Examining the popularity trajectory of outsourcing as a management concept
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Empfohlene Zitierung / Suggested Citation:

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Examining the Popularity Trajectory of Outsourcing as a Management Concept

Abstract

This paper examines the popularity trajectory of outsourcing as a management concept. The paper shows that while outsourcing is an old management practice that has roots that date back centuries, it did not gain widespread popularity as a modern organizational practice until the 1980s. While the initial outsourcing hype and craze of the late 1980s and early 1990s has waned, outsourcing has shown considerable staying power as a management concept, even in the face of counter-movements such as backsourcing and insourcing. Although the experiences with implementation of outsourcing are mixed, outsourcing remains a widely used management concept. However, the current relatively low satisfaction level among users could influence the future popularity trajectory of the outsourcing concept.

Keywords: outsourcing, popularity trajectory, management concept, management fashion, adoption, diffusion

JEL Classification: M00, M10

INTRODUCTION

Outsourcing

One definition of outsourcing is that it is “the procurement of products or services from sources that are external to the organization” (Lankford & Parsa, 1999, p. 310). Outsourcing involves the use of “third parties to perform noncore business activities” (Rigby, 2015, p. 44). Commentators have stated that outsourcing is one of the most influential and prominent management trends of the last decades (Hendry, 1995; Hindle, 2008; Kakabadse & Kakabadse, 2005; Lankford & Parsa, 1999; Rigby, 2015). Outsourcing has received much attention in public management discourse. Particularly during the early to mid-1990s, there was a lot of hype surrounding the concept (Lonsdale & Cox, 2000, p. 444), and outsourcing was the topic of numerous conferences, surveys and articles (Alexander & Young, 1996, p. 728).

Therefore, it should come as little surprise that outsourcing has been singled out as one of the most important management fashions of the 1980s and 1990s (Grint, 1997; Hendry, 1995). However, outsourcing’s popularity has continued into the new millennium. For instance, outsourcing has been referred to as a “fashionable management technique” (Beaumont & Sohal, 2004, p. 698) and an “institutionalized business recipe” (Araujo & Gadde, 2009).
Despite having been referred to as a management fashion, outsourcing has not been all talk and rhetoric. Instead, it is evident that outsourcing has had a considerable influence on organizational practice in different parts of the world. In prior research, it has been pointed out that outsourcing has “spread as a ubiquitous phenomenon in the manufacturing industries” (Broedner, Kinkel, & Lay, 2009, pp. 127-128), as well as in the information technology (IT) sector (Hu, Saunders, & Gebelt, 1997; Lacity & Hirschheim, 1993; Mann, Kauffman, Han, & Nault, 2011).

A little more than two decades after the heydays of the early 1990s, surveys show that outsourcing still ranks among the most popular management tools and trends used by managers around the globe (Rigby, 2015; Rigby & Bilodeau, 2013, 2015).

**Purpose**

Against the background outlined above, the purpose of the present paper is to examine the popularity trajectory of outsourcing as a management concept, using management fashion as a theoretical lens (e.g., Abrahamson, 1996; Kieser, 1997).

This study is by no means the first to suggest that social and institutional factors (e.g., managerial fads and fashions) could explain important aspects of the diffusion and popularity of outsourcing (Araujo & Gadde, 2009; Beaumont & Sohal, 2004; Clegg, Burdon, & Nikolova, 2005; Grint, 1997; Hendry, 1995; Loh & Venkatraman, 1992a, b; Mann et al., 2011; Miller, Hartwick, & Le Breton-Miller, 2004; Rüling, 2005).

Nevertheless, this paper aims to contribute to the literature on outsourcing by carrying out an in-depth case study of the popularity trajectory of outsourcing, examining both the supply side and the demand side of the concept.

**Research approach**

This paper is largely explorative and qualitative in nature. In achieving the aim of the paper, the paper draws on a broad range of studies and data from the existing literature on outsourcing. These different sources are used to paint a “mosaic picture” (see Morrison & Wensley, 1991; Nijholt & Benders, 2007, p. 649) of the popularity trajectory of outsourcing as management concept. It should be pointed out that the author has utilized a similar research approach in studies of other popular management concepts (see, e.g., Madsen & Stenheim, 2016). The implications and limitations of this research approach will be discussed in greater details in the final section of the paper.

**Structure**

The rest of the paper is structured in the following way. Section 1 provides an overview of the historical emergence and evolution of outsourcing as a management concept. Section 2 analyzes the key characteristics of outsourcing as management concept and its potential as a management fashion. Sections 3 and 4 examine outsourcing from a supply side and a demand side perspective, respectively. Then, in Section 5, the findings are discussed in light of the management fashion literature. In the final section, conclusions are drawn, and limitations and areas for future research are identified.

1. **HISTORICAL BACKGROUND**

1.1. **Emergence**

This section provides a brief genealogy of outsourcing as a management concept. The historical development of outsourcing has been analyzed in detail in previous contributions (see, e.g., Kakabadse & Kakabadse, 2002; Lonsdale & Cox, 2000). These contributions have shown that outsourcing is a management concept that has a very long history in business and management.

