Since outsourcing is a market option, firms face conflict with the third party vendors. When a firm chooses outsourcing as a sourcing strategy and then re-internalizes the same due to market failure then this is a sign of strategy failure. I define strategy failure as discontinuation of strategy even when it is feasible and not required by environmental or organizational contingencies. I next discuss factors that are associated with backsourcing due to strategy failure.

5. **Conflict with Third Party Vendors**

One of the major reasons for outsourcing strategy failure is conflict with the third party vendors (Dibbern, Goles, Hirschheim and Jayatilaka, 2004). The conflict is mainly operational in nature and can stem due to the three following reasons: Lack of control over the activity, poor performance, and lack of expertise by the vendor. I next discuss each of the three reasons behind the conflict which causes firms to terminate their contracts with vendors.

a. Lack of control

Firms have historically retained activities in-house to exercise control over the critical activities (Harrigan, 1984). Outsourcing, to an extent, removes control from the firm and places it in the vendor firm (Gilley, Greer and Rasheed, 2004). When the firm gives up too much control and loses track of the performance then it backsources the activity. Backsourcing due to lack of control is an indication of strategy failure as the firm did not maintain adequate checks and balances over the outsourcing contract.

b. Poor performance

Another important reason for backsourcing due to strategy failure is poor performance. Whitten and Leider, (2006) find that firms experiencing poor service and product quality from the third party vendors, are more likely to backsource their operations than switch vendors. Poor performance can be measured in multiple ways most common among which is delay in project completion and higher costs (Thakur, 2010). According to Veltri and Saunders (2006) cost reduction is an important driver for backsourcing. For instance, Farmers Group Insurance terminated their contract with a division of IBM primarily due to rising costs and saved money by backsourcing inspite of switching costs (Veltri and Saunders, 2006). Xerox also backsourced its activities after below expectation performance by EDS which was its primary vendor (Kern et.al., 2001).

Hirschheim and Lacity (2000) also found that firms use backsourcing to improve their performance by rebuilding the activities internally. Thus when performance is not up to par, firms consider outsourcing to be a failure and backsource the activity.

c. Lack of expertise

Firms outsource to gain access to external expertise from specialized third party vendors (Fill and Visser, 2000; Bunyaratavej et.al. 2008). Vendors usually tend to focus on a narrow range of activities and often times cater to multiple clients for the same activity. Thus it is a common notion that outsourcing enables firms to access expertise which it lacks internally. However there are instances where firms face incompetent vendors who are incapable of handling their client's service requirements. For instance, Continental Airlines had outsourced its IT to EDS but when the firm's IT needs expanded EDS could not keep up with the requirements due to lack of expertise. Continental Airlines finally withdrew and brought back some of its IT in-house (Baxbaum, 2002).

6. Internal conflict with foreign affiliates

While conflict with external vendors has been documented to be a reason for backsourcing, internal conflict with foreign affiliates is also a reason for backsourcing from foreign vendors. Intra-organizational conflict between the headquarters and its foreign subsidiary is known to be caused due to many different reasons such as technology transfer (Kaufmann and Roessing, 2005) and knowledge sourcing (Gammelgaard and Pedersen, 2010). According to Thakur (2010), intra-organizational conflict can also occur due to offshore outsourcing and this is often resolved by backsourcing. For instance, pharmaceutical firms backsourced their drug development activity because their foreign affiliates were threatened by offshore outsourcing. These firms discovered that foreign affiliates felt neglected because they were the buffer between the headquarters and the foreign markets. Bringing foreign third party vendors made the affiliates afraid of losing their mandate in the MNC network.

This reason to backsource is also a sign of strategy failure as the MNC is unable to internally organize its activities and has to choose sub optimal sourcing strategy to avoid internal conflict.

7. Loss of Organizational Competence

Outsourcing can lead to loss of organizational competence due to excessive dependence on third party vendor (Alexander and Young, 1996). When a firm depends on outsourcing for most of its activities then it loses its absorptive capacity and in extreme cases firms may not be as innovative due to this loss. Bettis, Bradley and Hamel (1992) had argued that outsourcing can reduce organizational innovation by shifting knowledge to the third party vendor. Excessive outsourcing can lead to hollowing out of the firm and lead to decline in performance (Bradley and Hamel, 1992). Firms often use outsourcing as a substitute for innovation and this leads to long run erosion of R&D capabilities of the firm (Teece, 1987; Gilley and Rasheed, 2000; Kotabe, 1992).

