Process Frameworks in Services Offshoring: Implementation Thoroughness, Task Complexity, and Performance Improvement

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ABSTRACT

Prior research has characterized the adoption of process standards as a multi-stage effort ranging from the initial implementation through institutionalization. However, relationships between these adoption stages have not been examined significantly. In this study the author analyzes performance data from a large service provider that has implemented a process standardization framework for services offshoring. The author evaluates how process standardization influences service delivery performance, and how the effect of standardization differs based on the implementation effort for each new process and the complexity of the task for which the process is implemented. The results indicate that performance on complex tasks increases to a greater extent after standardization than performance on simple tasks. Contrary to expectations, by itself higher implementation effort is not associated with greater performance improvement after standardization occurs. Rather, performance on complex tasks improves to a greater extent following a higher implementation effort than after a lower implementation effort.

Keywords: Offshoring, Process Implementation, Process Standardization, Service Management, Task Complexity

INTRODUCTION

The sourcing of business services to third party firms has grown dramatically over the last two decades (Bapna, Barua, Mani, & Mehra, 2010). Much of this growth has involved offshoring of work to remote locations; in information technology (IT) services, this has led to a burgeoning industry in Asia and the development of some very large IT services firms. The services industry is still quite labor-intensive, and firms continue to search for innovations that will lower costs or enhance effective service delivery. A recent study indicated that 29% of large client organizations had fired a service provider within the past twelve months (Healey, 2010). Such failures in service delivery are very expensive not only for clients but also for service providers, who have made client-specific investments in both labor and capital in order to efficiently provide...
services. In part because of these challenges, recent work has emphasized that any theory of service systems should include an understanding of service system improvements and failures (Chesbrough & Spohrer, 2006).

To address these concerns, many organizations have implemented process standardization frameworks. Broadly defined, process standardization is the use of documents, rules, guidelines, or activities aimed at achieving an optimum degree of order in a given context (ISO, 1996). In manufacturing industries, the application of formal process standards such as ISO 9000 and Six Sigma have enabled firms to reduce process variation and realize significant economic returns (Corbett, Montes-Sancho, & Kirsch, 2005; Schroeder, Linderman, Liedtke, & Choo, 2008; Levine & Toffel, 2010). Software development has also evolved into a mature industry, and many software firms have implemented process improvement programs such as the Capability Maturity Model Integration, or CMMI (Harter, Krishnan, & Slaughter, 2000; Gopal, Mukhopadhyay, & Krishnan, 2002). More recently, providers of business process outsourcing (BPO) services have begun to standardize their processes (Wüllenweber, Beimborn, Weitzel, & König, 2008; Narayanan, Jayaraman, Luo, & Swaminathan, 2010), though evidence on the implementation of formal standardization frameworks is lacking.

Implementing process improvement frameworks across a large, distributed organization can be extremely challenging. Organizations implementing process innovations often must decompose and recreate work routines several times before new capabilities can be developed (Pan, Pan, Chen, & Hsieh, 2007). Firms that obtain the greatest performance increases from process improvement frameworks oftentimes go beyond the minimum standards of the framework, tailoring processes to their specific needs (Naveh & Marcus, 2004). Recent work on the diffusion of ISO9000 and ISO13000 has demonstrated that firms customize these frameworks in order to obtain greater economic benefits, as well as to achieve greater conformance to perceived industrial and cultural norms (Albuquerque, Bronnenberg, & Corbett, 2007). In other words, firms must implement process improvement frameworks in a thorough and comprehensive manner in order to obtain optimal benefits from them; otherwise, they may experience zero, or even negative, returns (Beer, 2003).

Because one goal of process standardization is to impart some consistency to task performance, standardization may be ill-suited to situations in which conditions are variable or inconsistent. Although research suggests the importance of routines in complex environments (e.g. Feldman & Pentland, 2003), the impact of process standardization frameworks under conditions of complexity has not been investigated to a significant extent. In firms that are characterized by persistent complexity in tasks, individuals must be able to accommodate exceptions and adapt to necessary changes on a continual basis. The development and implementation of standardized processes that adequately accommodate these tasks may require additional effort from the firm if performance improvements are to be realized. Task complexity is an inherent characteristic of the services environment, where outputs are often intangible and more difficult to measure than characteristics of manufactured goods (Bowen & Ford, 2002). Thus, implementation thoroughness is expected to be particularly important in this setting.

In this study, we empirically examine the performance impacts arising from the implementation of a process standardization framework at an offshore business unit of a multinational firm that provides IT and BPO services. More specifically, we examine the relationship between the implementation thoroughness of individual processes within the framework and the performance improvements arising from those processes. We also investigate the moderating impact of task complexity on the relationship between process standardization and performance, as well as the relationship between task complexity, implementation effort, and performance. The study analyzes a detailed dataset of multiple delivery performance outcomes for a range of services.
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