According to Lankford and Parsa (1999), “outsourcing is not a new fad but a solution with a long, distinguished track record” (p. 311). In a similar vein,
Kakabadse and Kakabadse (2002, p. 189) write that outsourcing is a "historical well-established practice" that can be traced all the way back to the Romans. In the eighteenth and nineteenth centuries, "contracting out" practices were widely used in leading economies such as England, Australia, France and the USA (Kakabadse & Kakabadse, 2002).

Hätönen and Eriksson (2009) trace the origins of outsourcing as a modern organizational phenomenon back to the 1950s. The post-war period saw the rise of conglomerates and large vertically integrated companies; however, over time, these organizational models became the subject of much criticism and gradually went out of vogue (Davis, Diekmann, & Tinsley, 1994; Lonsdale & Cox, 2000). Outsourcing became a way for organizations to refocus on their "core business," a notion that was advanced and hyped up in the management literature of the 1980s (e.g., Peters & Waterman, 1982). As a result, the interest in outsourcing surged during the 1980s (Hätönen & Eriksson, 2009) and picked up even more momentum in the early 1990s.

1.2. Evolution

The section examines the evolution of outsourcing as a management concept in the post-1980s period. Several researchers have argued that outsourcing was a management concept that fit well with the zeitgeist in the business community during the 1980s and 1990s (e.g., Peters & Waterman, 1982). As a result, the concept started garnering much attention in the public management community. In the mid-1990s, Alexander and Young (1996) wrote that, as a "topic of management conferences, articles and surveys, outsourcing is clearly gaining market share rapidly" (p. 728). In a similar vein, commentators also made observations about the timeliness of outsourcing, noting that it was "an idea whose time has come" (Hayes, 2000, cited in Dobson, 2001).

During the 1980s and 1990s, notions of "core business" and "core competencies" (Peters & Waterman, 1982; Prahalad & Hamel, 1990) enjoyed dominant positions in the business community. As noted by Hendry (1995), the popularity of outsourcing was reinforced by political ideology and management fashion. In addition, the popularization of outsourcing was helped by the fact that it was a technologically infused management fashion, closely linked to IT and technology-focused companies (Westrup, 2005).

In prior research on outsourcing, researchers have highlighted the pivotal role of the so-called "Kodak effect" in the rapid rise in popularity of outsourcing during the early 1990s. Kodak’s decision to outsource was highly influential in shaping the subsequent evolution of outsourcing. The Eastman Kodak outsourcing deal was a "landmark event that brought IT outsourcing to the attention of the business world" (Lonsdale & Cox, 2000, p. 449). Costa (2001) writes that the Kodak decision is "regarded as a turning point in outsourcing’s history" (p. 214).

The Kodak decision started a bandwagon (Lacity & Hirschheim, 1993; Slater, 1992) that propelled outsourcing to prominence as a leading management concept (Loh & Venkatraman, 1992b; see also Scarbrough & Swan, 2001, p. 10). In the period after the well-publicized Kodak decision, mimetic and imitative behavior became more influential in driving outsourcing adoption decisions (Lacity & Willcocks, 1998; Loh & Venkatraman, 1992a).

The considerable hype in the business press led other organizations to become curious and ask themselves the question of why they also should not outsource. Around this time, there were many well-publicized "mega-deals" that created contagion effects (Mann et al., 2011). The popularization of outsourcing and managers’ interest in and demand for outsourcing services meant that outsourcing quickly became big business (Hirschheim & Lacity, 2000; Lonsdale & Cox, 2000). This naturally attracted an influx of consultants, book authors and software firms eager to position themselves as experts on outsourcing and sell different types of outsourcing services.

However, some of the hype waned, and just a few years later, some commentators started writing about the "end of the outsourcing era" (Glass, 1996). In the following years, a number of papers raised the question of whether outsourcing could be an example of a "management fad" (e.g., Dobson, 2001; Fischli, 1996; Kippenberger, 1997b).

Moreover, around that time several counter-movements such as insourcing (Hirschheim & Lacity,
2000; Lacity & Hirschheim, 1995) and backsourcing (Hirschheim & Lacity, 1998; Veltri, Saunders, & Kavan, 2008) emerged. Proponents of these counter-movements questioned the merits and rationale for outsourcing. However, despite the pushback from these counter-movements, outsourcing did not fade away from neither public management discourse nor organizational practice. Some years later, Lonsdale and Cox (2000) noted that “few management practices have attracted as much attention as outsourcing is enjoying at the present time” (p. 444).

In another paper that analyzed different management fads, outsourcing was considered among recent potential “classics” or “risers” (Miller et al., 2004). More recently, researchers have argued that outsourcing over time has become an “institutionalized business recipe” (Araujo & Gadde, 2009). Taken together, these studies suggest that outsourcing has not been a fleeting fad; instead, it has had considerable staying power as a management concept.

2. OUTSOURCING AS A MANAGEMENT CONCEPT: KEY CHARACTERISTICS

In this section, the characteristics of outsourcing are analyzed in greater details. Analyzing the characteristics of outsourcing as a management concept is important, since organizational researchers argue that the inherent characteristics of management concepts and ideas influence the degree to which they have the potential to diffuse widely and easily and become popular (i.e., fashionable) (Benders & Van Veen, 2001; Røvik, 2002).