Learning is a path dependent process and internalizing many of the core activities is required for the survival and continual growth of the firm (Lei and Hitt, 1995). By outsourcing, the firm is decreasing its efficiency in the long run and this is a strategy failure. In this case, firms often backsource their activities to regain their organizational capabilities. This is an important move on part of the firm as certain activities, even if not core, are required to efficiently run the firm. This motive for backsourcing is driven by market failure since the firm is benefiting more by locating the activity within firm boundaries.

8. Maintaining corporate image

There is extensive research on corporate image (Belt and Paolillo, 1982; Fomburn and Shanley, 1990; Gatewood, Gowan and Lautenschlager, 1993) which found that decision makers pay attention to the impact of the decision on the firm's reputation when considering different strategy options. The firm's reputation is an intangible asset which can be a source of future revenues (Wilson, 1985).

Outsourcing of activities is important yet controversial decision which can have negative consequences on the firm's reputation since it has been questioned for quality purposes (Aubert, Patry and Rivard, 1997). Outsourcing, especially to foreign vendors, can cause customer dissatisfaction as well as quality concerns. Firms backsource in order to maintain their corporate image, satisfy their stakeholders and improve the value of the company. For instance, Washington Mutual backsourced from IBM Global Services after receiving complaints from its customers regarding helpdesk and IT support (Overby, 2003).

When a firm brings back its activities in-house to maintain its corporate image then it is a strategy failure as the firm is able to do the activity more efficiently internally rather than with the market. Thus the firm has potential to improve its long term reputation as well as revenues by using alternate sourcing strategies.

9. Inability to coordinate multiple outsourcing contracts

Managing relationships with third party vendors entails greater coordination and monitoring costs (Azoulay, 2004). Firms have to maintain greater control over the operations of their vendors especially for core activities such as R&D, and often have to set up separate departments to manage and supervise different vendors (Takeishi 2001). When a firm over spreads itself through multiple outsourcing and offshoring contracts it faces greater difficulty in managing them. Thus, there seem to exist an optimal level of outsourcing (Kotabe and Mol, 2009) and once a firm crosses this limit it may backsource to reduce its coordination costs and improve efficiency. The more a firm outsources the greater the coordination costs becasuse of managing many different third party vendors (Nooteboom, 1999; Kotabe and Mol, 2009).

Thus backsourcing is often driven by the need to reduce higher costs of governance. In this senario the firm had over estimated it's management capabilities and overextended itself. This is a source of strategy failure which can decrease the overall performance of the firm.

CONCLUSION

In this paper I look at why firms backsource their activities while distinguishing between factors that are driven by strategic change and those caused by strategy failure. Backsourcing is a very new phenomenon and it is extremely important for both researchers and practicioners to figure out why firms re-internalize their activities at great costs. It is also important to distinguish between backsourcing driven by strategic change and strategy failure as the costs and benefit are significantly different for both. Backsouring for acheving greater strategic fit for the firm leads to an overall improvement in the performance of the firm while that driven by stratgy failure can have a negative impact.

I propose that when firms backsoure due to organizational changes in strategic focus, organizational resturctuing and when using outsouring as an entry strategy, then it is positive and leads to greater organizational efficiency. Environmental factors such as unfavourable host country conditions can also lead to backsourcing driven by strategic change. Firms often backsource even when outsourcing continues to be an optimal sourcing strategy and this is a sign of strategy failure. Backsourcing is driven by strategy failure when the firm faces conflict with the external vendors, internal conflict with its foreign affiliates, loss of organizational competence, maintining its corporate image and inability to coordinate multiple outsourcing contract.

Backsourcing has received scant attention by the academic literature and most of the evidence is still anecdontal. It is important for us to examine this phenomenon and to empirically test it. This is a conceptual paper but future research can be done to test the propensity of a firm backsourcing due to strategy failure versus strategic change. This paper contributes to the overall literatue in outsourcing as backsourcing is a reversal in the trend. The pape also has important managerial implications as many firms jump on the bandwagon of outsourcing without realizing if it is a suitable strategy for them. This often results in backsourcing and if firms are aware of the reasons for backsourcing then there is a possiblity of fewer backsourcing incidents. However firms that have currently outsoured their activities also need to be aware that backsouring is often the best sourcing strategy for them and not necessarily a strategy failure.

