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TASK ALLOCATION STRATEGIES AND MOTIVATIONAL PROCESSES IN ADVANCED SERVICES OFFSHORING

ABSTRACT

Global service firms are increasingly moving advanced tasks to popular offshoring destinations such as India. Despite the significant influence of micro-level motivational mechanisms on the implementation and success of such offshoring strategies, empirical research in this area is still in its early stages. In this paper, taking a grounded theory approach, we present qualitative data from a German electronics firm working with IT developers in a Bangalore subsidiary, and the UK division of a large global professional services firm which has offshored its tax reporting work to a captive unit in Bangalore. From a cross-case analysis of these two settings, we develop a grounded model of the complex interdependencies between offshoring strategies and offshore-onshore motivational processes. We identify three interlocking and self-reinforcing circles between (a) task allocation strategies, (b) motivational processes onshore, and (c) motivational processes offshore. These circles function to either inhibit or support the offshoring strategies. We highlight several theoretical and practical contributions with regard to micro-macro level interdependencies in offshoring strategies of global firms.

INTRODUCTION

With the growing maturity of services offshoring, companies are now transferring increasingly complex, knowledge intensive tasks to offshore destinations. This development is part of a trend towards more a 'transformational' global sourcing strategy, which aims at value enhancement as opposed to cost savings alone, and leads to a redefinition of the firm's organisational configuration (Jensen & Petersen, 2013; Kedia & Lahiri, 2007), for example in terms of responsibilities and customer interfaces around the world. When advanced and complex tasks are moved offshore, the offshore unit provides critical resources and input to the home unit, and is e assigned with greater responsibilities than is usually the case in typical offshoring scenarios (Jensen & Petersen, 2013).

In transferring more advanced tasks to offshore destinations, managers are faced with the question: what types of activities have the potential to be completed offshore successfully, given the risks involved? The literature emphasizes a number of key considerations that play a role including characteristics of the concerned tasks, the organisational and environmental context, and formal and relational governance mechanisms. By contrast, only a small number of studies have highlighted the micro-level motivational processes that underpin a firm's offshoring strategy. This is surprising, given that employees, both onshore and offshore, are the ones who put a particular offshoring strategy into practice, and therefore have to be motivated to do so. Onshore employees are involved in moving tasks and associated knowledge to the offshore destination, and offshore employees are expected to fully embrace these tasks and obtain the required knowledge. At a more general level, this research gap also ties into the lack of inquiries into micro (individual and group) level foundations that underlie the implementation of an organisational level strategy (e.g. Foss, 2011).

To address the open issues, we take a grounded theory approach and explore the motivational processes amongst onshore and offshore employees that are involved in the implementation of an organisation's offshoring strategy. We draw our data from two cases. The first case is a major German electronics firm which has offshored large parts of its IT development to a subsidiary unit in Bangalore, India.

The second case is the UK division of a large US based professional services firm, which has offshored large parts of its tax reporting work to a captive unit in Bangalore. From a comparative analysis of these two cases, we develop a grounded theory of the complex interdependencies between offshoring task allocation strategies, and onshore-offshore motivational processes.

LITERATURE REVIEW

Offshoring of advanced tasks

When designing a firm's offshoring strategy, managers need to decide what types of tasks can be successfully offshored. Several scholars (e.g., Doh et al., 2009; Jensen, 2012) have observed that this decision cannot be made at the broad level of value chain elements (such as sales, research and development, or procurement) alone, given the diversity of activities within each element of the value chain. Instead, they argue for an 'activity-based view' of offshoring (Johnson, Melin, & Whittington, 2003) which considers the specific nature of the activities involved in each element of the value chain. These considerations become even more relevant and more complex with the relocation of more advanced tasks to offshore destinations, which promises particularly large benefits, but also tends to involve greater costs and risks.

With regard to *benefits*, the transfer of more advanced tasks is designed not only to save costs, but also to create value for the firm, for example by gaining access to superior talent and to foreign markets. Recent research has identified several characteristics of tasks that determine how easily they can be transferred to an offshore destination. This stream of research has also observed that more advanced the tasks the harder they are to offshore, given the higher communication and coordination costs (e.g. Dibbern, Winkler, & Heinzl, 2008; Moller-Larsen et al., 2012; Stringfellow, Teagarden, & Nie, 2008). In particular, increased requirements of contextual and tacit knowledge, task complexity and demands for customisation can create many difficulties for both onshore and offshore employees. Task *complexity*, for example in terms of the scale of the outsourcing service and the breadth of tasks involved in each service, can contribute to communication and coordination costs (Handley & Benton, 2013; Karmakar, 2004). Tasks that are highly *customised* (as opposed to standardised) are more difficult to transfer because they require problem solving skills and higher levels of knowledge and expertise (Karmakar, 2004). The transfer of highly customised tasks from onshore to offshore units therefore tends to create high costs in terms of training and ongoing support. Such costs can also emerge when offshored tasks involve context-dependent knowledge, for example a deeper understanding of IT system architectures, complex end products, or the cultural context (e.g. Dibbern et al., 2008). The transfer of tacit (i.e. non-codifiable) knowledge is particularly challenging, because it may require extensive socialisation (Nonaka, 1994) which is hard to achieve in geographically dispersed collaborations.

A host of factors are well known to inhibit or facilitate task transfer specifically in offshoring settings, and particularly with regard to the transfer of advanced tasks. To name just a few, geographical distance (e.g. Cummings, 2011), cultural boundaries (e.g. Gregory, 2010) and differences in organisational and national environments (Levina & Vaast, 2008) tend to create barriers to communication and shared understanding, which are particularly important for transferring tasks that require high levels of tacit knowledge, are complex, and highly customised - i.e. advanced tasks. Several well-known mechanisms can help to overcome these barriers, for example strong social capital between onshore and offshore units (Rottman, 2008; Zimmermann & Ravishankar, 2013), as well as formal and relational governance **(**e.g. Gopal & Koka, 2012). Besides communication and coordination

costs, managers have to assess whether an offshoring strategy contains serious risks, in particular to intellectual property (Bidanda et al., 2006) and to the competence base at the home unit (Kotabe, Mol, & Ketkar, 2008). These risks become even more significant when the transferred tasks are more advanced, involving higher levels of knowledge and competence.

Motivational processes of advanced task offshoring

Even when an offshoring strategy seems reasonable from a broad strategic perspective, its feasibility depends on the motivation of those responsible – both onshore as well as offshore - for implementing it. Little is known about these motivational processes, but a small number of studies do indicate how they may be relevant.

Motivational processes in the onshore unit. Some studies highlight a dissonance between a firm's ambitions of transferring advanced tasks to an offshore unit, and the degree to which employees at the onshore unit support this transfer. Firstly, there are cases where onshore employees do not believe that it is possible to achieve satisfactory *performance* at the offshore unit, thus creating doubts about the feasibility of the firm's task allocation strategy. This expectation of insufficient performance can be a reason for onshore employees to avoid the transfer of tasks wherever possible (Zimmermann et al., 2012). Secondly, the process of transferring tasks can create high personal costs for onshore employees, through the increased *workloads* associated with advanced knowledge transfer, communication, and coordination requirements. If employees believe that a huge amount of effort is demanded of them not only in the initial stages of the offshoring process, but throughout the offshoring collaboration, they may withhold advanced tasks within the onshore unit where possible, in order to minimise personal effort (Zimmermann & Ravishankar, 2013). Onshore employees' expectations of additional workload depend partly on the nature of the tasks to be offshored, and on whether offshore recipients are skilled enough to handle such tasks.

