Outsourcing in the IT Industry: The Case of the Philippines

By: J. Mark Munoz, Dianne H. B. Welsh

Munoz, J.M., & Welsh, D.H.B. (2006, March). Outsourcing in the IT industry: The case of the Philippines. *International Entrepreneurship & Management Journal*, 2(1), 111-123.DOI: 10.1007/s11365-006-7092-9

Made available courtesy of Springer: http://dx.doi.org/10.1007/s11365-006-7092-9
The original publication is available at www.springerlink.com

*****Note: Figures may be missing from this format of the document**

Abstract:
Outsourcing of labor, especially in area of the Information Technology (IT) sector, has grown rapidly in recent years. This article further defines what is meant by outsourcing, and examines the opportunities and challenges for entrepreneurs to outsource in the Philippines. This emerging economy has been cited as one of the most attractive destinations for outsourcing, despite the lack of information. The article offers historical, business, and cultural insights and identifies strategies for outsourcing success in the Philippine environment.

Keywords: Outsourcing. Information technology (IT). Philippines. Entrepreneurs.

Article:
The opportunity for entrepreneurial ventures to arbitrage resources and competencies has expanded with globalization. Entrepreneurs recognize opportunities where others do not. One opportunity is outsourcing. According to Thomas Friedman's (2005) best selling book, *The World is Flat*, outsourcing is one of the ten forces that have flattened the world, a world that will never be the same (p. 103). The other forces are the falling of the Berlin Wall, going from a PC-based to an internet-based platform, work flow software, open-sourcing, outsourcing, offshoring, supply-chaining, insourcing, in-forming, and the wireless revolution. As Friedman reminds us, we can't stop our world changing, but we can manage it for the better (p. 469). In light of these on-going changes to the global business environment, entrepreneurs have become increasingly aware of the necessity to explore opportunities beyond domestic boundaries. Outsourcing can help young firms overcome some of their resource constraints, scale/scope-related cost disadvantages, leverage resources, increase profitability ratios, spread some of the risks, increase their flexibility, provide a partial safety net, allows for better planning, increases their potential for rewards, and opens new opportunities for joint ventures. Indeed, a growing number of entrepreneurial firms are buying some of the intellectual capital of other companies and individuals, they are "outsourcing innovation" (Morris and Kuratko, 2002, p. 71). The Philippines particularly offers many outsourcing opportunities.

Drezner (2002) defines outsourcing as a process utilized by an enterprise when business—related work functions are subcontracted to a supplier outside the organization. International outsourcing may be described as the subcontracting of business functions to organizations in foreign locations in order to enhance business functionalities. Many of these are entrepreneurial firms. Elmuti and Kathawala (2000, p. 113) view global outsourcing as a "management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers" and allude to the changing dynamics in which contemporary organizations manage supporting business activities. Friedman (2005) compares outsourcing to offshoring. Outsourcing is taking a specific, but limited, function that a company was doing in house and having another company do the same thing, while offshoring is moving an entire factory or company to another location (p. 114).

While industries outsource a myriad of functions, most entail the utilization of Information Technology (IT) or Information Services (IS). Chen et al., (2002, p. 111) define IT/IS outsourcing as “the practice of turning over part or all of an organization’s IT/IS functions to external service providers.” Burr (2002) identifies four types of outsourcing: back office (facilitation of payroll, accounting, finance, tax preparation, auditing, document processing, transcriptions, and data storage), front office (expansion of marketing and customer service through call centers, e-mail and website, operation departments (utilization of procurement, inventory, and supply chain management), and special projects (introduction of software transitions). Outsourcing can also be categorized according to location, task performed, or scope of function (Luftman, 1996; Burr, 2002; *CINCOM Online*, 2004). This article explores the interplay of factors pertaining to international labor outsourcing, and discusses the potential challenges and opportunities for entrepreneurs in regard to outsourcing in the Philippines. Recommended success strategies are discussed.

The international labor outsourcing landscape

The advent of globalization has facilitated the cross-border flow of many types of resources, including human resource services. The growing interest on the utilization of labor in foreign locations may be attributed to several factors. These factors may be described as either proactive or reactive. Proactive factors refer to an organization’s utilization of international outsourcing as a medium to build strengths or tap into opportunities. These factors include market internationalization (Elmuti et al., 1998; Rao, 2004), growing availability and demand for competent yet affordable talent (Greenemeier, 2002), gained cost and time advantages (Jeffay et al., 1997), reliability of communication technology and enhanced project management abilities (King, 1999; Rao, 2004), availability of software tools, platforms, and systems (Webster et al., 2000), confluence of the telecommunication and computing sectors that strengthened web and software applications (Currie, 2003), standardization of business tasks (Drezner, 2004), acceleration of IT innovation (Mitchell, 2004), globalization and trade liberalization in emerging locations (Rao, 2004), improved operational efficiencies and capture globalization advantages (Karklins, 2003), productivity improvement (Kulmala et al., 2002), better staff management and strategic focus (Leung, 2003), mutuality of trade benefits to participating parties (Glassman, 2004), and enhanced competitive advantage and core competencies (Griswold, 2004).

Reactive factors refer to an organization’s use of international outsourcing as a strategic approach to respond to business or economic threats and challenges. These factors include: focus on key core functions (Smith, 1991); skills shortages, visa caps and rising labor costs (King, 1999); downsizing, restructuring, and industry decline (Greer, Youngblood & Gray, 1999); adjustment to the deflation of technological spending (Dolan and Meredith, 2004); cost-cutting pressures (Rao, 2004); response to competition and market forces (Kulmala et al., 2002); and international competition and survival strategies (Harrison, 2004).

