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Key Strategies Used to Mitigate Business Risk when Managing Offshore Outsourcing

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Walden University
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Abstract

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MBA, Webster University, 2011

BS, University of Maryland University College, 1998

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

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Abstract

Ineffective risk management strategies can cause negative consequences to an organization’s business processes and operational costs. When engaging in offshore outsourcing, Organizational leaders who lack effective risk management strategies encounter negative customer experiences, interrupted business processes, wasteful resources, and increased operational costs. Grounded in the resource-based view theory, the purpose of the qualitative multiple case study was to explore strategies used to mitigate business risk when managing offshore outsourcing. Four outsourcing professionals in the information technology and consulting sectors who successfully managed risks during offshore outsourcing participated in the study. Data sources were semistructured interviews and a review of publicly available outsourcing best practices information on company websites. Five themes identified through thematic analysis included prequalification of vendors, effective communication at all levels, solid contractual arrangement, quality of vendor experience, and stakeholder involvement. A key recommendation for organizational leaders is to communicate across all organizational levels and use quality assessment tools to monitor the offshore vendor's effectiveness. The implications for positive social change include the potential to provide access to a larger talent pool and reduce the expenses associated with bringing on new employees, making companies more profitable.

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Dedication

First and foremost, I give all thanks and honor to God, my Lord and Savior, for his grace, mercy and favor in completing my doctoral study. To my father (in memory) and beloved mother, who always taught me that wealth comes in the form of knowledge. My children, April and Antwon, for their unconditional love and encouragement even when I faced life’s challenges. To my sisters, brother, brother-in-law, nieces and nephews, and other family members and friends who supported me throughout my journey. Finally, to my sister-friend, Cynthia, who inspired me throughout the entire doctoral process.

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I express my sincere appreciation and gratitude to Dr. Marilyn Simon for advising and guiding me through the doctoral process and for sharing her profound wisdom throughout the years. It is an honor to be a Simon Scholar. To my second committee member, Dr. David Harris, I am grateful for the valuable feedback and guidance he provided me. To my University Research Reviewer, Dr. Rollis Erickson, I am thankful for and appreciate his advisement on aligning my study to meet University requirements. I embody the knowledge and experience I have gained as a doctoral student and look forward to the many opportunities ahead of me.

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Section 1: Foundation of the Study

Organizational leaders use outsourcing to improve their company's performance, focus on core competencies, and increase profitability (Farmer, 2017). However, outsourcing comes with risks such as cost overruns and failure to meet quality requirements (Rahul & Rao, 2015). The successful implementation of outsourcing depends on selecting outsourcing vendors, managing risks, and maintaining effective client-vendor relationships (Gylling et al., 2015). The problem this study addressed was strategies companies use to mitigate risks associated with offshore outsourcing.

Section 1 includes the background of the problem on the implication of not employing risk strategies when transferring critical business operations offshore. Also included are the problem statement, purpose statement, and nature of the study. I compared how the professional and academic literature related to the problem statement, presented the concepts that illustrate the basis of knowledge and grounds of the study, and discussed the impact the research may have on the global society.

Background of the Problem

The formal identification of outsourcing as a business strategy came into effect in 1989 (Doval, 2016). In the mid 20th century, companies decided to contract relevant business processes to other companies that could provide specialized services, such as accounts payable and receivable, human resources, and data processing (Solli-Sæther & Gottschalk, 2015). Eventually, the list of outsourced services performed by independent companies included information technology services. The Philippines, India, Mexico, and China are at the top of the list of countries that provide highly skilled workers at lower rates than can be found in the United States. These countries adopted outsourcing as an added value to their economies, thereby increasing the education, employment, income, and skill levels of many citizens (Willcocks et al., 2017).

Effective risk management practices not developed in organizations that use offshore outsourcing typically increase operational costs (Sundararajan et al., 2014). Organizations that do not use effective risk management practices encounter negative customer experiences, interrupted business processes, and often wasteful resources (Modarress & Ansari, 2011). Wasteful resources put companies at a competitive disadvantage and threaten continued success in a global economy (Javalgi et al., 2013).