2.1. Outsourcing as a management concept

In this section, it is argued that outsourcing should be viewed as a management concept. Management concepts are “prescriptive, more or less coherent views on management” (Benders & Verlaar, 2003, p. 758). Outsourcing clearly fits the definition of a management concept, since it is a concept that is highly normative in nature and provides recommendations to managers about how to organize aspects of their operations.

Viewing outsourcing as an example of a management concept is also supported by several other studies where outsourcing has been referred to as an example of a “management recipe” (Hendry, 1995), a “general management philosophy” (Rüling, 2005, p. 192), and an “institutionalized business recipe” (Araujo & Gadde, 2009).

2.2. Characteristics of the outsourcing concept

In the following, four characteristics of the outsourcing concept will be analyzed: (1) label, (2) promised performance improvements, (3) interpretive space, and (4) universality. Management concepts that have a high popularity potential tend to exhibit these characteristics to a high degree (Benders & Van Veen, 2001; Røvik, 2002).

2.2.1. Label

The first characteristic is related to the concept’s label. Typically, management concepts are labelled in a distinctive way using catchwords (Røvik, 1998). Offentimes, a two or three letter acronym such as BPR (Business Process Reengineering) or TQM (Total Quality Management) is used (Grint, 1997; Røvik, 1998). In many cases, a management concept’s label carries positive connotations and is closely associated with management buzzwords (see Cluley, 2013; Kieser, 2002).

While outsourcing is not associated with an acronym, the label lends itself to different variations such as IT outsourcing (Lacity & Hirschheim, 1993), HR outsourcing (Delmotte & Sels, 2008; Sim, Avvari, Kaliannan, & Busi, 2016) and Business Process Outsourcing (BPO) (Fotache & Hurbean, 2006; Tsay, 2009). In addition, authors have launched variations of the outsourcing label such as “smartsourcing” (Koulopoulos & Roloff, 2006), “multisourcing” (Cohen & Young, 2006) and “rightsourcing” (Aron, Clemons, & Reddi, 2005).

Furthermore, as discussed in the section about the evolution of outsourcing, the case of outsourcing is interesting in the sense that the label over time has become associated with a number of counter-movements such as “insourcing” and “backsourcing”.

181
2.2.2. Promised performance enhancements

Proponents of management concepts tend to promise performance improvements to potential adopters (Kieser, 1997; ten Bos, 2000) and typically warn managers that they will be at a disadvantage vis-à-vis competitors if they do not adopt the concept in question (Kieser, 1997; Røvik, 1998). Furthermore, management concepts are sometimes presented as “silver bullets” and panaceas (see, e.g., Gill & Whittle, 1993).

As discussed in section 1, there was much hope and hype surrounding outsourcing during the early 1990s in the aftermath of the Kodak decision. Outsourcing was presented as a promising and novel practice that was very much in tune with the zeitgeist in the business community (see Miller et al., 2004, p. 11) during the 1980s and 1990s. As noted earlier, around this time, the focus in the business community shifted from conglomerate and vertical integration to core competencies and more flexible organizations.

As a result, there were high expectations and hopes among managers with respect to the potential performance enhancing effects of outsourcing. In many ways, outsourcing was seen as a “silver bullet” (Benko, 1992), and there was a commonly held belief that outsourcing would be something of a panacea (Cant & Jeynes, 1998).

2.2.3. Interpretive space

A third key characteristic of management concepts is a high degree of vagueness and ambiguity. This means that a concept can be interpreted in a multitude of ways (Benders & Van Veen, 2001; Clark, 2004). This ambiguity has the function of increasing the size of the potential adopter market, since users can easily adapt and customize the concept to fit their particular organization-specific needs and circumstances (Benders & Van Veen, 2001, p. 38; Kieser, 1997).

Outsourcing as a management concept has a considerable room for interpretation. For example, in previous studies, it has been pointed out that people have varying interpretations of the concept (Lonsdale & Cox, 2000, p. 449). Furthermore, commenting on the case of outsourcing, Rüling (2005) argues that it can be viewed as more of a general management philosophy than a concrete management tool.

While this means that outsourcing has a very broad scope, it also means that the outsourcing concept can be easily attached to a given organization (Rüling, 2005). To this point, Rüling (2005) writes that such concepts are “much broader in scope and easier to attach to a given company reality than concepts that seem to have better defined contours” (p. 192). This is easily observed in the case of outsourcing, since numerous outsourcing examples have been reported in the business media, as well as in academic publications.

Rüling (2005) noted that outsourcing easily lends itself to combinations with other management concepts. There are several examples that illustrate the close relationship between outsourcing and other management concepts such as business process reengineering (Hammer & Champy, 1993), downsizing (Cascio, 1993), core competencies (Prahalad & Hamel, 1990), and shared services (Bergeron, 2002; Sako, 2010).