Onshore employees may also believe that the transfer of tasks to an offshore location leads to undesirable changes in their own *tasks*, their careers, and their professional role identities (Zimmermann & Ravishankar, 2011). They may even fear losing their jobs to the offshore location, which can cause them to either withhold tasks or limit their effort in transferring the required knowledge to offshore employees (Zimmermann et al., 2012; Zimmermann & Ravishankar, 2013). In extreme cases, the fear of losing tasks and jobs has been shown to lead onshore employees to unduly criticise their offshore counterparts' work, avoid interacting with them as much as possible (Cohen & El Sawad, 2007; Metiu, 2006; Zimmermann et al., 2012), exclude them from their own, higher status onshore group, and to undermine the offshore unit's chances of owning advanced tasks (Metiu, 2006). Obviously, such constrained relationships make it hard achieve the organisation's task transfer targets. In some cases, the fears of losing attractive tasks and jobs to offshore locations are linked to the question of whether new, alternative tasks are available for onshore employees, post-offshoring, which relies partly on the clarity and transparency of an offshoring strategy (Zimmermann et al., 2012). Onshore employees will also be more inclined to support offshoring of advanced tasks if they expect the *risks* to be tolerable. In this respect, Jensen and Petersen (2013) point out that the decision on advanced task offshoring depends on the responsible managers' 'comfort zone', which is a composite of the managers' risk perception, risk tolerance, and the organisation's risk-reducing measures.

From a theoretical perspective, the motivational role of employees' expectations regarding performance, workload, losing attractive tasks or jobs, as well as offshoring risks can be explained in terms of *'outcome expectations'.* According to social cognitive theory (SCT, Bandura, 1997), outcome expectations refer to the expected consequences of one's behaviour. If these outcomes are regarded as attractive, they motivate behaviour that is believed to lead to these outcomes (Bandura, 1997:125). For example, if onshore employees expect that the transfer of certain tasks does not endanger tasks or jobs at the onshore unit, and that it will lead to desirable performance outcomes and acceptable risks, then they are more likely to support the transfer of tasks to the offshore unit.

Motivational processes in the offshore unit. Several studies of offshoring collaborations have suggested that employees at the offshore unit are ambitious and highly motivated to take on higher level tasks and responsibilities in order to gain expertise and to progress in their careers (e.g. Mahavedan, 2011; Metiu 2006; Ravishankar, Cohen, & El Sawad, 2010; Zimmermann & Ravishankar, 2011). For firms implementing an offshoring strategy, such ambitions create the common issue of high turnover of skilled offshore employees, as they tend to be high in demand and therefore hard to retain at the offshore unit (see Lewin & Couto, 2006). The transfer of increasingly advanced tasks to the offshore unit can therefore be also seen as a means of *talent management*, which helps to increase intrinsic work motivation and create attractive career prospects for offshore employees, thus motivating them to stay with the firm for a longer period of time (see Tymon et al., 2010).

The implementation of an offshoring strategy for advanced tasks becomes even more complex when we consider the potential interactions between onshore and offshore motivational processes. Employees at the offshore unit tend to feel under serious pressure to prove their worth and to gain onshore employee's trust in their capabilities. Thereby, offshore employees sometimes have to motivate onshore employees to transfer attractive tasks (Kelly & Noonan, 2008; Mahadevan, 2011; Ravishankar et al., 2010).

From our review of the literature, it appears that the implementation of advanced task offshoring strategies depends not only on task characteristics and offshoring specific contextual factors, but also on micro-level motivational mechanisms. Prior evidence suggests that there can be a dissonance between an organisation's offshoring strategy and onshore employees' motivation to put it into practice, depending on their outcome expectations. Outcome expectations may, conversely, be influenced by elements of the task allocation strategy, namely the nature of the transferred tasks in relation to offshore skills, and the prospect of alternative tasks for employees at the home unit. Research also suggests offshore employees tend to be highly motivated to take on more advanced tasks, and they aim to reinforce onshore employees' motivation to transfer attractive tasks. However, all of these observations need to be explored in more depth and supported by more evidence.

Whilst prior case studies provide some relevant evidence, they are small in number. The evidence also tends to be fragmented and implicit, with a focus on single case settings, predominantly in the IT sector. In order to substantiate the above claims, we therefore need to broaden the range of onshore-offshore national and industry contexts. In this paper, we build a more comprehensive and explicit account of how offshoring strategies and onshore-offshore motivational processes are related to each other. We develop a grounded model that offers a deeper

understanding of motivational processes and how they underpin the implementation and success of task allocation strategies in offshoring settings.

METHODS

Rationale

Our research calls for a qualitative case study methodology, which allows researchers to explore new topics and to gain an in-depth understanding of complex socio-psychological phenomena in real life contexts. Given the lack of a comprehensive conceptualisation of the phenomenon, we decided to take a grounded theory approach. We adopt Shapira's (2011: 1313) definition of theory as an 'analytic structure or system that attempts to explain a particular set of empirical phenomena', to develop a theory that extends to task allocation strategies and motivational processes in offshoring settings. This theory is captured in the form of a grounded model (Figure 1). A number of pre-existing theoretical concepts (such as the notions of transformational offshoring and of outcome expectations) helped us in explaining the findings, and we incorporated them into our theory. The resulting theory is nevertheless 'grounded', because it is only aided by elements of pre-existing theory, and based much more heavily on our inductive analysis. In line with Strauss and Corbin's (1990) definition of grounded theory, our theory was thus *informed* by existing theoretical concepts, but *formed* by the emergent findings. In order to gain thorough insights into the motivational processes amongst onshore and offshore employees, we based our data on the respondents' own, reported perceptions. By organising and further interpreting these reports in the light of existing concepts, as well as our interpretations of contextual factors, we arrived at our constructions of the respondents' constructions of their social reality (see Geertz, 1973).

Research setting and respondents

We followed a purposeful sampling method, aiming at a balance between differences and similarities across cases. Whilst the reviewed research has focussed predominantly on IT offshoring and single combinations of nationalities, we included two companies in two different industry sectors and with different combinations of nationalities, to explore the transferability of our findings across these industry and country contexts. Both firms operated with captive offshore units, recruited graduates, and offshored service tasks which were not voice based. These similarities between the cases helped us in determining differences that were due to industry and country contexts.

Our first company case was ELECTRO (pseudonym), a large German electronics company that had offshored parts of its software development to a captive unit in Bangalore/India. We interviewed German and Indian employees who were responsible for developing software for automotive car engines. We included two departments. One (AUTOSAFETY, a pseudonym) was responsible for the electronics of automotive safety systems, the other (AUTOCONTROL) for developing electronic control units. In AUTOSAFETY, the collaboration with India had been set up more recently, c. 8 years before the time of data collection, as opposed to c. 20 years in AUTOCONTROL.

