



## **MGT 2024**

### **Course Outline, Spring 2010**

Outsourcing

Thursday 4:15-6:15pm, Room 157

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### **Course Scope and Mission**

Outsourcing has developed from a headline-capturing new trend to a mainstream business practice in the last few years; and its importance is likely to increase even further in the aftermath of the current economic crisis. Firms in almost every industry are looking for ways to streamline and focus their in-house activities on core activities, to better serve domestic and global markets. Outsourcing - whether onshore, near-shore or offshore - responds effectively to this need. As a consequence, we are seeing increased outsourcing in industries as diverse as financial services, health care, entertainment and legal services, as well as electronics and other high-tech manufacturing industries. Moreover, outsourcing now extends beyond the traditional domains of IT, manufacturing, and back office processes, to encompass business research, funds management, radiology, clinical trials, and even advanced product development.

Despite their many potential benefits, outsourcing strategies are challenging to design and implement, in part because they require a deep understanding of the firm's competitive strategy and resources as well as extensive knowledge and experience with contract and relationship management. Companies that pursue outsourcing simply because "everybody's doing it" often face unexpected challenges and costs that wipe out the very benefits that outsourcing is designed to achieve, potentially jeopardizing the firm's competitive advantage. The aim of this course is to give you a deep conceptual understanding and hands-on knowledge of the design and implementation of outsourcing strategies to maximize your chances of success. The course features extensive guest presentations by leading experts currently involved in all aspects of outsourcing strategy. These experts, along with In-depth case analysis, lectures, readings and class discussion, will help you to

- Understand the forces driving recent trends towards outsourcing and evaluate how the current economic climate is likely to affect outsourcing in a variety of industries
- Develop criteria for deciding which activities are good candidates for outsourcing
- Choose between onshore, near-shore, and offshore outsourcing opportunities
- Identify and select outsourcing providers
- Design and implement successful outsourcing contracts

- Manage evolving outsourcing relationships
- Position yourself to take advantage of future developments in outsourcing delivery systems

## Required Readings

All required materials will be made available electronically via links on the portal or will be distributed in class

Please purchase the Crocs and Solectron cases via the HBS publishing site by clicking on: <http://cb.hbsp.harvard.edu/cb/access/4926314>

If you have any technical difficulties please contact HBS directly at: 1-800-810-8858 or [techhelp@hbsp.harvard.edu](mailto:techhelp@hbsp.harvard.edu)

This is copyrighted material. Do not distribute or post. Please keep in mind we are giving you an academic rate for these cases.

## Evaluation and Grades

### **Class Preparation and Participation** (20% of course grade)

Regular attendance and class participation are critical to successfully completing this course. Good participation grades reward students who demonstrate mastery of the concepts, integration of readings and cases, and an ability to build on the comments and contributions of other students.

A high participation grade cannot be achieved simply by regular class attendance, but necessitates regular *high quality* contributions. If you cannot prepare for a particular class session, I will make every effort to avoid calling on you, provided that you notify me in advance. Please also notify me if you must be absent, leave the class early or arrive late for professional reasons.

In the event that you encounter personal difficulties in participating spontaneously in class discussions please come to see me early in the semester so that we can devise a strategy to facilitate your active participation in the class.

### **United Energy Distribution Case** (20% of course grade)

We will examine some of the key issues in designing and implementing outsourcing strategy through in-class analysis and role plays related to an extended case study based on a major outsourcing initiative at a Canadian utility company, "United Energy Distribution (UED)." As part of this case experience you will have the opportunity to make presentations in the role of potential outsourcing vendors; Greg Gulyas will provide coaching and feedback on these presentations based on his extensive experience in the outsourcing industry (10% of course grade).

Upon completion of the UED case, each student will write an **individual** report outlining what you thought were the key learning points, or "take aways," from the case experience (including the vendor presentations), and your reflections on those learning points. These reports will be due at the beginning of class on March 5<sup>th</sup> (10% of course grade).

### **Individual Case Analysis** (20% of course grade)

Each class member must submit one written case analysis during the semester, in addition to

the UED report described above. You may choose which one of two designated cases (marked by an asterisk in the schedule below) you wish to write up. Written case analyses are due at the beginning of the class session in which the relevant case is discussed – either in week 9 (Genpact) or week 10 (Selectron).

Case analyses are persuasive documents that recommend action to decision-makers, and will be assessed for logical consistency, persuasive quality, integration of course materials, creativity, and presentation quality. Assignment questions for each case will be distributed at least two weeks prior to the due date.

Written case analyses must be concise: only **3 pages** of text, **double-spaced**, with up to **three additional pages for exhibits** (tables and/or figures). Writing and grammar will be explicitly considered when cases are graded. If you have difficulties with written English, please take advantage of the writing resources available within the school to ensure that your submission meets a professional standard.