All of these other management concepts can be seen as justifications for outsourcing (Dautwiz, 2009), as they generally highlight the advantages of smaller and more focused organizations. For example, Hindle (2008) observed that the “drive to identify core competencies moved in line with the growing popularity of outsourcing” (p. 42).

2.2.4. Universality

The fourth characteristic is related to universality. Management concepts are typically presented as having universal applicability (Røvik, 2007). Outsourcing can be viewed as a general management philosophy (Rüling, 2005) that is relatively universal (Cant & Jeynes, 1998), which means that it can be easily contextualized to the particularities of a given organization. Moreover, during the 1990s, there was a general consensus in the business community that the need for outsourcing was universal, and something most organizations could not do without. To this point, Hendry (1995) observed that “the idea that it might not be appropriate is fast becoming almost inconceivable” (p. 196).
2.3. Evaluation of the popularity potential of outsourcing

This section has examined the characteristics of outsourcing as a management concept. Generally, the analysis has shown that outsourcing displays several of the characteristics of management concepts, such as large promises of performance improvements, considerable room for interpretation, as well as claims of universality. Therefore, it can be argued that outsourcing is a management concept to a large extent has what Røvik (2002) refers to as the “winning formula” and a considerable popularity potential.

However, as is pointed out in the literature of popular management concepts and ideas, a large popularity potential is not a sufficient condition for management concepts to become management fashions, i.e., “management concepts that relatively speedily gain large shares in the public management discourse” (Jung & Kieser, 2012, p. 329). After all, it is not the case that all management concepts become management fashions (Nijholt & Benders, 2007, pp. 629-630). For a concept to stand a chance of becoming fashionable, it is important that management concepts are supported by fashion-setting actors who can create a wave of interest (Kieser, 1997). These actors’ activities will make it more likely that the concept reaches a critical mass of followers, at which point bandwagon effects may kick in and lead to a further popularization of the concept (Benders, 1999).

3. THE SUPPLY SIDE OF OUTSOURCING

This section examines the supply side of outsourcing, i.e., the field of actors propagating and popularizing the concept. These actors provide outsourcing products and services to potential users on the demand side of the market. Management fashion researchers refer this field of actors as the “fashion-setting community” (Abrahamson, 1996) or the “management fashion arena” (Jung & Kieser, 2012; Klincewicz, 2006), with the most important actors being consulting firms, management gurus, conference organizers, professional organizations, business media organizations, and software firms.

In the following, the activities and involvement of various types of supply side actors are described and analyzed. Before proceeding, however, the historical development of the market for outsourcing services is briefly described.

3.1. The market for outsourcing services

The historical review in section 1 showed that outsourcing really started becoming popular during the 1980s and early 1990s. As a result of the increased interest in and demand for outsourcing, the market for outsourcing services grew considerably. Several commentators noted that the outsourcing market relatively quickly became quite sizable and lucrative (Hirschheim & Lacity, 2000; Hu et al., 1997).

Much of the growth happened in the period from the mid-to late 1990s (Hirschheim & Lacity, 2000), and in the words of Lonsdale and Cox (2000): “IT outsourcing activity in the UK alone estimated to top £8 billion by 2001” (p. 449). However, there are indications that this growth has continued, as Mann et al. (2011) cite a number of reports by various consulting and analytics firms that show that the spending on IT and Business Process Outsourcing is in the hundreds of billions of USD.

3.2. Consulting firms

Management consulting firms are widely considered to be the most important supply side actor involved in the diffusion and popularization of new management concepts and ideas (Heusinkveld, 2013; Jung & Kieser, 2012). In particular, elite consulting firms (e.g., McKinsey, Boston Consulting Group and Bain) are influential in legitimization of new management concepts and ideas (O’Mahoney & Sturdy, 2016) such as the McKinsey 7S Framework and the Boston Matrix.

In previous research, it has been pointed out that consultants have played a key role in relation to outsourcing. During the 1980s, consultants were en-
couraging companies to adopt the “core” thinking (Lonsdale & Cox, 2000, p. 446). As pointed out earlier in this paper, the famous McKinsey consultant and management guru Tom Peters advanced the idea of focusing on the core business. Furthermore, Lonsdale and Cox (2000, p. 444) note that during the outsourcing craze, consultants typically talked of a “revolution in outsourcing”.

Among the elite strategy consulting firms, McKinsey has been heavily involved in the legitimization and popularization of outsourcing. For example, quite a few articles about outsourcing have been published in McKinsey Quarterly (e.g., Auguste, Hao, Singer, & Wiegand, 2002; Craig & Willmott, 2005; Doig, Ritter, Speckhals, & Woolson, 2001; Quinn & Hillmer, 1995). This shows that McKinsey’s business magazine has been used to put outsourcing at the top of the agenda of top-level executives and managers all over the world.

For a while, Accenture had a very high profile in relation to outsourcing. Outsourcing was one of Accenture’s main practice areas (consulting, technology, outsourcing, alliances) during the 1990s and 2000s (Delattre, Hess, & Chieh, 2003). For example, during the 2000s, Accenture published a number of articles on outsourcing (e.g., Brown, 2010; Linder, 2004; Linder, Cole, & Jacobson, 2002; Shelgren, 2004). Accenture has since dropped the “O-word”1, which can be interpreted as an indication that the demand for outsourcing among potential client organizations currently is not as high as it used to be.