The second company was a US based professional services firm, PROFSERVICE (again a pseudonym). We conducted our research in two tax services departments of this firm. The first, EXPAT-TAX (pseudonym), was responsible for assisting client firms (headquartered in different countries) with UK-related tax returns for their expatriates. The second department, CORP-TAX (pseudonym), delivered tax services to UK based firms. In these departments, we

interviewed UK nationals in the UK units and their Indian counterparts at the firm's captive unit in Bangalore. Respondents worked on 'accounts', i.e. teams for particular clients.

We conducted interviews across a broad range of hierarchical levels, in order to obtain more strategic, managerial level perspectives, as well as ground level experiences. In ELECTRO, the hierarchical levels were organised into engineers, project section leaders, project or team leaders, group leaders, and department leaders. This organisation was used in the German as well as the Indian units. In PROFSERVICE India, the levels were divided into tax analysts, advanced analysts, tax seniors, assistant managers, managers, and senior managers. In the UK units of PROFSERVICE, the hierarchy started with trainees at 'level one', followed by 'level 2' (which included the 'senior tax assistants' that we interviewed), followed by managers, senior managers, and partners. Partners were located only in the UK and not in the Indian unit. Across levels, we interviewed 62 respondents: 15 German and 17 Indian employees at ELECTRO, and 11 British and 19 Indian employees at PROFSERVICE.

Data collection and analysis

The interviews were conducted by the first author; in German language for the German respondents and in English for all other respondents. 56 interviews were carried out face to face in the respondents' offices, whilst the remaining six (three in each firm) were telephone interviews. The interviews lasted for about an hour on average. The interview guide was semi-structured and detailed, but was modified strongly throughout the interviewing phase. To illustrate, the focus of the initial interviews was on knowledge transfer rather than task transfer, but this focus was shifted towards advanced task transfer, when this new theme was emphasised by all respondents. Moreover, the focus on motivational processes was not set in the initial interviews, but resulted from the respondents' detailed explanations of motivational mechanisms.

The data collection and analysis phases were intractably intertwined. Reflections were noted after each interview, and new themes included in each subsequent interview. A preliminary model was drafted after the first few interviews, and continuously refined whenever additional factors or dependencies became apparent. At the stage where we had reached our focus on task allocation strategies and motivational processes, we were able to compare each element to the literature. We thus noticed that respondents' descriptions of increasing advanced task transfer resembled the notion of 'transformational offshoring'. Similarly, we found that respondents' explanations regarding careers prospects, expected performance, and workload could be described in terms of the concept 'outcome expectations'. When respondents highlighted how offshore performance depended on their career prospects, task ownership, and task experience, we explored this through the lenses of 'outcome expectations', 'intrinsic motivation', and 'self-efficacy'. These concepts helped us in constructing several components of our grounded theory. Throughout the interviewing and analysis phase, we carried out comparisons between individual respondents, different teams, and between the two different departments in each firm, which facilitated several causal explanations. In particular, reported differences in actual transfer pointed us to the role of varying motivational processes.

We carried out the two case studies consecutively (first ELECTRO, then PROFSERVICE), which created an intermediate phase of intensive data analysis. During this analysis period, all interviews of the first case were transcribed and coded, and the preliminary model was developed further to accord with all interviews of the

first case. This model then served as a basis for the interviews of the second company case. Several differences between the cases became apparent, which we explained through sector-specific tasks and environments. These comparisons were crucial for determining the contextual factors in our model. To illustrate, the comparison between the more positive career expectations in the AUTOSAFETY department as opposed to the AUTOCONTROL department in ELECTRO allowed us to identify alternative tasks and market demands as important contextual factors that affect onshore employees' motivation to transfer tasks. Moreover, expectations regarding performances were generally higher in PROFSERVICE than in ELECTRO, and we were able to trace this difference back to the different nature of the end product in each firm. The many elements of our model, and their complex interactions, were however supported equally by all participants, i.e. by those with more positive as well as those with more negative experiences. This makes the model an analytic structure that explains a particular set of empirical phenomena, i.e. a theory (see Shapira, 2011: 1313). We deemed our model saturated when it was fully supported by all data, indicating that theory and data were sufficiently aligned with each other.

RESULTS

Offshoring strategies at ELECTRO and PROFSERVICE

In both firms, there was an explicit strategy of transferring increasingly advanced tasks to offshore units. The aim was to offshore increasingly complex and customised tasks, which required an increasing amount of contextual knowledge and understanding. The offshoring strategy took slightly different forms in the context of the two organisations and the different departments, with respect to the nature of the transferred tasks as well as the level of responsibility that was allocated to the offshore units. Table 1 describes the tasks in the two firms with regard to their levels of complexity and customisation.

Insert Table 1 about here

In both ELECTRO departments, the level of the offshored tasks had increased dramatically since the beginning of their offshoring operations. Indian counterparts were now not only responsible for simple support tasks such as coding or software integration, which were typically executed as part of an 'extended workbench model'. In many projects, they were now also involved in software function development and system integration, with designated system experts at the offshore unit. Compared to coding and integration, these tasks were more complex and customer-specific, and therefore required a more comprehensive understanding of the software system, architecture, domain, and the end product. With regard to more mature products, AUTOCONTROL had also transferred the responsibility and leadership for complete projects to the Indian subsidiary, and this was increasingly done in AUTOSAFETY, as well.

In the more experienced AUTOCONTROL department, the additional, long-term aim was develop the Indian unit into an independent supplier to all Indian and certain other Asian end customers, which would involve full financial project liability and accountability towards the customer. AUTOCONTROL participants were highly aware of this strategy, which was known as the transnational location concept or 'TLC'. At the date of data collection, Indian employees were already participating in the direct interface with several Asian customers, and pilots were run to assign them with the full customer accountability for Indian customers.

In ELECTRO, a clear limitation to advanced task offshoring was set by the complexity and context-dependency of the required background understanding, and by the geographical location of the end customer. Only a limited amount of Indian were seen to stay with the firm for long enough to acquire the necessary system and domain knowledge to pursue the highest level technical tasks, in particular new function development. Moreover, highly customised tasks, which required an in-depth understanding of the customer-specific end product, could be transferred only in projects that served Asian end customers. This created a clear cut off point for advanced task offshoring as far as new function development for non-Asian customers were concerned (see arrow indicating cut-off point in Table 1).

In PROFSERVICE, the organisational aim was to offshore the highest possible amount (that is nearly all) of the compliance work to the offshore unit**.** Compliance tasks included tax computations, at the simpler level, and first order reviews of computations at an intermediate level, resulting in tax returns that could be delivered to the end customer (see Table 1). In both PROFSERVICE departments, the majority of compliance work was therefore completed at the offshore unit. The approach to transferring yet more advanced tasks varied strongly between the two departments, and between different UK offices within each department.

Firstly, the two departments diverged with regard to the Indian employees' level of involvement with the customer. In EXPAT-TAX, offshore employees were entitled to gather information from the individual clients (i.e. expatriates) directly, primarily via shared email accounts, but increasingly also via phone calls. However, the contact with the corporate client, such as the HR function of a firm, was held mostly within the UK. CORP-TAX, in turn, held customer interfaces only with corporate offices, which was due to the nature of the service. Accordingly, the client interface was predominantly in the UK. Only a few Indian individuals were tasked with gathering information directly from the client, and only in the exceptional case of one customer team, the main customer interface resided at the Indian plant. However, a small amount of Indian employees in CORP-TAX had the attractive opportunity to take on specialist tasks, for example for tax returns that required knowledge of industry specific tax regulations.

