

Chapter 10

The Attitudes Towards Nearshoring vs. Offshoring on the IT Services Industry

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ABSTRACT

The main topic of this investigation is the outsourcing of IT services and subsequent analysis of the delivery method based on proximity, examining whether the work would be delivered through a nearshoring model or via an offshoring one. The main goal is therefore to determine the antecedents of the “attitude towards outsourcing,” as well as their consequences. The statistical analysis, based on a sample of 88 respondents, shows that the factors that may influence the “attitude towards outsourcing” are strategy, service suppliers, and supplier trust. As a consequence, we have behavioral intention when dealing with a nearshoring vs. offshoring scenario. The study of the details behind the type of the outsourcing options, either nearshoring or offshoring, an individual within an organization is more willing/likely to use, based on behavioral intention, is the main innovative aspect of this research. As per the results of this study, the above was also considered as a valid consequent to the existing models and has shown to be a relevant construct in this context.

INTRODUCTION

The growing interest in the outsourcing of IT services arises from the fact that we are currently dealing with an increasingly demanding market, where products and/or associated services undergo a faster and reduced life-cycle, due to constant innovation. In order to achieve the necessary flexibility to innovate with the required quality and speed, companies use subcontracting of specialized services from specialist supplier companies (Bernstorff, 2003).

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IT services outsourcing is a global-scale business with exciting growth prospects and is already driving very large sums of money. According to Gartner, in 2013, a worldwide spending of approximately \$288 billion was expected, driven by an expected growth of 5.1%. This trend remained constant, according to the Computer Economics' IT Outsourcing Statistics 2016/2017, which states that the budget available for IT outsourcing rose, in 2016, 10.6%.

Research in areas such as distributed work, global strategy and economic geography, show that, despite the present phenomenon of globalization that we currently experience, service and/or product delivery location still represents a major factor in decision-making. (Kiesler & Cummings, 2002) argue that proximity is critical to the development of group interactions and for building social connections; technology alone is insufficient to recreate the same facilities in a remote environment (Willcocks, Lacity, & Sauer, 2017).

Proximity outsourcing, which has been used extensively over the past two decades for software development, is presently being addressed for more elaborate and complex purposes. (Guedes, 2015) states that the benefits that can be derived from the use of outsourcing services, namely nearshoring, in Digital Transformation projects are very positive, and when compared with a traditional delivery model, it is shown that they offer substantial financial advantages, and an increase in ROI, without significant loss of quality or added risk. Thus, the adoption of this delivery model significantly reduces the cost of implementing the projects, while at the same time guarantees the same quality standards to the client, with a lower total final cost (Hahn, Bunyaratavej, & Doh, 2011).

Also, (Porter, 1998) argues that although the ease of obtaining capital, resources, and information at a global level is appealing, there is evidence that there is a competitive advantage in proximity, especially in areas such as knowledge and relationships (McIvor, 2010).

Given that the decision to outsource IT services entails high strategic and economic risks, as (Schneider & Sunyaev, 2016) state, a study is needed to support IT market decision-makers, such as project managers, delivery executives, service providers, and other professionals that may somehow be related to the theme. When they are provided with useful and up-to-date information that facilitates their understanding of the market, they can make better decisions, and influence their institutions positively (Tate, 2014).

The main goal of this research is to understand the relationship between the customer and the IT service provider, and their preferences regarding the delivery method. It will study consumer attitude towards outsourcing services taking into account the following factors: strategy, environment, project indicators, cost, service providers, suppliers trust, opportunistic behaviors. Subsequently, it offers a deeper analysis on the preference for nearshoring vs. offshoring.

OUTSOURCING, IT SERVICES OUTSOURCING, OFFSHORING AND NEARSHORING

Outsourcing

With the increase of competitiveness, companies are focused in having the best collaborators in order to deliver products/services of excellence. Obtaining employees who can leverage corporate competitiveness, in turn, creates a variety of outsourcing opportunities, which has grown exponentially, becoming one of the biggest businesses of the future.

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