### **Group term project (40% of course grade)**

The group term project will involve an analysis of outsourcing in a particular industry and/or a particular firm. The teams for this project are the same as for the UED case discussed above; each team will have wide latitude to choose an industry or firm of particular interest to them. The project entails detailing the facts on outsourcing practices adopted by the chosen firm or industry, analyzing and evaluating these outsourcing practices and, if appropriate, recommending changes to outsourcing strategy and implementation in the organization(s) studied.

The term project involves three deliverables:

1. Progress report: In Session 12, you will have the opportunity to meet with the course faculty to discuss the term project. To facilitate this meeting you will submit a 1-2 page summary outlining progress and key challenges that you would like to discuss at the meeting. Due date Wednesday April 8<sup>th</sup>. 5% of course grade.
2. Presentation: In Session 13, teams will present the results of their project research and analysis. Suggestions and guidelines on presentation content, timing, etc. will be provided at least two weeks prior to the presentation date. 10% of course grade.
3. Final Report: The final report will be 10-15 pages double-spaced, plus up to five additional pages of exhibits. Due date April 22<sup>nd</sup> (1 week after last class session). 25% of course grade.

Further information on project requirements will be provided during the semester.

### **Course Work and Academic Honesty**

Submission of Assignments - Ensure you use the assignment submission template (see Student Handbook) for all work, which will be reviewed by the Professor. Late submissions of any assignment will be considered, however, a resolution will be determined at the instructor's discretion and may include academic penalty.

Plagiarism/Cheating – There are no circumstances under which cheating or plagiarism, as defined in the University's code of academic conduct, is acceptable and students will be subject to appropriate sanctions as described in the School of Graduate Studies manual. For more detailed information on this or any other academic offenses please visit the Regulations section of the SGS website at:

<http://www.sgs.utoronto.ca/current/calendar/regulations15.asp>

## Weekly Schedule

Session	Topic	Case / Speaker * = Write-Up Option	Other Required Readings
#1 – January 21	Outsourcing: The big picture		<ul style="list-style-type: none"> <li>• <a href="#">The future of outsourcing</a></li> <li>• <a href="#">Policy responses to the new offshoring</a></li> </ul>
#2 – January 28	Formulating an outsourcing strategy	Crocs	<ul style="list-style-type: none"> <li>• <a href="#">The innovative organization</a></li> </ul>
#3 – February 4	Outsourcing strategy continued	Guest Speaker – Michael Hart	<ul style="list-style-type: none"> <li>• <a href="#">Strategic sourcing</a></li> <li>• <a href="http://www.cisco.com/">http://www.cisco.com/</a></li> </ul>
#4 – February 11	Making the outsourcing decision	UED (A)	<ul style="list-style-type: none"> <li>• <a href="#">Making the outsourcing decision</a></li> </ul>
#5 – February 18	Vendor selection	UED Vendor presentations	<ul style="list-style-type: none"> <li>• <a href="#">The winner's curse</a></li> </ul>
#6 – February 25	Contracts, incentives and hold-ups	UED (B)	<ul style="list-style-type: none"> <li>• Don't like surprises?</li> </ul>
<b>MARCH 3</b> CENTRE FOR OUTSOURCING RESEARCH & EDUCATION/ INSTITUTE FOR INTERNATIONAL BUSINESS DISCUSSION FORUM: OUTSOURCING CREATION AND INNOVATION 8:00-10:00 AM			
#7 – March 4	Anatomy of a deal: legal and financial aspects	Guest Speaker – Richard Coleman	
#8 – March 11	Managing an evolving outsourcing relationship	Guest Speaker – Ray Lavitt	<ul style="list-style-type: none"> <li>• <a href="#">The dark side of close relationships</a></li> <li>• <a href="#">Managing troubled outsourcing relationships</a></li> </ul>
#9 – March 18	Offshoring – the evolving global landscape	Genpact, Inc.*	<ul style="list-style-type: none"> <li>• The globalization of white collar work</li> <li>• Global city competitiveness</li> </ul>
#10 – March 25	Transformation through outsourcing	Solectron*	<ul style="list-style-type: none"> <li>• <a href="#">Aligning incentives in supply chains</a></li> </ul>
#11 – April 1	Beyond BPO: new frontiers in outsourcing	Guest speaker – Sumathi Pundit	<ul style="list-style-type: none"> <li>• <a href="#">Perspectives on medical outsourcing and telemedicine</a></li> <li>• <a href="#">Knowledge process outsourcing in financial services</a></li> </ul>
#12– April 8	Coaching meetings	Group Term Project	
#13 – April 15	Student presentations – Group projects		N/A

Note – all guest speaker dates are tentative and to be confirmed.