With regard to yet more advanced tasks, an increasing amount of offshore employees in EXPAT-TAX were qualified to conduct the final review of the returns and sign them off (even though the final accountability towards the end customer remained on the UK side). Accordingly, several participants in EXPAT-TAX described the Indian counterparts as 'self-sufficient'. In CORP-TAX, by contrast, only initial review tasks were completed offshore, and there were no apparent plans for transferring the responsibility for the final reviews and sign-offs. It has to be noted, however, that compensation work in CORP-TAX was more complex and customised than the compensation tasks in EXPAT-TAX, as it required an understanding of complex tax structures of different client corporations, rather than individual clients.

The highest level tasks were in this firm described as advisory work, tax accounting and auditing, developing new services for clients, and acquiring new clients. Out of these, only some of the auditing and smaller advisory tasks were (occasionally) done by Indian employees in the EXPAT-TAX department, and in a few customer teams of CORP-TAX. When asked, respondents in the other teams stated either that they did not believe these highest level tasks were going to be offshored, or that they were not sure about the firm's long-term plans for transferring these advanced tasks. Respondents further explained that a transfer of financial liability or the final accountability towards the end customer was not possible. The

main limitation to advanced task offshoring in the PROFSERVICE firm resided in the location of the end customers. The participants agreed that Indian employees were able to acquire the detailed knowledge of complex tax rules that was required to complete very complex tax computations. By contrast, their geographic distance did not allow them to meet customers as easily, and to gain the same level of understanding of specific customer requirements compared to their UK employees, which was particularly relevant for the corporate tax return work, and for the most advanced tasks such as advisory tasks. Additionally, several participants mentioned that language difficulties could create barriers to more demanding interactions with the corporate clients.

Actual task transfer

In both firms, middle managers had some discretion over the scope and the level of tasks to be offshored. Interestingly, onshore managers had embraced the firm's offshoring strategy to varying degrees, and had transferred the more advanced tasks to greater or smaller extents. In ELECTRO, some German group and project managers had set up large Indian teams who were responsible for software as well as system work, and had been very proactive in training their Indian counterparts to take on increasingly higher level tasks. By contrast, there were several cases of German managers and employees, primarily in the AUTOCONTROL department, who were reluctant to transfer higher percentages of work, or more advanced tasks.

Correspondingly, the leading customer team managers in different PROFSERVICE offices in the UK had implemented their firm's offshoring strategy to varying degrees. For example, the London office and certain smaller offices had reportedly been particularly quick in transferring nearly all computation tasks to the Indian unit, and were also progressive when it came to involving Indian employees in the customer interface. By contrast, fewer new tasks seemed to flow from other UK offices.

In what follows, we will explain these variations in actual task transfer through underlying motivational mechanisms. Figure 1 captures the companies' advanced task transfer strategy (upper right side), the actual task transfer (middle), and relevant motivational mechanisms. We will first analyse the motivational processes onshore (lower right hand in Figure 1), before describing those offshore (left hand in Figure 1).

Insert Figure 1 about here

Motivational processes in the onshore unit

We were able to discern a range of motivational mechanisms that explained the variations in actual task transfer. We will categorise them as onshore employees' outcome expectations regarding offshore performance, additional workload, and onshore careers. These motivational processes became increasingly relevant with the rising level of task complexity, customisation, and required contextual knowledge. In other words, the more advanced the task to be transferred, the greater the differences in onshore employees' motivation to transfer these tasks.

Expectations regarding performance. A primary reason for the variations in actual task transfer can be seen in onshore employees' expectations of offshore performance, i.e. their beliefs that the task could be completed satisfactorily at the offshore unit. This expectation depended firstly on the prior proof of performance (see Figure 1, arrow linking 'task performance with performance expectations).

Participants at all units explained that onshore employees had become more willing to transfer tasks over time, if they had experienced good offshore performance.

Secondly, performance expectations depended on the task allocation strategy itself, namely the match between the tasks to be transferred and the level of offshore skills (see Figure 1, arrow linking task allocation strategy with performance expectations). Particularly in some ELECTRO projects, the ramp up of the offshore operation had reportedly been too fast, leading to a lack of qualified offshore employees to take on the demanding tasks. In the eyes of participants, upper management had in these cases allocated insufficient time for recruiting and training employees offshore, and for continuous mentoring by experienced onshore employees. In these situations, onshore employees experienced the advanced tasks offshoring strategy as unrealistic, and withheld tasks wherever possible (see Figure 1, arrow linking performance expectations with actual task transfer). Similarly, a manager in CORP-TAX explained that the initial task allocation in CORP-TAX had not matched offshore skills, and had therefore not been realistic:

'I don't think the way we did it was good. As in: Most of our problems, I think, were actually caused by the fact that we were told: "Everything has to go over there at that time, and we were told that the teams over there could do x, y, and z. And so we put stuff over there, only to discover that they could not do x, y, and z. So I think the biggest message I should give is: Whatever you say one team or the other can actually do, has to be correct, rather than aspirational. It should more be: " This is what they can do today, we are going to move and work together, so that by a year from now, they can do this without support from the UK … because they did go on a massive learning curve in the first year/18 months.'

The opposite example can be taken from the EXPAT-TAX department at PROFSERVICE. On many customer teams, onshore employees regarded it as realistic to assign the Indian side with the advanced task of gathering information from individual clients, as this task was in line with the level of technical skills and language ability that had been developed at the offshore unit of these customer teams.

Expectations regarding workload. Onshore employees' expectations regarding performance were closely tied to their expectations of the workload that the task transfer would create (see Figure 1, arrow linking performance expectations with workload expectations). The more onshore employees expected good performance, the less they expected that they would have to support their Indian employees and correct their mistakes continuously. In ELECTRO, the coordination workload created through offshoring was often seen as unacceptable, due to the insufficient time that had been allocated for the transfer. In particular for the transfer of system related tasks, there was often insufficient time to transfer the required highly complex and context specific knowledge:

'I think both managers at either side should be aware of the ground realities and work more towards the ground realities.… it's a very limited time, say one month or two months or something like that and it is really impossible to capture five years of experience in those one or two months. So if I would have been in such a scenario, if I were a manager and I had to send one person for task transfer, first is checking, really at the ground level whether this person can really handle the task. … and I think I would give that whole time a bit more longer, say instead of one or two months it could be like three or four months …' (Indian respondent in AUTOCONTROL)

Expectations regarding careers. In all departments, onshore employees' expectation of outcomes for their careers was described as an important determinant

of their motivation to support the transfer. This effect became particularly clear in our comparison between the two departments in each firm. In AUTOCONTROL of ELECTRO as well as CORP-TAX of PROFSERVICE, alternative tasks for onshore employees were relatively scarce. In AUTOCONTROL, many teams worked on highly mature products that did not yield many new, innovative tasks. Moreover, only a small number of new projects had recently been acquired. In CORP-TAX of PROFSERVICE, market growth was limited for the smaller offices. Several employees in these departments therefore felt that the future of onshore tasks and even jobs was unsure (see Figure 1, arrow linking alternative market demand with alternative tasks and with career expectations). Such uncertain career prospects made onshore employees more reluctant to assign advanced tasks to offshore employees. (see Figure 1, arrow linking career expectations with actual task transfer). *As an Indian EXPAT-TAX member put it:*

'If they themselves are running out of work, they really won't give that to us.'