Supporters of the outsourcing phenomena pointed out to several economic benefits of outsourcing. The positive factors include: economic improvement in developing locations (Ellis, 2004), building of foreign-based skills and infrastructure (Harrison, 2004), consumer and taxpayer benefits derived from service enhancement and affordability (Griswold, 2000), trade benefits (Glassman, 2004; Kleinert, 2003), improved wage rates and trade union benefits (Shaksen, 2004), improved employment levels in developed economies (*The Economist*, 2004), gateway to privatization (Prager, 1997), and demonstrated profitability in certain manufacturing sectors (Harrison, 2004).

While there are numerous benefits ascribed to outsourcing, negative economic implications have also been cited. These include job drain (Dolan & Meredith, 2004), reduced employment levels and aggregate welfare (Shaksen, 2004), changes in the pattern of employment (*The Economist*, 2004), detrimental effects on owners of capital (Shaksen, 2004), increased insecurity (Ellis, 2004), and reduction of skills and infrastructure in the home country (Harrison, 2004). Kotabe and Murray (2004) pointed out that the formulation of an outsourcing strategy has been one of the most debated management trends in the last 20 years and that there is no established consensus on the actual end effect of outsourcing. The recent, hotly debated fight in Congress over CAFTA included many of these issues.

Andersen and Chao (2003) attribute the increased frequency and number of outsourcers as a response to the increasingly competitive global environment. One out of every 10 jobs within US-based IT vendors and IT service providers will move to emerging markets (Gartner, 2003a), while a related study suggested that 80 percent of all U.S. companies will be considering outsourcing as a strategic option in 2004 (Gartner, 2003b). Fisher (2004) estimated that at least 23 percent of IT jobs in the US will gravitate overseas by 2007. Grimm (2004) alluded to a 2003 Forrester Research forecast that approximately 3.3 million technology services jobs, amounting to $136 billion, will move overseas from the United States. In another Forrester Research study, Bartels, Symons, Pohlmann, and Lambert (2004) indicated that "offshore outsourcing is real and growing and will hold down US IT job growth and salaries."

Overseas outsourcing has been widely discussed in the media and has precipitated calls for protectionism. The trend towards outsourcing could be part of the evolutionary process of contemporary business. Recognized author and former MIT Sloan Professor Michael Treacy believes outsourcing is an adaptation phase towards the creation of more efficient business models, adjustments to inherent organizational weaknesses, and in uncovering better opportunities (Gibson, 2004). This scenario has reshaped organizational management and strategic inter-organizational interactions as well as spearheading the trend towards "worldsourcing" (Pollalis, 2003; Ellis, 2004). There is an understandably greater need to understand the modalities of business in emerging locations (Welsh and Alon, 2000; Alon and Welsh, 2001; Ramamurti, 2004).

The Philippines is a growingly important outsourcing destination. *IT Matters* (2004) cited A Columbia University study (Bajpai et al., 2004) found the Philippines was ranked as the second largest outsourcing recipient, absorbing almost 30% of the market, with 130,000 locals engaged in call centers and back office operations. DiCarlo (2003) reported the Philippine's outsourcing leadership potential among US-based companies. An A.T. Kearney (2004) viability measure including such factors such as financial structure, people skills and availability, and business environment, listed the Philippines as the sixth most attractive offshore destination in the world. *IT Matters* (2004) reported the robust growth of call centers in the country, with agents numbering approximately 40,000, up fifty percent from the previous year. The number of outsourcing participants in the country is forecasted to grow even larger in the coming years. As the Philippines further expands into the outsourcing arena, understanding the historical, business, and cultural factors that shape the country becomes relevant to the business and academic community.

Historical, business, and cultural perspectives

The Philippines is a unique and fast-growing outsourcing destination. DiCarlo (2003b) depicted the Philippine environment as competent and compatible, with close cultural relationship with the US, and work force efficiencies in accounting and customer service; moderate salary ranges from $3,000–$10,000 annually among back office and technical employee; possessing a relatively limited technological pool with about 380,000 graduates annually but with only 15,000 pursuing technology degrees; a relatively supportive government offering tax exemptions in export taxes, and fees, dues, and licenses for ventures situated in technological parks; developing with technological park expansions in the past 13 years; existing inherent specializations attributable to technological strengths anchored in accounting, finance, call centers, animation, and human resources; competitive in the league of Russia, China, Canada, Mexico, and Ireland; and possessing international patrons with the presence of major US firms, such as Procter and Gamble, AIG, and Citigroup. A.T. Kearney (2004) pointed out the existence of an experienced and affordable labor pool, cost structure, and personnel competencies as drivers to the location's appeal as an outsourcing destination.

Historical
The United States has traditionally been the Philippines' largest foreign investor, with about $3.3 billion in estimated investment as of end of 2002 comprising 22 percent of the Philippines' foreign direct investment stock (US Department of State, 2001). Approximately 90 percent of the outsourcing contracts in the Philippines come from the United States (*Daily Times*, 2004). The country has had a long history of political, cultural and business affiliation with the United States and is presently a key ally in the war against terrorism. Since the late 1980s, the Philippine government has begun the process of privatization (Santos, 1995). In the 1990s, there was expansion of infrastructure projects participated by foreign companies, and export-processing zones grown in numbers spreading out growth centers across the country. As the country headed for a potential economic growth, the Asian Crisis occurred in 1997 and derailed economic growth and industrial expansion (Sison, 2003).

Business
The contemporary business environment in the Philippines has demonstrated resiliency and promise. The country's infrastructure is comparable to major developing locations in Asia.