Among the other large international consulting firms, both Deloitte and KPMG have published research reports on the use of outsourcing around the world (e.g., Deloitte, 2014; Hurley & Costa, 2001; Hurley & Schaumann, 1997). During the 1990s, PricewaterhouseCoopers marketed outsourcing as a “replacement” for other fashions such as reengineering and downsizing (Zorn, Christensen, & Cheney, 1999; Zorn, 2001). In addition, a number of more specialized consultancies (e.g., The Hackett Group) have been providing different types of outsourcing services.

### 3.3. Management gurus

Management gurus are important creators and suppliers of management concepts and ideas (Huczynski, 1993; Jackson, 2001). Gurus legitimize and popularize new management concepts via management books, articles, and presentations on the international conference and seminar circuit.

In the case of outsourcing, a number of different gurus have played key roles (Miller et al., 2004). Lonsdale and Cox (2000) note the importance of Tom Peters in the popularization of the core business thinking, which was introduced in his bestselling book “In search of excellence” (Peters & Waterman, 1982). The notion of “core” was further developed in the field of business strategy in Hamel and Prahalad’s widely cited article “The core competence of the corporation” (Prahalad & Hamel, 1990).

Hendry (1995) highlights the importance of five management gurus who prepared the ground for outsourcing to take root in the management community: Kanter, Reich, Prahalad/Hamel, and Handy. As Hendry (1995) suggests, these thinkers published important books and articles during the 1980s and early 1990s that shaped the public management discourse and the zeitgeist in the business community. Table 1 provides an overview of influential gurus who were involved in the legitimization and popularization of outsourcing in the early phase.

### Table 1. Influential management gurus involved in legitimizing and popularizing outsourcing in the early phase

<table>
<thead>
<tr>
<th>Guru</th>
<th>Domain</th>
<th>Key reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosabeth Moss Kanter</td>
<td>Academic</td>
<td>Kanter (1989)</td>
</tr>
<tr>
<td>Robert Reich</td>
<td>Academic</td>
<td>Reich (1991)</td>
</tr>
<tr>
<td>Gary Hamel</td>
<td>Manager/consultant</td>
<td>Prahalad and Hamel (1990)</td>
</tr>
<tr>
<td>C. K. Prahalad</td>
<td>Academic</td>
<td></td>
</tr>
<tr>
<td>Charles Handy</td>
<td>Academic</td>
<td>Handy (1989)</td>
</tr>
</tbody>
</table>

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1 www.horsesforsources.com/accenture-o-word_040614

184
3.4. Organizations and institutes

There is a number of organizations and institutes devoted to outsourcing as a theory and practice, e.g., the International Association for Outsourcing Professionals, the Center for Outsourcing Research, and the Shared Services Outsourcing Network (Vitasek & Manrodt, 2012, p. 13).

Another example is The Outsourcing Institute (www.outsourcing.com), which was founded in 1993. This organization has over 70,000 members globally and calls itself the “gateway to the outsourcing marketplace”. Moreover, it offers many types of resources such as general background information about outsourcing, webinars, as well as awards for things like “best outsourcing thought leadership program”.

3.5. Software firms

Software firms provide complementary products and services aimed at helping organizations to implement management concepts and ideas (Klincewicz, 2006). As Klincewicz (2006) suggests, software firms tend to develop tools associated with management concepts that already have a sufficiently large following (i.e., currently fashionable) and where they can realistically expect to recoup the oftentimes substantial initial development costs.

Similar developments can be identified in the outsourcing market. As noted previously, the market for outsourcing services is massive and lucrative. As a result, software firms have entered the outsourcing market, and there are several vendors of, for instance, IT outsourcing governance tools (Fischer, George, & Hirschheim, 2013).

3.6. Business media

Business media (e.g., popular management books, magazines and periodicals) play influential roles in the diffusion of new management concepts and ideas (Alvarez, Mazza, & Pedersen, 2005; Furusten, 1999; Mazza & Alvarez, 2000; Rovik, 2002; Sahlin-Andersson & Engwall, 2002). As the next subsection will show, outsourcing has received much attention in popular management books, magazines and journals.

3.6.1. Books

Since outsourcing became popular in the 1980s and early 1990s, a string of books have been published. Table 2 provides some illustrative examples of books about outsourcing. These books are mostly aimed at an audience of practitioners and provide recipes and recommendations on how to use outsourcing in practice.