Fears about the future of onshore tasks and jobs were particularly great if employees felt that the firm's offshoring strategy did not include clear plans for the future distribution of tasks between onshore and offshore employees, with clear career prospects for onshore employees (see Figure 1, arrow linking task allocation strategy with career expectations):

'If you're going to move things over there, to explain to people in the UK what's happening - to them. In our firm, nobody has ever come along and said: "Right, ok, you got to give all this work to [the offshore unit], and we're going to give this to you." All there's ever seen is things being taken away.' (UK participant at PROFSERVICE/CORP-TAX)

On the opposite end, many teams in AUTOSAFETY as well as EXPAT-TAX, and the London office of CORP-TAX, encountered a growing market and had therefore gained an abundance of new, challenging customer commissions. These opportunities fed into onshore employees' motivation to involve their Indian employees in higher level tasks, to free up space for their own, new projects:

'There are spectacular exceptions and one of them is London here, because the London economy was never as battered as the rest of the country and London decided early on that they would put everything out to Bangalore which meant that they didn't have the option of doing it onshore. Now they were lucky in that business down here was quite buoyant so everyone who was employed here was able to stay busy, but they didn't have the resource to do the work onshore so it had to be done in Bangalore and when a team is in that position they certainly make it work; they have to make it work. So we found ourselves even in 2009/2010 that the London relationship was going significantly better than some others and it had a lot to do with the fact that there was nobody onshore worried about their job. … Well, they made the effort and made the investments. … they needed the knowledge transfer. So very quickly, we had two people from Bangalore come to London and they actually went to work in the [client] office and that went very well indeed (UK participant in PROFSERVICE/CORP-TAX).

In PROFSERVICE, a few respondents also observed that middle managers at EXPAT-TAX were measured primarily by their cost savings, which were strongly dependent on the amount of offshoring. Moreover, the rewards for cost savings through offshoring was seen to influence managers' career progression. Some PROFSERVICE respondents explained that this reward was therefore a strong incentive for EXPAT-TAX managers to implement the offshoring strategy, and a reason for the quicker implementation of the offshoring strategy in this department.

(See Figure 1, arrow linking rewards for offshoring with career expectations, and arrow linking career expectations with actual task transfer). In CORP-TAX, by contrast, the measure of cost savings through offshoring did not appear to be crucial in the assessment and promotion of managers. One respondent also mentioned that it had been introduced only a year before the time of data collection. In ELECTRO, managers were similarly rewarded for their cost savings, but the amount of costs that could be saved through offshoring was perceived as highly opaque.

Motivational processes in the offshore unit

Expectations regarding careers. Not surprisingly, offshore employees in both firms were generally very ambitious and keen to take on increasingly advanced tasks. A main motive for this was career progression, but advanced tasks were also regarded as more interesting and intrinsically rewarding. Notably, there were some variations within the ELECTRO departments, due to the nature of the tasks in this industry in relation to the education of Indian employees. German ELECTRO respondents explained that some Indian employees who had trained as software engineers identified with a career path within software engineering, and were therefore not particularly interested in the software system, architecture, or the end product. These employees were not perceived as very motivated to take on more complex, system related tasks. The Germans therefore found it harder to transfer more advanced tasks and the required knowledge to these employees, and tried to ensure that such tasks were given only to Indian employees who did show a motivation to train up for this work. In PROFSERVICE, by contrast, the advanced tasks were all related to tax returns and therefore not far removed from Indian employees' professional training, which was usually in accounting or finance subjects.

There were certain differences in the degrees to which offshore employees expected their careers to progress. Like in the onshore departments, employees' career expectations were more positive within AUTOSAFETY of ELECTRO (as compared to AUTOCONTROL) and in EXPAT-TAX of PROFSERVICE (as compared to CORP-TAX). These differences can be traced back to a number of factors. Firstly, the future plans for the transfer of advanced tasks were regarded as more transparent in these departments than in the others (i.e. in AUTOCONTROL of ELECTRO and CORP-TAX of PROFSERVICE; see Figure 1, arrow linking task allocation strategy with career expectations offshore, via 'transparency'). Indian employees were here confident that they would have the chance to acquire higher level tasks and progress in their careers in the near future, whilst in AUTOCONTROL as well CORP-TAX, there were some worries about whether attractive tasks would be transferred in the near future. Along the same lines, Indian employees in AUTOCONTROL and CORP-TAX reported that their onshore counterparts did not transfer as many tasks as the Indian side had wished for. This corresponds to our observation that in these departments, some onshore employees hesitated to transfer tasks because of the lack of alternative tasks and worries about their own career prospects.

Expectations of career prospects had important motivational consequences. Lacking career prospects contributed to higher turnover levels, which inhibited the development of higher level knowledge and background understanding, which would have been required in order to perform well on more advanced tasks and on these grounds get promoted (see Figure 1, arrows from career expectations offshore to employee retention, to task experience, to background understanding, to task competence, and to task performance). As an Indian participant in CORP-TAX observed:

'You see, what policy here we have at GTH is in order to get promotion or a good rating they say you should have client hours which gives us the experience in terms of technical knowledge and dealing with clients and so on. If you don't get that, definitely you will not go into the next role or will not get good ratings. Who will be motivated to stay here? Can we wait until 10 years when everything gets settled? That is the perception that people are getting. They always think, and it's quite natural also, if you don't have any hope to see career growth, definitely they'll think of alternative things. I think we've lost quite a talented bunch if I look at the last 7 years. I think we have lost quite a bit of talented people because there is no scope for growth.'

Dim career prospects could even lead to a de-moralisation of offshore employees, visible in less effort and consequent lower performance (see Figure 1, arrows linking career expectations offshore with task effort and with performance). As the same Indian respondent in CORP-TAX commented:

'The interest they were showing previously they don't show now and that is also affecting work, too, to the extent that there'll be a lot of reworks required. A person working without motivation - it's very difficult for them.'

Task ownership and intrinsic work motivation. The transfer of advanced tasks to the offshore units had an important effect on offshore employees' task ownership and intrinsic work motivation (see Figure 1, arrows linking actual task transfer with task ownership and intrinsic motivation offshore). The expectations that success on advanced tasks would further their careers fed into offshore employees' sense of task ownership (see Figure 1, arrow linking career expectations with task ownership). Task ownership and intrinsic motivation, in turn, incited offshore employees to stay with the firm for longer, and to engage and spend effort in the tasks (see Figure 1, arrows from task ownership and intrinsic motivation to employee retention and task effort). As mentioned, both retention and task effort were, naturally, important determinants of task performance. These mechanisms were, for example, described by a UK participant of CORP-TAX:

'So the controllable attrition was fantastic and we did make sure that that was the case. If we'd had a churn model whereby they come in and they leave two years later we wouldn't have cared as much, but it was because of the model we chose and also the fact that we need good people. We don't need people who can just churn through the numbers, we need people who can show initiative and be proactive and before long run assignments and we are very happy with the people we've got. I can say now with seven years' experience that it's worked out well.'