A survey conducted by the Asia Pacific Management Forum (2003) ranked Manila, as the third best city for business in Asia. Manila ranked higher than Hong Kong, Singapore, Jakarta (Indonesia), Tokyo (Japan), Sydney (Australia), and Shanghai (China). The Philippines offers a large pool of workers. The Philippine Board of Investment (2004) show a literacy rate of 94.6% and a labor force of close to 70 million, with 53% engaged in the service sector. The country is known to be the third largest English-speaking nation in the world. However, the country's financial position and spending power has declined in recent years. Since 1992, the value of the Philippine peso has diminished in value by over 100% measured against the US dollar (Banco Central ng Pilipinas, 2004). DiCarlo (2003a) identified other challenges in the Philippine landscape as economic constraints, significant socio-political risks due to law and order concerns as well as reported cases of bribery, and needing sustained efforts to build credibility.

Cultural
The Philippine culture reflects a convergence of Asian and Western influences. Mendoza (2001) depicted the Philippine cultural frame as a confluence of Malay, Spanish, and American cultures. The Philippine society has been described as being spatial (rural and urban, with a multitude of regional and ethnic groups), temporal (historical diversity), multilingual (111 dialects), multi-ethnic (Malay, Chinese, Spanish, American), multi-religion (Roman Catholic, Moslems, Protestants, Buddhists, and traditional beliefs), geographically fragmented (7,107 islands), and culturally young as a sovereign nation (100 years old in 1998) (Sison, 2003).

Management in the Philippines has its own unique blend of characteristics. Henderson (1999) characterized the key attributes of Philippine management as formal, punctual, relaxed, sensitive, paternalistic, closely knit, loyal, harmonistic, trustworthy, indirect, and elusive. Filipinos are known to leave projects uncompleted (ningas cogon). International outsourcers are encouraged to avoid shaming employees in front of a group (Talisayon, 1990), nurturing an employee's desire to learn and work hard (Lynch, 1992), providing for a sense of importance, respect, and dignity (Andres, 1999), highly regarding family relationships (Andres and Andres, 2001), insuring financial security (Andres, 1999), nurturing creativity and innovation through improvisation, 2003), and encouraging optimism, a natural tendency by Filipinos.

Outsourcing challenges and opportunities
In order to understand these intricacies, potential obstacles and benefits are explored in the context of the Philippine business environment, as well as suggestions for success. Rao (2004) cited the need to continuously educate international IT project managers to deal with operational issues that commonly arise in other countries.

Opportunities

There are obvious economic benefits both for businesses and the economy that are derived from outsourcing. Outsourcing particularly aids economies in cases where the savings to consumers exceed the lost wages (Evans, 2004). Read (2002) pointed out that call center operators can save up to 20–40 percent in emerging economies, such as the Philippines.

Outsourcing has the potential of reducing the cost of IT and related services by as much as 60 percent (Griswold, 2004).

In addition to financial benefits, outsourcing offers strategic value for companies by capitalizing on lower wages and turnover (Rabinovich et al. 1999; Read, 2002; Munro, 2004; Tusa et al., 2004); obtaining skilled labor and expertise (Bansal, 2002; Cohn, 2003); addressing human resource shortages (Clark, 1998); improving customer service (Rabinovich et al., 1999); expanding markets (Lacity et al., 1997); managing the complexity of select initiatives (Chase, 1998; Weiss, 2002); gaining competitive advantage (Elmuti et al., 1998; Griswold, 2004); gaining efficiencies in the utilization of IT tools to heighten responsiveness (Chan and Chung, 2002); obtaining reasonable real estate rates (Bansal, 2002); facilitating joint venture formations (Chen et al., 2002); avoiding complex issues such as site selection, legal and regulatory matters (Read, 2002), attaining operational flexibility (Blaxill and Hout, 1991; Wild, and Han, 1999; Steenhuis and de Boer, 2003), expanding the market niche (Tusa et al., 2004), tapping into cost variability (Tusa et al., 2004); adapting to globalization (Karklins, 2003); operating on a limited budget (Cohn, 2003); establishing value added partnerships that provide experience and capital (Karklins, 2003); improving profitability and increasing the rate of innovation, while gaining favorable tax structure and incentives (Glass and Saggi, 2001); enhancing control and operational discipline (*The Economist*, 2003), providing value to shareholders (Griswold, 2004); and building efficiencies in economies of scale, scope, and application (Currie, 2003).

Several factors facilitate the process of international outsourcing. Munro (2004) attributed the availability of technologies and market integration as accelerators of outsourcing to foreign markets, while Glass and Saggi (2001) cited lower technological adaptation cost and resource requirements as key drivers to the process. Infrastructure is an important consideration in the outsourcing arrangement (Jennex and Adelakun, 2003). *The Economist* (2003) pointed out that the majority of outsourced jobs are those that are digitalized, and capitalize on telecommunication efficiencies from international venues. The Philippines has over 3 million telephone lines, 15 million mobile phone subscribers, 38,440 internet hosts, and 3.5 million internet users (*CIA World Fact Book*, 2004). International companies such as Sykes, Convergys, Accenture, Chevron-Texaco, Time Warner, and Procter & Gamble as well as local companies, eTelecare, People Support, Source One, SPI Technologies, American Data Exchange, and Innodata, are examples of companies that heavily utilize these services. Assessing vision and organizational compatibilities with the Philippine company allows the outsourcer to identify and build on mutual business synergies.