## TOPICS AND REQUIRED READINGS [Required readings indicated by asterisks]

### 1. Outsourcing, the big picture

\* Engardio, P. "[The future of outsourcing](#)," Business Week Special Report, (January 2006)

\* Trefler, D. "[Policy responses to the new offshoring: Think globally, invest locally](#)," *Industry Canada* (2005) – pages 1-15

Canadian Auto Workers Union, "[Outsourcing, what is it?](#)" (1997)

### 2. Outsourcing strategy: core competencies, transaction costs and the theory of the firm.

\* Tidelis, S., "[The innovative organization: creating value through outsourcing](#)," *California Management Review* (Fall 2007, pp. 261-277)

Arrunada, B. and X. Vazquez, "[When your contract manufacturer becomes your competitor](#)", *Harvard Business Review* (September 2006, pp. 135-144)

**Case:** Crocs - Revolutionizing an Industry Supply Chain Model for Competitive Advantage. Stanford Case GS – 57

### 3. Outsourcing strategy continued...

\* Gottfredson, M., Puryear, R. & Phillips, S., "[Strategic sourcing: From periphery to the core](#)," *Harvard Business Review* (February 2005, pp. 132-139)

Nohria, N., "[Feed R&D – or farm it out?](#)" *Harvard Business Review*, (July-August 2005, pp. 17-28)

**Mini-Case:** Out-tasking at Cisco Systems: <http://www.cisco.com/>

**Guest Speaker:** Michael Hart, Merit Outsourcing Advisors

### 4. Making the outsourcing decision

\* "[Making the outsourcing decision](#)", CORE Research Report 2007 (executive summary)

"[Outsourcing of business activities, functions and processes](#)", OSFI, B-10.

**Case:** United Energy Distributors (A)

### 5. Vendor selection

\* Kern, T., Willcocks, L. & van Heck, E., "[The winner's curse in IT outsourcing: strategies for avoiding relational trauma](#)," *California Management Review* (Winter 2002, pp. 47-69).

Feeny, D., Lacity, M. & Willcocks, L., "[Taking the measure of outsourcing providers](#)," *MIT Sloan Management Review* (Spring, 2005, pp. 41-48).

**Case:** United Energy Distributors (A) continued – Vendor Presentations

## 6. Contracts, incentives and hold-ups

\* Susskind, L. "Don't like surprises? Hedge your bets with contingent agreements" Harvard Business Publishing Newsletters (January 2005)

Bazerman, M.H. & Gillespie, J.J., "[Betting on the future: the virtues of contingent contracts](#)," *Harvard Business Review* (September-October 1999, pp. 155-160)

"[The stay back team: A key component of outsourcing success](#)" CORE Research Report, 2007 (Executive summary)

**Case:** United Energy Distributors (B)

## 7. Anatomy of a deal: legal and financial aspects

**Guest Speaker:** Richard Coleman, Osler, Hoskin and Harcourt

## 8. Managing an evolving outsourcing relationship

\* Anderson, E. & Dap, S.D. "[The dark side of close relationships](#)," *Sloan Management Review* (Spring 2005, pp. 75-82)

\* "[Managing troubled outsourcing relationships](#)" CORE Research Report 2007 (Executive summary)

Liker, J.K. & Choi, T.Y., "[Building deep supplier relationships](#)," *Harvard Business Review* (November 2004, pp. 104-113)

**Guest Speaker:** Ray Lavitt, CORE

## 9. Offshoring – The global landscape

\* Couto, et al, "*The globalization of white collar work*" Booz Allen Hamilton (2007)

\* NeolT, "Global city competitiveness" (2006)

Chesser, WL & SA Cohen "[Outsourcing in India: practical approaches to intellectual property issues from the Indian company perspective](#)," *Indian Journal of Law and Technology* (2009)

Davenport, T. "[The coming commoditization of processes](#)," *Harvard Business Review* (2005, p. 1-8)

Case: **Genpact, Inc.**

## 10. Transformation through outsourcing

\* Narayanan, V.G. & Raman, A., "[Aligning incentives in supply chains](#)," *Harvard Business Review* (November 2004, pp. 94-102)

Case: **Solectron**

## 11. Beyond BPO: New frontiers in outsourcing

\* Singh, S.N. and Wachter, R.M., "[Perspectives on medical outsourcing and telemedicine – Rough edges in a flat world?](#)" New England Journal of Medicine, (April, 2008, pp. 1622-1627)

\* WL Currie, V Michell, O Abanishie , "[Knowledge process outsourcing in financial services: The vendor perspective,](#)" European Management Journal (2008, pp. 94-104)

**Guest speaker:** Sumathi Pundit, Managing Director, Evalueserve Canada

**12.** Group Term Project - Coaching Meetings

**13.** Group term project presentations