Task performance efficacy. With increasing task performance, offshore employees became more confident in their ability to perform well, which we interpret as an increase in 'self-efficacy' (see Figure 1, arrow linking task performance with task performance efficacy). Self-efficacy refers to an individual's belief in his or her own capabilities to organise and execute courses of actions required to manage prospective situations (Bandura, 1997). Such efficacy beliefs influence people's intention to execute the required behaviour, their effort and persistence in that behaviour, and, through this, their mastery of this behaviour. With regard to offshore employees, this meant that their task related self-efficacy encouraged them to spend effort and persevere in the face of difficulties, thus improving their performance (see Figure 1, arrows from efficacy to task effort and to performance). The experience of successful performance, in turn, reinforced their self-efficacy. This finding is in line with prior evidence that successful behaviour reinforces an individual's efficacy beliefs and subsequent effort in the behaviour, leading to a mutual reinforcement

between efficacy and performance (Lindsley et al., 1995). With increasing self-efficacy, Indian employees also felt less shy to demonstrate their competence and voice their motivation to take on more demanding tasks when interacting with onshore employees (see Figure 1, arrow linking efficacy with demonstrating competence and motivation).

Interdependencies between task allocation strategy and onshore/offshore motivational processes

We have so far observed that an organisations' task allocation strategy affected onshore employees' motivation to transfer tasks, and offshore employees' motivation to stay with the firm. Importantly, our inductive analysis allowed us to reveal additional, far more complex, interrelations between task allocation strategy and motivational processes onshore and offshore, which have not been observed or implied in prior studies. We identify certain mutual dependencies, not only between the task allocation strategy and onshore motivational processes, but also between the strategy and offshore motivation, and between the motivational processes onshore and offshore. These mutual dependencies lead to a set of *interlocking, self-reinforcing circles*, as illustrated in Figure 2.

Insert Figure 2 about here

Interdependence between task allocation strategy and onshore motivation. Our investigation revealed that the degree to which an organisation's advanced task allocation strategy was perceived as 'realistic' influenced onshore employees' expectations of performance and workload outcomes, and these outcome expectations, in turn, were prime motivators of actual task transfer. To illustrate, if onshore employees believed that the tasks that were planned to be offshored were in line with offshore employees' skills, then they expected good performance outcomes and an acceptable workload, and they were consequently more inclined to transfer the tasks in line with the strategy. Furthermore, the task allocation strategy defined what tasks would remain at the onshore units, and therefore determined onshore employees' expectations of their own career prospects. If these prospects were not clear and onshore employees feared losing interesting tasks, they were less motivated to actually transfer tasks as required by the strategy. The realisation of the task allocation strategy thus depended on motivational processes onshore, and we can identify a mutual dependency between the task allocation strategy and motivational processes onshore (see Figure 2, arrows linking task allocation strategy with motivation onshore and vice versa).

Interdependence between task allocation strategy and offshore motivation. As detailed before, the organisational task allocation strategy also played a major role in determining career expectations at the offshore units. It further affected offshore employees' sense of task ownership and intrinsic task motivation, by defining how challenging and advanced offshore tasks would become. As described before, such career expectations, task ownership, and intrinsic motivation fed into offshore employees' retention levels and task effort, both of which influenced offshore employees' task performance. This performance, in turn, defined the success of the offshoring strategy. We can thus conclude that there was a mutual influence between the task allocation strategy and offshore motivational drivers (see Figure 2, arrows linking task allocation strategy with motivation offshore and vice versa). What is more, with increasing offshore performance, a company would be able to allocate even more advanced tasks to the offshore unit (provided that

onshore motivational processes were taken into account). We therefore argue that a *self-reinforcing circle* could be created over time (see Figure 2, circle 1). If the strategy of transferring increasingly advanced tasks lead to good offshore performance, the strategy could be developed further to allocate yet more advanced tasks to the offshore unit, which did in turn enhance offshore motivation, and this again fed into performance, continuing the circle at a higher level. For this dynamic to work, however, the task allocation strategy had to satisfy both offshore and onshore career ambitions, and thereby ensure that onshore and offshore motivational mechanisms were in line with each other.

Interdependence between onshore and offshore motivational processes. From our analysis of motivational processes onshore and offshore, it becomes apparent that also they were closely interlinked. Onshore employees' outcome expectations affected the degree to which they transferred tasks to their offshore counterparts. This actual task transfer, in turn, affected offshore employees' career expectations, task ownership and intrinsic motivation. As described before, these motivational drivers were important for offshore retention, task effort, and thereby affected offshore performance. This performance, in turn, was a crucial determinant of onshore employees' outcome expectations regarding performance and workload, which fed into onshore employees' motivation to transfer advanced tasks to their offshore counterparts, once more stimulating offshore motivation and performance. A UK member of EXPAT-TAX illustrated these dynamics as following:

'… you'll see the more experienced people, they've really grasped it and really taken it upon themselves to try to get really involved in the clients and the accounts that they're assigned to and as a result of that, they're getting more work than just the basic "Prepare the computation this year!" They get to do other things as well, because they've embraced that.'

In this vein, the majority of Indian respondents in both firms put emphasis on how important it was to demonstrate their competence through high performance, and to make onshore employees aware of the Indians' ambition to obtain more advanced tasks, in order to motivate onshore employees to transfer more higher level tasks (see Figure 1, arrows linking demonstrating competence and motivation with performance expectations and with actual task transfer). As an Indian member of AUTOCONTROL explained:

'What I saw was if you come up with questions and if you show that … you want to learn, they are okay. But if you do not approach them, they don't come back to you with other projects.'

It becomes obvious that the interaction between onshore and offshore motivation was again two-way, and that through this interaction, another self-reinforcing circle was created (see Figure 2, arrows linking motivation offshore with motivation onshore and vice versa; and circle 2). These mechanisms were particularly visible in the comparison between Indian employees who had been entrusted with demanding tasks and those who had not, as illustrated by a German AUTOCONTROL member*:*

'That can also be a kind of hen-and-egg problem…. Are they frustrated because we do not give them interesting tasks and do they not make an effort because of that, or do they give us the feeling that … they are not able to do it? Or do we not trust that they can do it? So what was there first? …The Indian colleague who you saw this morning had an interest and got involved in it. And because he got involved … and said: well, he would like to try doing this, doing that, we just gave him such things, and supported him.'

employees

Interdependence between task allocation strategy, motivation onshore, and motivation offshore. If we take a broader perspective, we can discern a strong, circular interdependence between all three elements that we have focussed on so far: task allocation strategy, motivation onshore, and motivation offshore. These elements form a chain that affects offshore performance and thereby the success of a firm's offshoring strategy.

Firstly, the firm's task allocation strategy influences onshore motivation, which determines actual task transfer, and, through this, motivational processes offshore, which are a determinant of performance. Moreover, the actual task transfer also feeds into performance simply by providing the necessary opportunity for offshore employees to gain relevant experience and background understanding, and thereby achieve good performance. Offshore performance, in turn, defines the degree to which an offshoring strategy is successful and will be developed further, to include yet more advanced tasks. We can thus identify a chain of conditions reaching from task allocation strategy over motivation onshore and motivation offshore back to the task allocation strategy (see Figure 2, inner arrows, and circle 3). Interestingly, offshore performance seems to function here as a major connective between all three elements of the chain. If we look at the chain towards the other direction, we can see that the task allocation strategy also affects offshore employees' motivation, which co-determines their performance, feeding into onshore motivation and thereby the degree to which onshore employees put the strategy into practice (see Figure 2, outer arrows, and circle 4).