Challenges

While outsourcing in emerging markets like the Philippines offer opportunities to the outsourcer, there are several challenges. Potential difficulties when outsourcing internationally include cross-border communication and cultural barriers (*The Economist*, 2003; Krishna et al., 2004; Schwartz, 2004), language issues (Rao, 2004), vision and strategy decisions (Chan and Pollard, 2003), financial challenges through erroneous resource allocation and expectations (McClelland, 2003; Londe, 2004), appropriate leadership and management (Chan and Pollard, 2003; Krishna et al., 2004), poor relationship and conflicts (Logan, 2000; David and Allgood, 2002; McClelland, 2003), need for constant monitoring, loss of control (Byham and Riddle, 1999), infrastructure challenges (Chan and Pollard, 2003; Rao, 2004), disparity of productivity across organizations (Grossman and Helpman, 2004), lack of patience (Horwitt, 1999), disparity of systems and procedures (Krishna et al., 2004), imitation from competitors and intellectual property theft (Chung et al., 2004; Verton, 2004), morale issues (Kessler et al., 1999), political and legal conflicts (Horwitt, 1999), failure to see a broader perspective (Love et al., 2003), lack of standards and strategy (Hartman et al., 2003;

Yongmin and Ishikawa, 2004), hidden costs and potential cost increases due to transportation, custom duties and tariffs, taxation and handling expenses (Hannon, 2003; Londe, 2004), strikes and work stoppages, inflexibility of costs (Lowson, 2002), concern about terrorism and security issues (Gallagher, 2002; Rao, 2004), country disparities in approaches to value-added tax (VAT) (Knowles, 2002), ineffective contract that does not enforce discipline (McClaren, 1999), over-promising supplier (Kern et al., 2002), rigid contracts that prevent innovation (McClaren, 1999), lack of understanding of objectives, performance analysis, monitoring (Green, 1999), inability to respond to increasing complexities requiring expertise and diplomacy (Horwitt, 1999), misalignment of attitudes and strategy (Garner, 1998), and challenges in market and supplier proximity.

Understanding business inhibitors in the outsourcing location can help avert future challenges. In the case of the Philippines, outsourcing challenges may include cross-cultural conflicts and miscommunication, political and economic instability, legal barriers, disparity in contract expectations, and poor partner selection. Specifically in the IT realm, the Philippines has low visibility as an offshore contender, lacks experienced operation managers, experiences high labor migration, and has a workforce that possess low globalization skills (Leung, 2003). There is also a need to further upgrade technical skills of the workforce, increase government developmental efforts, and broaden the usage of industry certifications (Nyberg, 2003; *Offshore IT Outsourcing*, 2004).

Strategies for outsourcing

Viable approaches for international entrepreneurs seeking to develop an IT outsourcing business the Philippines include the following:

Establish a clear vision. Understanding the goals of the outsourcing organization and its corporate direction is an important consideration. Telecommunication companies, in particular, need to identify core competencies (Tusa et al., 2004). Goal assessment, organizational culture understanding, and assessments on the impact of international outsourcing on the future agenda and product lifecycles are important (Pedersen, 2004).

Location and function selectivity. The location should provide key advantages that are in line with the outsourcers' objectives. Dryden (1998) as well as Schwaninger and Warsop (1999) highlighted the value of selectivity in the context of infrastructure and ease of integration with the systems used in the corporate headquarters while pre-selecting tasks. Technological strengths in the areas of accounting, finance, human resources, call centers, animation, and application development are prevalent in the Philippines (DiCarlo, 2003b; Leung, 2003).

Method of implementation. Experts recommend careful measurement of the selected approach on competitiveness, timing, and suitability; the use of external providers to reduce cost, to exercise caution with experimental approaches, the use of project control, and to implement a well-developed information and material flow system (Rabinovich et al., 1999; Baines and Kay, 2002; Perkins, 2003).

Partnership selection. Outsourcing can be viewed as a convergence of two companies in the process of building a common culture (Garner, 1998). Issues that should be considered application suitability (industry focus, established record, size, competency adaptability, and communication systems), project management capability, timing, staff efficiencies, mutually agreed upon fair and equitable agreement with deliverables explicated, among others (Clark, 1998; Elmuti et al., 1998; Caputo and Zirpoli, 2002; Davey and Allgood, 2002; Jain and Song, 2002; Kakabadse and Kakabadse, 2002).

Strategic integration. The ability of two business organizations to blend operations across borders is critical to the success and sustainability of the outsourcing process. Benefits associated with strategic outsourcing include: value creation, lower net costs, competitive merits, enhanced business performance, a holistic perspective, and broadened perspectives, networks, and linkages (Chan and Chung, 2002; Karklins, 2003; Love et al., 2003; Pollalis, 2003; Chen and Ishikawa, 2004; Choi and Davidson, 2004).

Prepare for business variances. Organizations across borders differ in objectives, perspectives, and infrastructure. Thorough planning for risk variables contributes to successful implementation so the role of management becomes critical (Boyson, Corsi, Dresner, & Rabinovich, 1999). In Chinese organizations, quality, speed, and reliability among suppliers vary extensively (Murphy, 2004). It is much the same situation in the Philippines. Anticipating and planning for these differences ahead of time through project management assessments can prevent future problems (Boyson et al., 1999; Currie, 2003). The value of establishing a shared philosophy and common commitment in developing a sustainable cross-border relationship through cultural training is integral (Sullivan and Tu, 1995; Vavrek, 2002).

Develop creative alliances. Drawing support from the local government and academic institutions can be beneficial to international outsourcers (Grieves, 2002; Luo, 2002). Greenemeier (2002) observed the positive impact of government and academic support to outsourcing activities in India. Chung et al. (2004) noted the merits of introducing new and transformational models in global sourcing. The Philippine government has been supportive of outsourcing efforts and is aware of the need to strengthen its business environment so there is encouragement to pursue these alliances (DiCarlo, 2003b; Kearney, 2004).

Sensitivity to the international market. In doing business in an international environment, an outsourcer is exposed to influencing factors that are in constant flux and must be sensitive to these dynamics. Steenhuis and de Boer (2003) highlighted the relevance of a country's existing infrastructure in the process of technology transfers. Coates (2003) cited the need for political risk and foreign exchange risk assessments, while the importance of accurate information in the outsourcing decision is stressed, too. Elmuti and Kathawala (2000) emphasized the value of risk assessment and management for global outsourcers. International outsourcers need to be aware of the changing business dynamics in the Philippine landscape.