REFERENCES:

Alexander, M. & Young, D. (1996). Strategic Outsourcing. *Long Range Planning*, 29(1), 116-119.

Aubert, B.A.,Patry, M., & Rivard, S. (1997). A tale of two outsourcing contracts. *Cahier du GreSI* 97-05.

Azoulay, P. (2004). Capturing Knowledge within and across Firm Boundaries: evidence from Clinical Development. *American Economic Review,* 94(5), 1591-1612.

Belt, J. A., & Paolillo, J. G. P. (1982). The Influence of Corporate Image and Specificity of Candidate Qualifications on Response to Recruitment Advertisements, *Journal of Management,* 8:105- 112.

Bettis, R. A., Bradley, S. P., & Hamel, G. (1992). "Outsourcing and Industrial Decline", *Academy of Management Executive,* 6(1): 7-22.

Bhalla, A., Sodhi, M., & Son, B.G. (2006). Is more IT Offshoring Better?: An Exploratory Study of Western Companies Offshoring to South East Asia. *Journal of Operations Management*, 26(2):322-335.

Bowman, E.H., & Singh, H. (1993). Corporate restructuring: Reconfiguring the firm. Strategic Management Journal, 14, 5-14.

Bunyaratavej, K., Hahn, E.D., & Doh, J.P. (2007). International offshoring of services: A parity study. Journal of International Management, 13, 7-21.

Bushell, S. (2003). Inside Moves. *CIO Australia Magazine*, Issue of 11 April.

Chadee, D. & Raman, R. (2009). International outsourcing of information technology services: Review and future directions. *International Marketing Review*, 26 (4/5), 411-438.

Contractor, F. & Mudambi, S. (2008). The Influence of Human Capital Investment on the Exports of Services and Goods: An Analysis of the Top 25 Services Outsourcing Countries. *Management International Review*, 48, 4.

Cowley, S. (2004). JP Morgan scraps $5B IT deal with IBM. *Computerworld*, 38, 1-16.

De Vita, G. & Wang, C.L. (2006) "Development of Outsourcing theory and practice: A Taxonomy of Outsourcing Generations", In: Kehal, H. & Singh, V.P (Ed.), *Outsourcing and Offshoring in the 21st Century: A Socio-Economic Perspective*. Idea Group Publishing, Hershey, PA.

Dibbern, J., Goles, T., Hirschheim, R., & Jayatilaka, B. (2004). Information systems outsourcing: A survey and analysis of the literature. *DATABASE for Advances in Information Systems*, 35(4), 6-12.

Doh, J.P., Jones, G., Mudambi, R., & Teegen, H. (2005). Foreign Research and Development and Host Country Environment: An Empirical Examination of US International R&D. *Management International Review*, 45: 121-154.

Erber, G. & Ahmed, A.S. (2005). Offshore Outsourcing: A Global Shift in the Present IT Industry. *Intereconomics*, March/April.

Filler, C. & Visser, E. (2000).The outsourcing dilemma: a composite approach to the make or buy decision. *Management Decision*, 38(1), 43.

Fombrun, C., & Shanley, M. (1990). What's in a name-Reputation building and corporate strategy. *Academy of Management Journal,* 33, 233-258.

Harrigan, K.R. (1984). Formulating Vertical Integration Strategies. *Academy of Management Review*, 9(4), 638-652.

Heiikkala, J., & Cordon, C. (2002). Outsourcing: A core or non-core strategic management decision?. *Strategy Change*, 11, 183-193.

Hirschheim, R. (1998). Backsourcing: An emerging trend? *Outsourcing Journal*, September.

Hirschheim, R., & Lacity, M. (1998). Backsourcing: An Emerging Trend?," Outsourcing Academics.com.

Hirschheim, R., and Lacity, M.C. (2000). The Myths and Realities of Information Technology Insourcing," *Communications of the ACM,* 43(2). 99-107.

Gatewood, R. D., Gowan, M. A., & Lautenschlager, G. J. (1993). Corporate image, recruitment image, and initial job choice decisions. *Academy of Management Journal*, 36, 414-427.