We can infer that a particularly strong dynamic will be created if the elements in this chain accord which each other. If a task allocation strategy is not only realistic, but also satisfies both onshore and offshore career ambitions, it is likely to lead to strong motivations onshore as well as offshore, which both feed into performance. This performance will again underscore the task allocation strategy, which will reinforce the motivational processes onshore and offshore, leading to a continuation of the self-reinforcing circles (see Figure 2, circles 3 and 4). This allows for the important conclusion that a task allocation strategy which fosters onshore and offshore motivation to equal extents is more likely to be successful than a strategy which focuses on one of the two sides more than the other.

DISCUSSION

Theoretical contributions

To our knowledge, this study is the first that combines a macro level view on organisational offshoring strategies with the micro-level perspective on motivational processes amongst onshore and offshore employees. Our research thereby responds to recent calls for more research on the micro-foundations of organisational strategy (e.g. Foss, 2011). A combined examination of macro and micro level processes is in general important for explaining variations in firm level behaviour and outcomes. Micro processes, at the level of individual and small group behaviour, can be fundamental reasons for differences in such firm level phenomena (see Abell, Felin, & Foss, 2008). In this vein, our dual level perspective on advanced task offshoring has allowed us to provide an in-depth explanation of variations in strategy implementation and success.

At the macro level, we have identified certain organisational offshoring strategies which reflect the current trend towards transformational offshoring. Taking an activity based view of offshoring, we have detailed what kind of tasks were transferred (or planned to be transferred) to offshore units of two different industry

cases. We have also identified the factors that defined the cut-off points for offshoring in the two industries. In the automotive electronics firm as well as the professional services firm, a cut-off point was set by the physical location of the end customer. In the automotive case, an additional limitation was created by the highest level of required technical experience, which again was tied to the location of the end product. These cut-off points had important consequences for motivational processes amongst onshore and offshore employees, because they determined the upper limit for offshore employees' career prospects, and, conversely, the degree to which onshore tasks and jobs would change in the future.

With regard to the micro level, we have demonstrated that the implementation and the success of a macro level advanced task transfer strategy depends on particular motivational processes onshore and offshore. Whilst some prior studies have highlighted the importance of motivational processes in onshore employees (Cohen & El Sawad, 2007; Mahadevan, 2011; Metiu, 2006; Zimmermann et al., 2012; Zimmermann & Ravishankar, 2013), we have pointed out that not only onshore employees' motivation to transfer the tasks, but also their offshore counterparts' motivation in terms of career expectations, intrinsic motivation, and self-efficacy determine whether the offshoring strategy will be implemented successfully. Like prior studies, we found that offshore employees were keen to take on advanced tasks, but in contrast to prior research, we found variations in their motivation to put effort into their task, depending on the degree to which advanced tasks were planned to be transferred and actually transferred. What is more, the onshore and offshore motivational processes were interrelated and thereby reinforced each other (see Figure 2).

Compared to prior research on motivational mechanisms in offshoring , we have surfaced more generic motivational principles. Most of the previous studies describe motivational processes that emerge from the social dynamics between onshore and offshore employees, such as status closure (Metiu, 2001), post-colonial power re-negotiations (Mahadevan, 2011; Raviashankar et al., 2010), and uncertainties about the social order (Cohen & El Sawad, 2007). By contrast, we have identified motivational mechanisms in terms of outcome expectations, intrinsic task motivation, and self-efficacy. These are more fundamental drivers of human behaviours, and can therefore stem not only from interpersonal dynamics, but also from macro-level task allocation strategies. For example, expectations of career or task outcomes can emerge directly from the task allocation strategy rather than from social dynamics. Hence, by studying such generic motivational mechanisms, we were able to extend the social perspective on motivational processes and consider the influence of organisational level strategy on motivational processes. Our generic approach also allowed us to go a step further and detect the revers influence of motivational processes on the offshoring strategy.

Our theory reaches a high level of complexity by pointing out the mutual, partly self-reinforcing interactions between strategy and motivation onshore and offshore. These interactions are important theoretically, because they make apparent how closely the macro and micro levels are tied to each other, and how limiting a view on either macro or micro level on their own would be. Only if we take the strategy and motivations into account alongside each other, we can achieve a fuller understanding of the variations in actual task transfer, and in offshore performance. We did not just reveal mutual interrelations between strategy and motivation, but we also highlighted a chain of self-reinforcing circles. This finding has additional theoretical implications. If a task allocation strategy creates career prospects and intrinsic task motivation

offshore, which in turn supports the successful implementation of the strategy, then this allows for a further development of the strategy, including yet more advanced task transfer to the offshore unit in the future. This mutual reinforcement between the offshoring strategy and motivational processes offshore means that the two can perpetuate each other over time. However, this self-reinforcing dynamic depends additionally on onshore motivational processes. The more the task allocation strategy creates positive outcome expectations onshore, the more it will be implemented, and this implementation is of course a condition for achieving the positive motivational effects on the offshore side. In this positive case, all three elements in the chain accord with each other to large extents. Hence, the two self-reinforcing circles between strategy and offshore motivation, and between motivational processes onshore and offshore, feed into each other. If this dynamic is created, a self-reinforcing spiral is likely to emerge (Lindsley, Brass, & Thomas, 1995), leading to increasingly higher level task transfer over time, with sustained motivation onshore and offshore.

Practical implications

Our findings send several clear messages to managers who have to design an organisational task allocation strategy for offshoring. Whilst this offshoring strategy does of course have to satisfy organisational level calculations of benefits, costs, and risks, it also has to consider micro level motivational drivers. Firstly, onshore employees' estimations of feasibility have to be taken into account. If onshore employees do not believe that the tasks to be transferred at a given point in time match onshore employees' concurrent skill levels, the strategy is less likely to be implemented or successful. Sufficient time and capacity has to be allocated for recruitment, training, and continuous support of offshore employees until the required skill levels are reached. The match of offshore tasks and skills will also depend very much on the industry sector, as well as certain product characteristics in different departments of a firm. Our study suggests that financial services skills, such as tax, can be trained more easily compared to services for the high-tech industry, such as automotive engines, particularly if the work has to be carried out by graduates of a different subject (such as IT).

An allocation of tasks that is perceived to be realistic, i.e. to achieve a match between tasks and skills offshore, has more potential to trigger an upward rather than downward spiral of offshore performance, onshore outcome expectations, and actual task transfer. However, such realistic task allocation has to be balanced with the need to provide sufficient career prospects for onshore as well as offshore employees. Even if a strategy is realistic in terms of the task-skill match, onshore employees may still not support it, if they feel that it endangers their own careers and jobs. However, if management sets the ceiling for advanced task transfer too low, employees at the offshore location may not see sufficiently challenging career prospects for themselves. They may therefore loose motivation on their jobs or even leave the firm, which can trigger the negative spiral of low offshore motivation, insufficient performance, and negative onshore outcome expectations, with the known consequences for strategy implementation and success. In order to avoid the negative spirals and yield positive ones, strategic managers thus have to take both a performance perspective and a career perspective, i.e. they have to design a strategy that is both realistic and satisfies onshore and offshore career expectations. hence, the aim has to be what one of the offshore managers in our study called a 'combined career pyramid' for onshore and offshore employees.