Attention to cost factors. Numerous factors have the potential of affecting cost advantages. Trunick (2004) suggests that logistic factors, product content, security issues, contingencies, and costs should be reviewed (Lowson, 2002; Trunick, 2004). The Philippines is attractive due to relatively low wages (DiCarlo, 2003b), tax holidays and investment benefits (Kearney, 2004), and cheaper office rent, three-minute international phone calls, and lower social security fees compared to other major outsourcing cities, such as Beijing (DiCarlo, 2003b; Kearney, 2004; Sunstar Daily, 2004).

Utilization of contracts. Developing a suitable contract facilitates the outsourcing process. Kern et al. (2002) and Horwitt (1999) caution against the possibility of over promising by suppliers and recommends a thorough evaluation of the contract dynamics. There should be an emphasis on the relationship in contract development by looking at the contract from both sides and by fostering trust and commitment between the parties involved, a particularly important aspect in the Philippines (Moore, 1998; Logan, 2000).

Assessments and benchmarking. Outsourcing in the telecommunications industry requires performance analysis, benchmarking, forecasting, and joint development decisions with the outsourcing partner (Gooley, 1994; Green, 1999). Companies in the Philippines are competent and experienced with good language skills to be excellent partners in this regard.

Conclusion

As Friedman (2005) concludes in *The World is Flat*, if we wall ourselves off in search of economic security, it would be a disaster (p. 469). We have to be smarter and connect with innovation and knowledge centers to compete in this ever-changing marketplace. Entrepreneurial firms are best posed to seize these opportunities because of their agility and flexibility. They possess an opportunity-seeking strategy to find and exploit untapped opportunities and the global marketplace offers the most potential. Entrepreneurs are known to take moderate risks, abandon assumptions, break rules, and look for novel ways to join production, products and customers. An entrepreneurial vision involves just that, and outsourcing, while fraught with challenges, also has the potential for huge opportunities. Outsourcing around the globe is predicted to continue to further expand and competition among countries will intensify (A.T. Kearney, 2004; Rao, 2004). The Philippine government needs to continue to focus on business and economic issues to enhance the country's global image. The country's strong political, cultural, and business affiliation with the U.S. facilitates the development of strategic partnerships. However, international entrepreneurs need to be cognizant of the changing business dynamics that require strategic adaptation in this unique yet emerging destination. The strategic approaches offered in this article may be used as frameworks for outsourcing success for entrepreneurs.

References:

Alon, I., & Welsh, D. H. B. (2001). *International franchising in emerging markets: China, India, and other Asian countries*. Chicago, IL: CCH, Inc.

Andersen, P. H., & Chao, P. (2003). Country-of-origin effects in global industrial sourcing : Toward an integrated framework. *Management International Review, 43,* 339–360.

Andres, T. D. (1999). *Management by Filipino values*. Quezon City, Philippines: Thomas D. Andres and New Day Publishers.

Andres, T. D., & Ilada-Andres, P. C. B. (2001). *Understanding the Filipino*. Quezon. City, Philippines: New Day Publishers.

Asia Pacific Management Forum (2004). Best city in Asia for living. Retrieved Sept., 2004 from http://www.apmforum.com/travel/asia-city-business.htm?action=results&poll ident=19

A. T. Kearney, (2004). Making offshore decisions. Retrieved Sept., 2004 from http://www.atkearney.com/shared res/pdf/Making Offshore S.pdf

Bajpai, N., Sachs, J., Ahora, R., & Khurana, H. (2004). Global services sourcing: Issues of cost and quality. CGSD Working Paper No. 16. Retrieved Aug., 2005, from http://www.earthinstitute.columbia.edu/ cgsd/documents/bajpai outsourcing 005.pdf

Banco Central Pilipinas. (2004). Philippine exchange rates. Retrieved Sept., 2004 from http://www.bsp.gov.ph/ Statistics/spei/tab12.htm

Baines, T., & Kay, G. (2002). Manufacturing sourcing practices and relationships. *International Journal of Logistics Management, 13*(2), 101–113.

Bansal, P. (2002). Offshore and fashion. *Banker, 152*(922), 125.

Bardhan, A. D., & Kroll, C. (2003). The new wave of outsourcing. Fisher Center for Real Estate & Urban Economics Research Report #1103. Retrieved Sept., 2004 from http://repositories.cdlib.org/ iber/fcreue/reports/1 103

Bartels, A., Symons, C., Pohlmann, T., & Lambert, N. (2004). U.S. IT staffing up, but outsourcing takes a toll. Retrieved Aug., 2005 from http://www.forrester.com/Research/Document/Excerpt/0,7211,35135,00.html

Barton, G. T., Jr. (2003). How to negotiate an international outsourcing contract. Computer world. Retrieved Sept., 2004, from http://www.computerworld.com/managementtopics/outsourcing/story/ 0,10801,84274,00.html

Bierce, B. (1999). International outsourcing: The legal view of what's different. Outsourcing Canada.com. Retrieved Sept., 2004, from http://www.outsourcing-canada.com/international.html

Blaxill, M. F. & Hout, T. M. (1991). The fallacy of the overhead quick fix. *Harvard Business Review, 69*(4), 93–101.

Board of Investment. (2004). The Philippines at a glance. Retrieved Sept. 2004, from http://www.boi.gov.ph/ basicfacts.html

Bolumole, Y. A. (2001). The supply chain role of third-party logistics providers. *International Journal of Logistics Management, 12*(2), 87–102.

Boyson, S., Corsi, T., Dresner, M., & Rabinovich, E. (1999). Managing effective third-party logistics partnerships: What does it take? *The Journal of Business Logistics 20*(1), 73–100.