<table>
<thead>
<tr>
<th>Title</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Black Book of Outsourcing: How to Manage the Changes, Challenges, and Opportunities</td>
<td>Brown and Wilson (2005)</td>
</tr>
<tr>
<td>Outsourcing for Dummies</td>
<td>Ashley (2008)</td>
</tr>
<tr>
<td>Outsourcing – all you need to know</td>
<td>Cullen, Lacity, and Willcocks (2014)</td>
</tr>
<tr>
<td>Multisorcing: Moving Beyond Outsourcing to Achieve Growth And Agility</td>
<td>Cohen and Young (2006)</td>
</tr>
</tbody>
</table>

3.6.2. Magazines and journals

Miller et al. (2004) demonstrate a steady growth in number of publications about outsourcing between 1990 and 2000, labelling outsourcing a “riser” in terms of attention. There were few publications about outsourcing before 1990, and an explosive growth between 1990 and 1995. During this take-off period, influential journals such as Harvard Business Review devoted many pages to IT outsourcing cases (Lonsdale & Cox, 2000, p. 449). However, towards the late 1990s, the increases were more gradual, and there was a stabilization in publishing activity around the turn of the millenium.
Similar findings have been reported in a study by Rüling (2005). Rüling (2005) found a pattern of “continual growth” in the period starting in 1990 and ending in 2003, and that non-scholarly publications tended to dominate (Rüling, 2005, p. 188). Moreover, Rüling (2005, p. 191) argued that one of the reasons why outsourcing has received much attention in the business media is that there are many concrete company examples to draw on.

3.7. Academia and business schools

Academia and business schools are important actors in the diffusion of management concepts (Sahlin-Andersson & Engwall, 2002). Business school academics have been involved in the diffusion and popularization of outsourcing in different ways. As pointed out in section 1, thinkers from the academic domain have provided much of the theoretical rationale for outsourcing. Over time, several different theoretical schools of thought have shed light on the outsourcing phenomenon (Perunović & Pedersen, 2007), for example, transaction cost economics and the resource-based view of the firm (Espino-Rodríguez & Padrón-Robaina, 2006; Neves, Hamacher, & Scavarda, 2014).

Academics in business schools have conducted research on outsourcing for several decades (Mann et al., 2011). Back in 2000, it was noted that there was a growth in academic literature on outsourcing (Lonsdale & Cox, 2000, p. 444). As of 2017, there are several decades worth of research on outsourcing (cf. Hätönen & Eriksson, 2009). It is interesting to observe that even after several decades, outsourcing is still a hot research topic (Busi & McIvor, 2008; Gewald & Schäfer, 2017). Figure 1 shows that the number of hits for outsourcing in the ScienceDirect database has been on a steady upward trajectory since the late 1990s.

3.8. Famous users

Famous users of management concepts sometimes put themselves on display in the business community as general models for other organizations to imitate (Abrahamson, 1991; Meyer, 1996). For example, on the conference and seminar circuit, it is often seen that organizations and managers present their experiences with popular and fashionable management concepts. Most of the time, these presenters tend to be well-known and successful users of a particular concept (e.g., featured in case descriptions in management books or magazine articles).

In prior research, it has been noted that the popularization of outsourcing has been helped by the existence of numerous examples and role models in business practice (Miller et al., 2004). As noted earlier, Kodak is arguably the most famous case in the history of outsourcing (Lacity & Willcocks, 1998), but a number of other large organizations received much publicity during the height of outsourcing’s popularity. These organizations or “poster firms” who had early success with outsourcing functioned as role models that other potential adopters wanted to imitate. For example, Mann et al. (2011) found that these poster firms acted as “exemplars” for other organizations.
Researchers have found that such imitative behavior played a key role in influencing outsourcing adoption decisions in the post-Kodak phase (Loh & Venkatraman, 1992a).

4. THE DEMAND SIDE OF OUTSOURCING

This section examines the demand side of outsourcing (i.e. the concept’s uptake among organizations and managers). The first part looks at trends in the interest in outsourcing measured by Google search activity, while the second part reviews existing studies of the adoption, diffusion and implementation of outsourcing in organizational practice.

4.1. Interest

The analytical tool Google Trends (www.google.com/trends) (Choi & Varian, 2012) can provide some insights into trends in the interest in management concepts such as outsourcing over a certain time period (Madsen, 2016). A limitation of Google Trends is that it only contains search data from 2004 and onwards, which means that it can only provide a partial picture of the trajectory of the interest in outsourcing.

Figure 2 shows that the interest in outsourcing has been on a clear downward trajectory since 2004. However, the downward trend can be explained in different ways. For example, one possible explanation could be that the concept has become more well-known and understood (i.e., less need to Google “outsourcing”). An alternative explanation is that outsourcing is by now considered a “classic” concept (cf. Miller et al., 2004), which could mean that it is not perceived as very novel and, hence, less likely to trigger the curiosity of managers.

4.2. Diffusion

To what extent is outsourcing used in organizational practice? When it comes to the diffusion of outsourcing, researchers have pointed out that it is generally difficult to get data on its actual use (Lonsdale & Cox, 2000, p. 449). However, there are some studies that provide at least some insight into the concept’s impact on organizational practice.

During the outsourcing hype and bandwagon of the early 1990s, predictions about the future diffusion and popularity of the concept were, not surprisingly, very optimistic. For example, Lankford and Parsa (1999) highlighted estimations that every Fortune 500 company would consider outsourcing during the 1990s. Some studies do show that these predictions have, at least to certain extent, come to fruition. Outsourcing has become a widespread practice in many parts of the world. For example, a study carried out in Turkey found that 88 percent of the respondents claimed to use outsourcing (Tatoglu, Demirbag, Iseri-Say, Toker, & Kantur, 2008).