Limitations and future research

We have examined offshoring strategy and its motivational foundations across two different industry sectors and two different combinations of nationalities, and we have included the views of both onshore and offshore respondents. Given that we examined fundamental motivational mechanisms, we expect the model to be transferable to other sectors and countries. However, this remains to be scrutinised, and the model may have to be modified to account for different contexts. For example, there are likely to be different task allocation strategies and cut-off points for offshoring in other service sectors. By studying a broader range of sectors, future research could therefore define more general task characteristics and contextual factors that affect the feasibility and success of an offshoring strategy. For example, we have explained that the match between offshored tasks and skills depends on the education of graduates of certain subjects at the offshore destination, and their exposure to the end products and customers. We have demonstrated this with regard to IT for automotive electronics and tax services. Other sectors, however, such as legal and insurance services, will have other types of end customers and will draw on graduates from different subjects, which creates different profiles of skill requirements and available skills.

Overall, our results encourage us to support recent calls for more research on the micro-foundations of strategy. We have demonstrated how this can be done in the context of offshoring, by illuminating the motivational mechanisms that underscore the implementation and success of an offshoring strategy. Future research needs to take this inquiry a step a further, by expanding it to other contexts, and by including further micro-foundations of strategy in these contexts.

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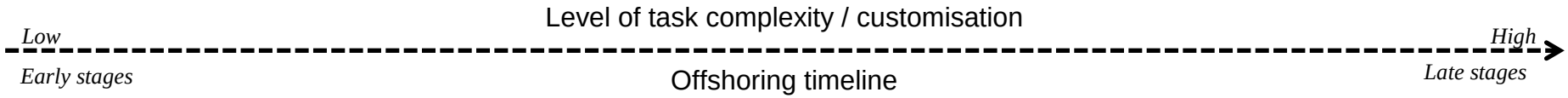
Table 1. Levels of task complexity and customisation in ELECTRO and PROFSERVICE



ELECTRO	Coding Integration Software development	System integration/expert review (mature products), Project leadership (mature products)	System integration/expert review (new products), Project leadership (new products for Asian customers) Customer interface (Asian customers)	Financial liability and accountability towards end customer (Asian customers) New function development (Asian customers)	New function development (non-Asian customers) Project leadership (new products for non-Asian customers), Customer interface (non-Asian customers)	Financial liability and accountability towards end customer (non-Asian customers)
PROFSERVICE	Compliance work: computations and returns	First reviews	Customer interface for standard information gathering (e-mail)	Customer interface for non-standard information gathering (face to face) Specialist tasks	Final review, Sign off, Advisory work (lower level)	Advisory work (higher level), Tax accounting, Auditing, New services development, Customer acquisition

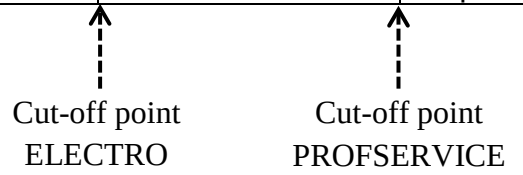


Figure 1: Interactions between onshore and offshore motivational processes of advanced task transfer

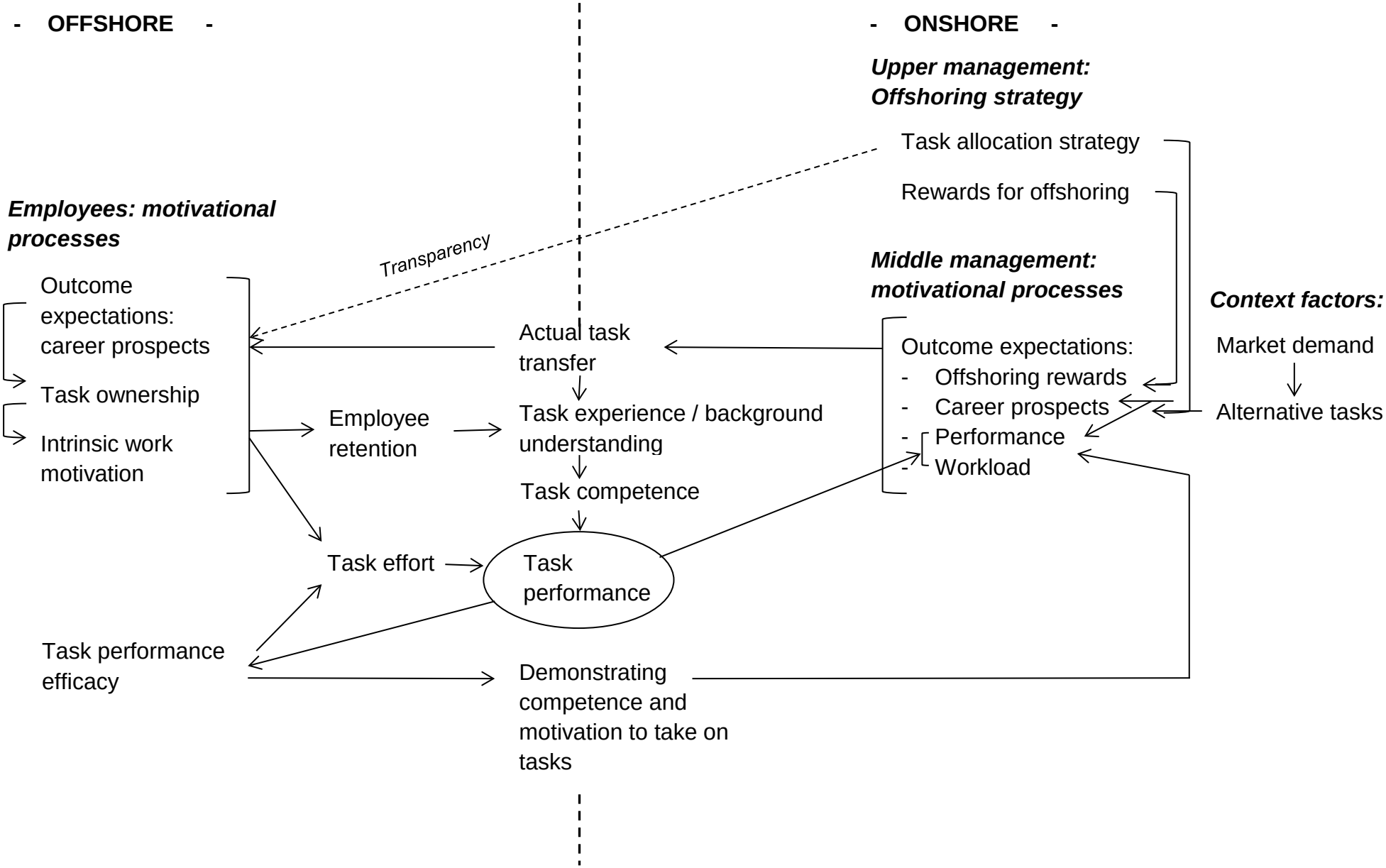


Figure 2: Interdependencies between Task allocation strategy, motivation onshore, and motivation offshore

Interdependencies:

1. Task allocation strategy and Motivation onshore
2. Task allocation strategy and Motivation offshore
3. Motivation onshore and Motivation offshore
4. Interdependence between all three elements