

DISSERTATION DEFENSE

Bryon Balint

Monday, April 19, 2010

10:00 am

388 Posner Hall

Field Studies in Offshoring and Process Standardization

Although business services outsourcing has grown dramatically in size and scope over the last decade, firms continue to encounter difficulties in managing and delivering services. An important choice for service providers is whether to use a standardized set of processes for service delivery across delivery centers. The standardization of processes through the implementation of frameworks such as the CMMI, TQM and ISO 9000 has become an established practice among manufacturing and software development firms. However, the role of process standardization in the delivery of business services such as accounting, procurement, and human resources has not been examined to a significant extent. In this doctoral dissertation, I examine a process improvement framework that is designed specifically for outsourcing service providers: the eSourcing Capability Model for Service Providers, or eSCM-SP (Hyder et al, 2004a, 2004b). I have collected detailed archival data from an offshore delivery center of a large IT and business services firm that has implemented and received certification in the eSCM-SP. I examine the implementation of this model, and its implications for internal service delivery performance, in two empirical studies.

Study One: The Effectiveness of Tool-, Team-, and Task-based Knowledge Transfer Mechanisms for Implementing Process Improvement Frameworks. It is challenging for global service providers to effectively deliver services to their customers. Process improvement frameworks promise consistent performance, better quality, and less rework. However, implementing such frameworks can be both difficult and costly. Organizations may choose to structure process improvement projects using multiple implementations to facilitate knowledge transfer within and across units. Further, while a variety of knowledge transfer mechanisms are available it is an open question as to whether such mechanisms actually improve implementation performance and whether these effects differ in initial and repeated implementations. In this study, I examine the implementation of process improvement frameworks from the perspective of knowledge transfer. Drawing upon Argote and Ingram's (2000) typology, I theorize that the use of tool-, team-, and task- based mechanisms to transfer process knowledge will lead to higher implementation performance, particularly in repeated implementations. However, I also hypothesize that these beneficial effects will be weakened by the extent to which the process knowledge transferred must be customized in these implementations. I evaluate my theoretical model using data collected in a field study of multiple implementations of a process improvement framework in two units of an offshore delivery center for a large IT and business services provider. The findings suggest that, for processes that do not require customization in

repeated implementations, team-based mechanisms are as effective in the repeated implementation as in the initial implementation while tool-based mechanisms are more effective in the repeated implementation than in the initial implementation. In addition, task-based mechanisms are also effective in the repeated implementation. However, for processes that require customization in repeated implementations, none of the knowledge transfer mechanisms result in better implementation performance.

Study Two: Process Standardization, Task Variability, and Internal Performance in IT and Business Services Outsourcing. The standardization of processes through the implementation of process improvement frameworks has become an established practice among manufacturing and software firms. However, the relationship between standardization and performance in these settings is not clear, and existing empirical results are inconsistent. Furthermore, the mechanisms by which process standardization lead to performance improvement in highly variable tasks such as IT and business services are not well understood. In this study I analyze detailed performance data from a large service provider that has implemented a process improvement framework for services outsourcing. I evaluate the extent to which process standardization influences service delivery performance, and how the effect of standardization differs based on task variability and the length of experience with the new processes. The results indicate that for non-variable tasks, performance improves significantly in the immediate period after the implementation of the framework. Performance also improves at a faster rate over time after standardized processes are introduced. In contrast, for variable tasks there is an immediate decline in performance after process standardization occurs. However, performance on variable tasks after process standardization also increases at a faster rate over time than performance on non-variable tasks. The results suggest that after an initial period of difficulty, the organization learns over time to apply the new processes to variable tasks more effectively.