

Hochschule für Telekommunikation Leipzig (FH)

**Abschlussarbeit zur Erlangung des akademischen Grades**

## **Bachelor of Science**

**im Studiengang Wirtschaftsinformatik**

**Thema:** Exploring the offshoring approach of German Companies compared to to the U. S. American approach

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## 2 Offshoring in literature

Offshoring has been widely studied in the past decades. There are two major branches of research: the first describes reality through statistics or case studies (e.g. Rottman and Lacity 2008 and Pedersen et al. 2013) while the second branch designs trade models to explain the discovered correlations (e.g. Antràs and Helpman 2004, Grossman and Rossi-Hansberg 2008 and Helpman 1999).

This wealth of existing knowledge has been used for the following section, where the relevant terms of the subject are defined first. Furthermore, a brief history of offshoring is given before describing offshoring in the USA first, then offshoring in Germany.

### 2.1 Definition and Terms

In existing literature, there is no single definition of the term offshoring nor one precise delimitation to the term outsourcing. Both terms refer to sourcing decisions in companies.

For example, according to Specht 2007, pp. 1f, outsourcing is buying services from other companies. Offshoring is defined as a special form of outsourcing, in which the service is bought from a foreign company. On the other hand, Alebrand 2013, p. 2 defines outsourcing and offshoring as mutually exclusive: outsourcing is the provision of services by external companies, offshoring is the internal execution of tasks in a foreign country.

These contrasting definitions may serve as an example for the lack of distinct terms in this field of research. Nevertheless all the definitions agree that outsourcing pertains to external service provision and offshoring refers to service provision in a foreign country. This Bachelor's thesis will use the following definition of the term offshoring by Andersson, Karpaty, and Savsin 2016, p. 321:

“Offshoring [is the] disintegration of the firms' production processes across national borders[...]

This means, offshoring is not only a description for the state of an organization, but also the process to relocate business processes.

The term outsourcing is derived from “Outside Resource Using” (Specht and Lutz 2007, p. 46). It is acquiring intermediate inputs from external businesses (see *ibid.*).

Therefore, the terms offshoring and outsourcing do not have a direct relation; both terms are independent and describe different possibilities of entrepreneurial organization. In figure 1, the delimitation between outsourcing and offshoring is clearly shown. A company can choose to offshore, outsource or both; every single possibility has its own term. Offshoring, in the context of this thesis, means foreign outsourcing and foreign direct investment, unless otherwise specified.

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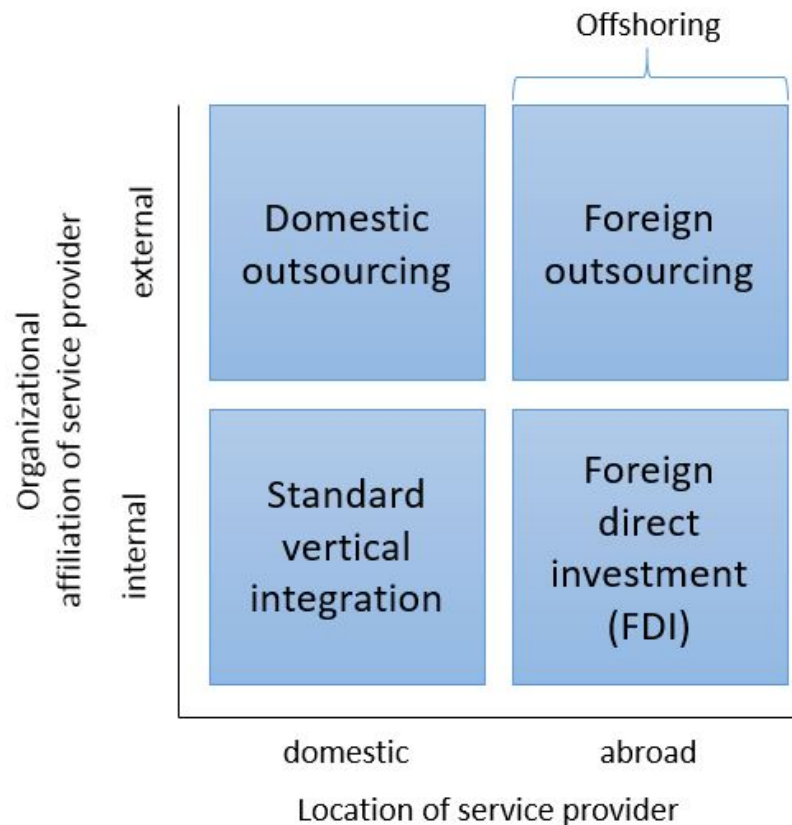


Figure 1: Definition of terms, based on Antràs and Helpman 2004, pp. 552f

## 2.2 Factors for the Development of Offshoring

Globalization, and offshoring as part of the development, had its early beginnings in the 1970s and gained traction once the Iron Curtain had fallen in 1989 (see Sachs and Warner 1995, p. 1). This section describes the various factors that enabled the development of offshoring to the point it is today.

**Political and Macroeconomic Factors** After the end of the Second World War, countries belonged to one of three distinct sectors of the world: the capitalist western countries, communist eastern companies or developing countries that sought a way to not get crushed between the two super powers and proclaimed state-led industrialization, a third way between capitalism and communism. (see Sachs and Warner 1995, pp. 12f)

With the majority of world population in countries without market-based economic mechanisms in place and most of the currencies not freely convertible, international trade was basically nonexistent in the post-war world. While western countries systematically restored their trade relations, developing countries were much slower to open their economic systems to international trade. (see *ibid.* pp. 12-15)

### Information and Communication Technology

## **Organizational Factors**

### **2.3 Offshoring in the USA**

#### **2.3.1 Prevalence**

#### **2.3.2 Offshoring functions**

### **2.4 Offshoring in Germany**

#### **2.4.1 Prevalence**

#### **2.4.2 Offshored functions**

### **2.5 Significant differences between Germany and the USA**

#### **2.5.1 Difference 1**

#### **2.5.2 Difference 2**

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