Burr, J. B. (2002). The keys to the back office: Building a legal and policy framework to attract IT-enabled outsourcing. Global Internet Policy Initiative. Retrieved Sept. 2004, from http://www.internetpolicy.net/practices/backoffice.pdf

Byham, W. C., & Riddle, S. (1999). Outsourcing: A strategic tool for more strategic HR. *Employment Relations Today, 26*(1), 37–55.

Central Intelligence Agency (CIA). (2004). *The Philippines world fact book*. Retrieved Sept., 2004 from http://www.cia.gov/cia/publications/factbook/geos/rp.html#Geo

Caputo, M., & Zirpoli, F. (2002). Supplier involvement in automotive component design: Outsourcing strategies and supply chain management. *International Journal of Technology Management, 23*(1–3), 113– 128.

Chan, M. F. S., & Chung, W. W. C. (2002). A framework to develop an enterprise information portal for contract manufacturing. *International Journal of Production Economics, 75*(1–2), 113–126.
Chan, P. S., & Pollard, D. (2003). Succeeding in the dotcom economy: Challenges for brick and mortar companies. *International Journal of Management, 20*(1), 11–16.
Chase, R. (1998). Map your route to outsourcing success. *Transportation & Distribution, 39*(12), 69–72.
Chen, Q., Tu, Q., & Lin, B. (2002). Global it/is outsourcing: Expectations, considerations, and implications. *Advances in Competitiveness Research, 10*(1), 100–111.
Chen, Y., & Ishikawa, J. Y. Z. (2004). Trade liberalization and strategic outsourcing. *Journal of International Economics, 63*,419–436.
Choi, J. P., & Davidson, C. (2004). Strategic second sourcing by multinationals. *International Economic Review, 45*,579–600.
Chung, W. C., Yan, A. Y. K., & Chan, M. F. S. (2004). Networked enterprise: A new business model for global sourcing. *International Journal of Production Economics, 87*, 267–280.
CINCOM Online (2004). Outsourcing: Which type is best for you? Retrieved Sept., 2004 from http://www.cincom.com/financial/needs/profit/centers/outsource/
Clark, J. (1998). Outsourcing IT. *Manufacturing Systems, 16*(9), 22.
Coates, J. D. (2003). Sourcing in emerging markets: Some tips on avoiding trouble. *World Trade, 16*(7), 40.
Currie, W. L. (2003). A knowledge-based risk assessment framework for evaluating web-enabled application outsourcing projects. *International Journal of Project Management*, *21*, 207–217.
Cohn, M. (2003). Outsourcing: The growing sector of IT. *Internet World, 9*(5), 36–40.
Daily Times. (2004). Feature: Philippines frets as US targets outsourcing. Retrieved Sept., 2004 from http://www.dailytimes.com.pk/default.asp?page=story 15-8-2004 pg 5–27
Dana, L. P., Etemad, H., & Wright, R. W. (2000). The global reach of symbiotic networks. *Journal of EuroMarketing, 9*(2),1–16.
Davey, H., & Allgood, B. (2002). Offshore development, building relationships across international boundaries: A case study. *Information Strategy*, *18*(3), 13–16.
DiCarlo, L. (2003a). The Philippines fights for US business. Retrieved Sept., 2004 from http://www.forbes.com /2003/05/22/cx ld 0522philippines.html
DiCarlo, L. (2003b). Best countries for outsourcing. Retrieved Sept., 2004, from http://www.forbes.com/ 2003/08/27/cx ld 0827bestcountries.html
Dolan, K. D., & Meredith, R. (2004). A tale of two cities. *Forbes, 173*(7), 94–102.
Drezner, D. W. (2004). The outsourcing bogeyman. *Foreign Affairs, 83*(3), 22–34.
Dryden, P. (1998). Outsourcing, with safeguards, can solve client/server problems. *Computerworld, 32*(3), 24. *The Economist*. (2003).
Special report: Relocating the back-office–Offshoring. *Economist, 369*(8354), 67– 69.
The Economist. (2004). Leaders: The new jobs migration: Trade and employment. *Economist*, *370*(8363), 11.
Ellis, W. (2004). From outsourcing to world sourcing. *International Trade Forum*, *1*, 20–21.
Elmuti, D., & Kathawala, Y. (2000). The effects of global outsourcing strategies on participants' attitudes and organizational effectiveness. *International Journal of Manpower, 21*(2), 112.
Elmuti, D., Kathawala, Y., & Monippallil, M. (1998). Outsourcing to gain a competitive advantage. *Industrial Management, 40*(3), 20–24.
Evans, M. K. (2004). Outsourcing could hurt, help the US. *Industry Week, 253*(4), 80.
Fisher, A. (2004). Think globally, save your job locally. *Fortune, 149*(4), 60.
Friedman, T. (2005). *The world is flat*. New York: Farrar, Straus, & Giroux.
Gallagher, J. (2002). Redefining the business case for offshore outsourcing. *Insurance & Technology, 27*(5), A5–A9.
Garner, R. (1998). Strategic outsourcing: It's your move. *Datamation*, *44*(2), 32–41.
Gartner Research Group. (2003a). Gartner says one out of 10 jobs in US IT vendors and IT service providers to move offshore by end of 2004. Retrieved Aug., 2005 from http://www.gartner.com/5about/pressreleases/pr29july2003a.jsp

