Chapter 5.10
Open Source and Outsourcing:
A Perspective on Software Use and Professional Practices Related to International Outsourcing Activities

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ABSTRACT

This chapter examines the role of open source software (OSS) in international outsourcing practices that involve the transfer of knowledge work from one nation to another. Included in this examination are discussions of the benefits and the limitations of OSS use in outsourcing. The chapter also presents organization-specific and industry-wide strategies for effective OSS use in outsourcing situations. The chapter then concludes with a discussion of areas of international outsourcing where OSS might have important future applications or effects. The purpose of such an examination is to provide readers with the knowledge and the insights needed to make effective decisions related to the use of OSS in international outsourcing situations.

INTRODUCTION

International outsourcing now includes the distribution of knowledge-based work to employees in other countries. Much of this work, however, requires the use of software either to perform a task or to provide the technologies that allow clients and outsourcing providers to interact. Conventional "proprietary" software can, however, be prohibitively expensive to outsourcing employees in developing nations.

Open source software (OSS) might offer a solution to this problem, for OSS is often free to use and is relatively easy to modify or to update. Yet open source software also brings with it a new series of problems related to product consistency, user support, and digital piracy. While the relationship between outsourcing and software (particularly OSS) has been known for some time, it has received relatively little attention in terms of social and economic implications both for those who outsource work and for those who perform outsourced work. Knowledge of these issues, however, is essential to understanding both current and future outsourcing practices and the socio-economic development of nations that engage in outsourcing.

The purpose of this chapter is to provide readers with a foundational knowledge of how OSS use

could affect international outsourcing practices. After reading the chapter, individuals will understand the relationship between software and outsourcing practices in terms of the opportunities and the limitations it creates for client companies and for outsourcing employees in developing nations. This chapter also presents strategies organizations can employ to use OSS more effectively in international outsourcing situations. The chapter then concludes with an overview of how global computing and OSS use is poised for significant growth and the implications this growth could have for different organizations.

BACKGROUND

The Growth of International Outsourcing

In international outsourcing — or offshoring — situations, companies in one nation transfer the responsibility for completing a task to workers in another country (Bendor-Samuel, 2004). Originally, this transfer of responsibility focused on manufacturing and the production of physical products such as clothing or footwear. The global spread of online media, however, has given rise to a new kind of international outsourcing that involves the export of knowledge-based work. Known as business process outsourcing — or BPO — this practice encompasses everything from computer programming to call center staffing and medical transcription. While such BPO practices have existed on a relatively limited scale to date, they are poised to expand rapidly in the future.

The push to adopt BPO has to do with the perceived benefits related to such practices. Perhaps the most publicized of these benefits is savings related to the cost of skilled labor. Much of today's knowledge work is being outsourced to skilled employees in developing nations — employees who can perform most technical tasks for far less than what counterparts in industrialized nations

would charge. For example, gaming developers in Russia earn roughly $100 U.S. a week, while middle managers in mainland China earn roughly $9,000 a year (Weir, 2004; Nussbaum, 2004).

Such wage-based savings, however, are not the only advantage related to offshoring. Rather, proponents of outsourcing note it also offers the benefits of

- Improved quality of service: Research indicates overseas outsourcing employees often provide better quality service than "domestic" workers who perform the same jobs (Reuters, July 182004; Farrell, 2004; Hagel, 2004). Certain call centers in the Philippines, for example, take 25% less time to handle incoming calls and receive higher rates of caller satisfaction than do U.S. counterparts (Hagel, 2004).
- Effective management practices: Because managers are paid less in developing nations, organizations can easily justify the use of more in-country managers to oversee outsourcing activities (Nussbaum, 2004; Hagel, 2004). This increase means managers have more time to answer employee questions and to provide employee training — factors that contribute to the improved quality of work or service perceived by many consumers (Hagel, 2004; Lewis, 2003; Hagel, 2004).
- Reduced employee turnover: Secure employment is often rare in many developing nations, and outsourcing jobs tend to be among the better paying ones. Therefore, outsourcing workers in developing nations tend to stay with employers for longer periods of time (Reuters, July 18, 2004; Farrell & Zainulbhai, 2004). As a result, these long-term employees tend to have more experience performing their jobs while reducing the need for and the cost of new employee training.
- Reduced production time: By using online media to distribute work to employees in

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