Gilley, K.M. & Rasheed, A. (2000). Making more by doing less: An analysis of outsourcing and its effects on firm performance. *Journal of Management*, 26(4), 763-790.

Gilley, K.M.,Greer, C.R. & Rasheed, A.A. (2004). Human resource outsourcing and organizational performance in manufacturing firms. *Journal of Business Research,* 57, 232-40.

Graf, M., & Mudambi, S. M. (2005). The outsourcing of IT enabled business processes: A conceptual model of the location decision. *Journal of International Management,* 11(2), 253–268.

Kaufmann, L. & Roessing, S. (2005). Managing conflict of interests between headquarters and their subsidiaries regarding technology transfer to emerging markets- A framework*.* *Journal of World Business*, 40, 235-253.

Kern, B.L., & Willcocks, L. (2001). The relationship advantage: Information technologies, sourcing and management. Oxford, UK: Oxford University Press.

Knolmayer, G.F. (2010). A European research agenda on the evolution of global sourcing relationships. *Fourth Global Sourcing Workshop*.

Kotabe, M. (1992) *Global Sourcing Strategy: R&D, Manufacturing and Marketing Interfaces*, Quorum, NY.

Kotabe, M., & Mol, M.J. (2009). Outsourcing and financial performance: A negative curvilinear effect. *Journal of Purchasing and Supply Management*, 15, 205-213.

Lacity, M.,& Willcocks, L. (2001). *Global information technology outsourcing: In search of business advantage* (1st ed.) West Sussex, England: Wiley.

Landis, K., Mishra, S., & Porrello, K. (2005). Calling a change in the outsourcing market: The realities for the world's largest organization. Deloitte Consulting.

Lei, D. & Hitt, M.A. (1995). Strategic restructuring and outsourcing: Effect of mergers and acquisitions and LBOs on building firm skills and capabilities. Journal of Management, 21(5), 835-859.

McLaughlin, D., Peppard, J.(2006). IT Backsourcing: From 'Make or Buy' to 'Bringing IT back in-house'. Paper presented at European Conference on Information Systems (ECIS), Gothenburg.

Overby, S. (2003). Bringing IT back home. *CIO Magazine*, 1 March.

Pfannenstein, L.L. and Tsai, R.J. (2004). Offshore outsourcing:Current and future effects on American IT industry. Information Systems Management, 21(4), 72-80.

Prahalad, C. K. & Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*, 79-91.

Quinn, J.B. (1992) *Intelligent Enterprise: A Knowledge and Service Based Paradigm for Industry*, Free Press, New York.

Rajagopalan, N., & Spreitzer, G. (1997). Towards a theory of strategic change: A multi-lens perspective and integrative framework. The Academy of Management Review, 22(1), 48-79.

Samuels, M. (2005). The insourcing trend is bringing it all back home. *IT Week*, Issue of 12 May.

Takeishi, A. (2001). Bridging inter- and intra-firm boundaries: Management of supplier involvement in automobile product development. *Strategic Management Journal*, 22(5), 403–433.

Thakur, P. (2010). Offshoring and outsourcing of core activities: The global relocation of pharmaceutical industry clinical trials. Unpublished dissertation.

Veltri, N.F., & Saunders, C. (2006). Antecedents of Information Systems Backsourcing. In: Hirschheim, R., Heinzl, A., Dibbern, J. (Eds.): Information Systems Outsourcing, 2nd ed., Berlin: Springer 2006, 83-102.

Whitten, D. & Leidner, D. (2006). Bringing IT back: An analysis of the decision to backsource or switch vendors. Decision Sciences, 37(4),605-621.

Williamson, O.E. (1971). The vertical integration of production: Market failure considerations. The *American Economic Review*, 61(2),112-123.

Wilson, H.W., (1985). Reputations in games and markets. In: Roth, A.E., Editor, *Game-Theoretic Models of Bargaining*, Cambridge University Press, New York, pp. 65–84.

Wong, S.W. (2008). Drivers of IT backsourcing decision. Communications of the IBIMA, 2.

Zajac, E.J., Kraatz, M.S., & Bresser, R.K.F. (2000). Modeling the dynamics of strategic fit: A normative approach to strategic change. Strategic Management Journal, 21(4): 429.