Figure 2. Interest in “outsourcing” over time

187
As can be seen from Figure 3, the popularity of outsourcing measured in terms of usage rate has been on a downward trajectory in recent years. Between 1998 and 2006, the usage rate hovered around 70 percent. 2008 marked the start of a slight downturn, and the usage rate fell to 36 percent in 2012; however, there was a small uptick to 41 percent in 2014.

In comparison to other fashionable management tools, outsourcing is faring relatively better. In the most recent edition of the survey (Rigby & Bilodeau, 2015), outsourcing remains the fifth most widely used management tool, ahead of many other contemporary management fashions (e.g., Balanced Scorecard, Total Quality Management, and Big Data Analytics).

It is also interesting to look at how the usage and satisfaction rates have evolved over time. As Figure 4 shows, the satisfaction ranking peaked in 2002, and has since then slipped quite a bit. The satisfaction with outsourcing is currently the lowest among the top 25 ranked management tools.

As will be discussed in the next section, the lower level of satisfaction in recent years could be a result of mixed implementation experiences, and the often modest outcomes of outsourcing projects. It could be that there has been a large discrepancy between the high expectations and hopes that dominated during the outsourcing craze of the early 1990s, and the actual results that have been obtained in practice.

Sources: Bain & Company’s “Management Tools and Trends Survey”
4.3. Adoption motives

What are motives driving the decision to outsource? As discussed in sub section 1.2, researchers have found that the “Kodak effect” triggered something of an outsourcing bandwagon (Loh & Venkatraman, 1992b), and that in the post-Kodak phase, imitative and mimetic behavior played an influential role in outsourcing decisions (Lacity & Willcocks, 1998; Loh & Venkatraman, 1992a).

As a result of the outsourcing hype and the positive results reported in the business press during the hype phase, a general consensus formed in the business community that outsourcing was the state of the art and something every modern organization should do. Outsourcing became hard to resist for managers, and in the words of Hendry (1995) “the idea that it might not be appropriate is fast becoming almost inconceivable” (p. 196). In a similar vein, researchers have noted that the usefulness of outsourcing became taken-for-granted in the business community: “that firms should aggressively adopt the practice is almost becoming a given…” (Lonsdale & Cox, 2000, p. 444).

Therefore, some adopters of outsourcing could be described as “compulsory outsourcers” (Cohen & Young, 2006, cited in Araujo & Gadde, 2009), since the adoption decision to a large extent was based on the positive results experienced and reported by early users. Similarly, Cox and Lonsdale (1997, cited in Lonsdale & Cox, 2000) found that some adopters were driven by fads. Other researchers have shown that outsourcing adoption decisions are not necessarily driven by efficiency-related motives, but that institutional and social pressures could play important roles as well (Araujo & Gadde, 2009).

4.4. Implementation experiences

A number of researchers have studied the implementation experiences associated with implementation and use of outsourcing (Barthelemy, 2003; Kippenberger, 1997a; Lonsdale & Cox, 2000). These studies often show that performance outcomes are modest, and that the implementation experiences are mixed. Indeed, many outsourcing projects have failed to live up to the high expectations in the business community (Cohen & Young, 2006). Therefore, a central question is whether these outcomes can be attributed to inherent flaws of outsourcing as a management concept, or instead, if they are related to poor managerial understanding and incorrect implementation of the concept (Lonsdale & Cox, 2000). Many authors tend to subscribe to the latter view, and argue that outsourcing is often misapplied by managers. Hence, the focus is on identifying the various pitfalls and challenges involved in the implementation of outsourcing. For example, researchers have identified the ”deadly sins” (Barthelemy, 2003), ”traps” (Power, Bonifazi, & Desouza, 2004) and “hidden costs” of outsourcing (Kippenberger, 1997a).

In a similar vein, researchers have argued that the way outsourcing is implemented matters to a large degree. Cox and Lonsdale (1997, cited in Lonsdale & Cox, 2000) found that only about 20 percent of users applied outsourcing in a sophisticated way, while other users were to a large part driven by fads or other similar motives. While outsourcing can provide benefits to organizations who implement the concept in a careful and thoughtful way, outsourcing has not proved to be the “silver bullet” and panacea managers perhaps were hoping it would be (Lonsdale & Cox, 2000, p. 450).

5. DISCUSSION

5.1. Emergence

The historical review in this paper has shown that while outsourcing can be considered an old business practice, the concept did not become hugely popular in modern organizations until the 1980s and 1990s. During that time period, outsourcing fit like a glove with the zeitgeist in the business community (Hendry, 1995; Miller et al., 2004). As management fashion researchers point out, a high degree of timeliness is something that is very important if a concept is to ”hit the nerve of today’s managers” (Kieser, 1997, p. 61) and become popular and fashionable.