Gartner Research Group. (2003b). Gartner says offshore outsourcing market in Europe will grow more than 40 percent in 2003. Retrieved Aug., 2005 from http://www.gartner.com/5about/pressreleases/pr11apr2003a.jsp
Gibson, S. (2004). The offshoring tradition. *eWeek, 21*(27), 31.
Glass, A. J., & Saggi, K. (2001). Innovation and wage effects of international outsourcing. *European Economic Review, 45*(1), 67–86.
Glassman, J. K. (2004). Whine, the beloved country. *American Enterprise, 15*(4), 48.
Gnuschke, J. E., Wallace, J. W., Smith, D. R., & Stephen, C. (2004). Outsourcing production and jobs: Cost and benefits. *Business Perspectives, 16*(2), 12–17.
Green, W. (1999). Unlocking the potential of outsourcing. *Telecommunication (International edition), 33*(8), S77–S79.
Greenemeier, L. (2002). Offshore outsourcing grows to global proportions. *Insurance & Technology, 27*(5), A12.
Greer, C. R.,Youngblood, S. A., & Gray, D. A. (1999). Human resource management outsourcing: The make or buy decision. *Academy of Management Executive, 13*(3), 85–96.
Grieves, K. (2002). Risks and benefits for the companies that outsource abroad. *Accountancy Ireland, 34*(5), 18.
Grimm, M. (2004). Profits vs. jobs. *American Demographics, 26*(5), 42–43.
Griswold, D. T. (2004). Outsource, outsource, and outsource some more. *National Review, 56*(8), 36– 38.
Grossman, G. M., & Helpman, E. (2004). Managerial incentives and the international organization of production. *Journal of International Economics, 63*, 237–262.
Hannon, D. (2003). Source abroad, but watch those logistics costs. *Purchasing, 132*(2), 12–13. Harrison, K. (2004). Is international outsourcing ethical? *Machine Design, 76*(16), 105.
Hartman, L. P., Shaw, B., & Stevenson, R. (2003). Exploring the ethics and economics of global labor standards: A challenge to integrated social contract theory. *Business Ethics Quarterly, 13*(2), 193.
Henderson, C. (1999). Filipino business norms, etiquette, and style. Retrieved June, 2004 from http://www.apmforum.com/columns/orientseas6.htm
Horwitt, E. (1999). Bridging borders. *Network World, 16*(10), 47–48.
IT Matters. (2004). US poll rhetoric touches on outsourcing business. Retrieved Sept., 2004 from http://itmatters.com.ph/news/news 08172004b.html
Jain, H. K., & Song, J. (2002). Location economics and global software development centers. In P. C. Palvia, S. C. J. Palvia, & E. M. Roche (Eds.), *Global information technology and electronic commerce: Issues for the new millennium* (pp. 447–462). Greenwich, CN: Ivy League Publishing.
Jeffay, J., Bohannon, S., & Lapisa, E. K. (1997). Beyond benefits: The changing face of HR outsourcing. *Benefits Quarterly, 13*(1), 41–46.
Jennex, M. E., & Adelakun, O. (2003). Success factors for offshore information system development. *Journal of Information Technology Cases & Applications, 5*(3), 12–3 1.
Kakabadse, A., & Kakabadse, N. (2002). Trends in outsourcing: Contrasting USA and Europe. *European Management Journal, 20*(2), 189–198.
Karklins, T. J. (2003). Global outsourcing of CRM: Techniques and trends. *Customer Interaction Solutions, 21*(12),48.
Kern, T., Willcocks, L. P., & van Heck, E. (2002). The winners' curse in IT outsourcing: Strategies for avoiding relational trauma. *California Management Review, 44*(2), 47–69.
Kessler, I., Coyle-Shapiro, J., & Purcell, J. (1999). Outsourcing and the employee perspective. *Human Resource Management Journal, 9*(2), 5–20.
King, J. (1999). Exporting jobs saves IT money. *Computerworld, 33*(11), 24.
Kleinert, J. (2003). Growing trade in intermediate goods: Outsourcing, global sourcing, or increasing importance of MNE networks? *Review of International Economics, 11*(3), 464.
Knowles, D. (2002). Strategies to minimize VAT on outsourced activities. *International Tax Review*, 27–32.
Kotabe, M., & Murray, J. Y. (2004). Global sourcing strategy and sustainable competitive advantage. *Industrial Marketing Management, 33*(1), 7–14.