However, the rapid increase in the popularity of outsourcing was also fueled by other factors. For example, the popularity of outsourcing was helped by the political ideology dominant at the time (Hendry, 1995), as well as the legitimization efforts of a number of actors (e.g., influential man-
agement gurus, professors and writers) who presented the arguments in favor of outsourcing non-core business activities to third parties.

5.2. Evolution

The historical review in this paper has also noted the importance of key events that have been pivotal in shaping the popularity trajectory of outsourcing. For example, several of the studies reviewed in this paper highlight the role of the “Kodak effect” in shaping the popularity trajectory of outsourcing. Eastman Kodak’s outsourcing decision was a landmark moment that generated much attention and interest in outsourcing as a management concept (Lonsdale & Cox, 2000), and triggered an outsourcing bandwagon. In the post-Kodak phase, imitative behavior became more influential (Loh & Venkatraman, 1992a). However, the hype waned, and, over time, negative publicity started surfacing, which led to the introduction of different countermovements such as insourcing and backsourcing.

Even though the data from Bain & Company’s survey on management tools and trends show that the usage rate has dropped a bit in recent years, outsourcing still consistently ranks among the most widely used management tools by managers worldwide. This can be viewed as an indication that outsourcing still has a strong position as a management concept. However, the satisfaction rate is on a downward trajectory, which could spell trouble for outsourcing’s future standing, as the concept can be further contaminated and “worn out through use” (Benders & Van Veen, 2001).

Having said that, it could be argued that many of the negative experiences have already surfaced and are by now “baked into the cake” and reflected in the evaluations of the concept in the business community. Therefore, it could be the case that adopters these days do not view outsourcing through the same rosy glasses as they would have during the hype period during the early 1990s when outsourcing was seen as a world-changing management concept and silver bullet.

5.3. Diffusion and institutionalization

With regards to diffusion, the studies reviewed in the present paper suggest that outsourcing is a widely diffused concept around the world. In particular, the surveys conducted by Bain & Company show that the usage rate of outsourcing remains high, even though it has dropped a bit in recent years. When it comes to the life cycle of outsourcing, the data suggest that outsourcing is in the later stages of the management concept life cycle. However, the concept has yet to hit a clear downturn phase. In other words, the bell-shaped life cycle curve suggested in conventional management fashion theory (Abrahamson, 1996; Gill & Whittle, 1993) has not yet materialized.

Outsourcing has shown remarkable staying power over the last couple of decades. The concept has withstood pressure from countermovements such as insourcing and backsourcing (cf. Cram & Newell, 2016). While it is clear that outsourcing currently is not receiving the same intensive promotion and propagation by fashion-setters (e.g., consulting firms such as Accenture) as it did during the 1990s, outsourcing has become an “institutionalized business recipe” (Araujo & Gadde, 2009) and an integral part of contemporary management discourse and practice.

CONCLUSION

Contribution

The aim of the present has been to examine the popularity trajectory of outsourcing as a management concept, using management fashion as a theoretical lens. While this study is not by any means the first to suggest that management fashion could play a role in explaining the popularity trajectory of outsourcing, it has provided an in-depth case study examination of outsourcing, taking into account both the supply and demand side forces that have shaped the concept’s popularity trajectory.
Limitations and future research opportunities

Due to its largely explorative nature, the current paper has several limitations. First of all, the study has only attempted to paint a "mosaic picture" (cf. Morrison & Wensley, 1991) of the popularity trajectory of outsourcing. The focus has been on the overall international macro-level popularity pattern of outsourcing. Herein lies a limitation of this study, as the local reception and popularity of outsourcing could diverge considerably from the global pattern. Therefore, future studies could focus more closely on the regional or country-specific popularity trajectory of outsourcing, e.g., by tracing the roles and activities of local supply and demand side actors in shaping the local popularity trajectory (Madsen & Slåtten, 2013).

Another limitation of the paper is the choice of management fashion as a theoretical perspective. Studies suggest that both rational and non-rational factors may explain the adoption and diffusion of outsourcing (Araujo & Gadde, 2009; Clegg et al., 2005). Therefore, future studies could draw on a wider spectrum of theoretical perspectives (see, e.g., Sturdy, 2004) on the adoption and diffusion of outsourcing.

The current paper is also limited by its reliance on secondary sources. Therefore, future studies should ideally utilize a wider variety of data sources than those used in the current study. For example, it would be helpful to collect data directly from actors on both the supply and demand sides of the outsourcing market, possibly using a mix of quantitative and qualitative approaches (e.g., surveys and/or interviews).

Finally, the study has shown that outsourcing has close links to other management concepts and ideas (e.g., reengineering, shared services, core competencies). Future research should, therefore, examine in more detail the relationship between outsourcing and other fashionable concepts and ideas. This could possibly cast new light on the inter-relationships between different management concepts and different management fashion movements (cf. Jung & Lee, 2016).

Studying and understanding the relationships between outsourcing and other management concepts and ideas could also yield potentially useful practical implications. For example, Lankford and Parsa (1999) argue that “outsourcing works best when it is an outgrowth of reengineering” (p. 311). A better understanding of how outsourcing is related to other popular management concepts could aid managers in the selection, combination and “translation” of elements from different management concepts.

REFERENCES