Krishna, S., Sahay, S., & Walsham, G. (2004). Managing cross-cultural issues in global software outsourcing. *Communications of the Association for Computing Machinery, 47*(4), 62–66.
Kulmala, H. I., Paranko, J., & Uusi-Rauva, E. (2002). The role of cost management in network relationships. *International Journal of Production Economics, 79*(1), 33–43.
Lacity, M., Hirschheim, R., & Willcoks, L. (1997). Realizing outsourcing expectations. *Information Systems Management, 11*(4), 7–18.
Leung, L. (2003). Taking IT offshore. *Network World, 20*(34), 57.
Logan, M. S. (2000). Using agency theory to design successful outsourcing relationships. *International Journal of Logistics Management, 11* (2), 21–32.
Londe, B. L. (2004). Rising to the offshoring challenge–Part 2. *Supply Chain Management Review, 8*(3), 9–10.
Love, D., Barton, J., & Taylor, D. G. (2003). Evaluating approaches to product design sourcing decisions in multinational companies. *International Journal of Technology Management, 26*(1), 103–119.
Lowson, R. H. (2002). Assessing the operational cost of offshore sourcing strategies. *International Journal of Logistics Management, 13*(2), 79–89.
Luftman, J. (1996). *Competing in the information age: Strategic alignment in practice*. New York: Oxford University Press.
Luo, Y. (2002). *Multinational enterprises in emerging markets*. Copenhagen, Denmark: Copenhagen Business School Press.
Lynch, F. S. J. (1992). Social acceptance. *Four Readings on Philippine Values*. Manila, Philippines: Ateneo de Manila Institute of Philippine Culture.
McCarthy, I., & Anagnostou, A. (2004). The impact of outsourcing on the transaction costs and boundaries of manufacturing. *International Journal of Production Economics, 88*(1), 61–7 1.
McClelland, S. (2003). The outsourcing conundrum. *Telecommunications International, 37*(12), 6.
McClaren, J. (1999). Supplier relations and the market context: A theory of handshakes. *Journal of International Economics, 48*(1), 121–138.
Mendoza, M. L. (200 1). The crisis of management culture in the Philippines: Neither East Asian nor Western. Paper presented at the 3rd EUROSEAS Conference in London, UK, and the 4*th* European Philippine Studies Conference in Alcoba, Spain, September.
Mitchell, R. L. (2004). How IT has outsourced itself. *Computerworld, 38*(11), 25.
Morris, M. H., & Kuratko, D.F. (2002). *Corporate entrepreneurship*. Orlando, FL: Harcourt.
Munro, N. (2004). The online innovating planet. *National Journal, 36*(13), 956.
Murphy, D. (2004). Up close and personal. *Far Eastern Economic Review, 167*(31), 50–51.
Nyberg, F. (2003). International outsourcing: When outsourcing in Asia, a cornucopia of options exist. Retrieved Sept., 2004 from http://www.biomedstrategy.com/Outsourcing in Asia.pdf
Offshoreitoutsourcing (2004). Main features of IT in Philippines. Retrieved Sept., 2004 from http://offshoreitoutsourcing.com/Pages/Philippines.asp
Pedersen, A. (2004). Tread carefully into low-cost countries. *Purchasing, 133*(3), 64.
Perkins, B. (2003). Selecting the right offshore vehicle. *Computerworld, 37*(37), 46.
Pollalis, Y. A. (2003). Patterns of a co-alignment in information-intensive organizations: Business performance through integration strategies. *International Journal of Information Management, 23,* 469–492.
Prager, J. (1997). Contracting out as a vehicle for privatization: Half speed ahead. *Journal of International Affairs, 5*, 613–632.
Rabinovich, E., Windle, R., Dresner, M., & Corsi, T. (1999). Outsourcing of integrated logistics functions: An examination of industry practices. *International Journal of Physical Distribution & Logistics Management, 29*,353.
Ramamurti, R. (2004). Developing countries and MNE's: Extending and enriching the research agenda. *Journal of International Business Studies, 3*, 277–283.
Rao, M. T. (2004). Key issues for global IT sourcing: Country and individual factors. *Information Systems Management, 21*(3), 16–21.

Read, B. B. (2002). Riding the outsourcing wave. *Call Center Magazine*, *15*(8), 18–35.
Schwaninger, T., & Warsop, T. (1999). Foreign policies: Building an international IT strategy. *Insurance & Technology, 2*(4), 42.
Schwartz, E. (2004). Secrets of outsourcing. *Infoworld, 26*(3), 12.
Shaksen, J. R. (2004). International outsourcing when labour markets are unionized. *Canadian Journal of Economics, 37*(1),78–94.
Sison, A.J. (2003). Business and culture in the Philippines: A story of gradual progress. Retrieved Sept., 2004 from http://www.unav.es/empresayhumanismo/2activ/seminario/miembros/sison/ii26/default.html
Sison, A. J., & Angeles, A.P. (2002). Business ethics in the Philippines. Empresa y Humanismo. Retrieved Sept.,2004 from http://www.unav.es/empresayhumanismo/2activ/seminario/miembros/sison/i6/default.html
Smith, J. (199 1). Corporate little helpers. *Australien Business,* 7, 44–46.
Steenhuis, H. J., & deBoer, S. (2003). Agile manufacturing and technology transfer to industrializing countries. *International Journal of Technology Management*, *26*(1), 20–27.
Sullivan, S., & Tu, H. (1995). Developing globally competent students: A review and recommendation. *Journal of Management Education, 19*, 473–493.
Sunstar Daily (2004). Some business costs lower in RP: Survey. Retrieved Sept., 2004 from http://www.sunstar.com.ph/static/ceb/2004/07/14/bus/some.business.costs.lower.in.rp.survey.html Talisayon, S. (1990). *Filipino values: Determinants of Philippine future*. Makati, Philippines: Economic Development Foundation.
Timbermann, D. (1995). *A changeless land. Continuity and change in Philippine politics*. Singapore: Institute of Southeast Asian Studies.
Trunick, P. A. (2004). How to stay on target when offshoring. *Logistics Today, 45*(4), 23–29.
Tusa, D., Eikelmann, S., & Stomberg, M. (2004). Less is more: The advantage of outsourcing. *Telecommunications International, 38*(1), 3 1.
US Department of State. (200 1). *Philippine country commercial guide FY 2001.* Retrieved Sept., 2004 from http://www.state.gov/www/about state/business/com guides/2001/eap/philippines ccg2001.pdf
Vavrek, C. (2002). Outsourced equity plan administration: Keys to successful vendor implementation and management. *Journal of Compensation & Benefits, 19*(1), 13–17.
Vernon, D. (2004). IT vendor CEOs make plea for help on Capitol Hill. *Computerworld, 38*(25), 7. Wallace, K. S. (1998). Avoid the 10 major pitfalls of outsourcing. *Workforce, 77*(9), 44–45.
Webster, M., Muhlemann, A. P., & Alder, C. (2000). Decision support for the scheduling of subcontract manufacture. *International Journal of Operations & Production Management, 20*, 1218–1237.
Welsh, D., & Alon, I. (2000). *International franchising in emerging markets: Central and Eastern Europe and Latin America*. Chicago, IL: CCH, Inc.
Weiss, P. (2002). Behind the numbers: Offshore outsourcing's cost effective edge. *InformationWeek, 916,* 66–68.
Wild, J., Wild, K., & Han, J. (1999). *International business: An integrated approach.* Englewood Cliffs, NJ: Prentice-Hall.
Yongmin, C., & Ishikawa, J. Y. Z. (2004). Trade liberalization and strategic outsourcing. *Journal of International Economics, 63*(2),419–436.