Organizations outsource jobs in the manufacturing and information technology services industries to increase efficiency, maintain competitive advantage, and reduce or control costs (Liu & Wang, 2014). India, China, Mexico, and the Philippines are the primary countries receiving outsourced services from the United States (Gurung & Prater, 2017). Potential risks of outsourcing include exposing organizations to increased costs, breach of data security, and a loss of institutional knowledge. In turn, these risks can result in loss of revenue and loss of competitive advantage (Gylling et al., 2015).

Problem and Purpose

In 2013, over 14 million jobs were outsourced offshore to China, India, and the Philippines, significantly reducing the U.S. workforce (Khan & Bashar, 2016). In 2014, the United States outsourced 2.6 million more jobs (Peralta, 2014). Outsourcing comes with risks and, when managed ineffectively, can lead to value leakage, which adversely effects a company’s financial performance, operating model integrity, and reputation

(Virtaluoto et al., 2016). Approximately 48% of companies have terminated outsourcing contracts because of concerns with service quality and security (Deloitte, 2014). The general business problem was that effective risk management strategies are needed to protect physical assets, human resources, and income of an organization when companies outsource production centers and IT support services to offshore third-party service providers (Sreedevi & Tanwar, 2018). The specific business problem was that some technology and telecommunications leaders have limited strategies to mitigate risks when outsourcing IT services to foreign countries.

The purpose of this qualitative multicase study was to explore strategies that technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries. The target population was leaders (including midlevel and executive-level managers) from U.S.-based technology and telecommunications companies that use offshore outsourcing in foreign countries. The implications for positive social change include the potential to: (a) improve the overall standard of life for customers, (b) address corporate social responsibility, and (c) strengthen the relationship among individuals working in our global society. Leaders in these industries may use this study's findings to increase revenue and profitability to enable them to make a positive social impact.

Population and Sampling

The population for this study was four (4) outsourcing professionals, with a minimum of five (5) years of offshore outsourcing and risk management experience, which manage and oversee outsourcing practices in large U.S. corporations. I used a purposive sampling technique to select individual participants who was most likely to contribute relevant data for the study. I obtained a list of potential participants from LinkedIn and the potential participants received solicited requests through the LinkedIn system. The participants were interviewed using a semistructured interview process allowing them to share their experience of outsourcing services to offshore vendors. I also reviewed my notes and publicly available information from company websites relating to offshore outsourcing best practices.

Nature of the Study

The method I used in this study was the qualitative method. Qualitative, quantitative, and mixed methods are three forms of inquiry offered to researchers (McCusker & Gunaydin, 2015). A qualitative research method enables an in-depth understanding of a phenomenon by evaluating multiple evidence sources (Lewis, 2015). Qualitative researchers explore phenomena to build upon or revise existing theories using open-ended questions (Laing, 2012). A quantitative study would not provide the opportunity to probe deeply into understanding the risks of offshore resourcing. Quantitative and mixed methodologies are better suited to examine specific relationships among stated variables (Maxwell, 2013). Researchers used the qualitative method to increase knowledge and understanding of a condition instead of specifying results using a larger population, as is done in quantitative research design (Brannen, 2017).

I chose a multicase study design to reveal the strategies technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries. An assessment of the other qualitative study designs deemed them inappropriate for this study. Narrative research studies the lives of the participants involved (Campbell, 2014). Narrative design was not appropriate for this study because the purpose was not to focus on human perceptions, motivations, or behavior through an interpretation of people's experiences. Phenomenological researchers study participants' human experiences (Campbell, 2014). This design was not appropriate because the study of participants' human encounters was not the focus of this study. The ethnographic research design involves the study of a cultural group (Yin, 2015). This design was not appropriate because the research did not focus on the cultural behavior or experiences of its participants.

The intent of using a qualitative, multicase study was to obtain a thick description of data using different sources of data (Yin, 2018). An example of such data is information retrieved from documented offshore outsourcing risk management material, such as quality assurance documentation. Case studies can be single or multiple cases. A single case study does not compare various conditions across different organizations (Yin, 2018). Collecting data from various sources enabled me to gain multiple interpretations of the subject matter and alleviate the issue of construct validity that can be present in case studies (Yin, 2015).

Research Question

What strategies do technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries?

Interview Questions

1. What strategies have you used to mitigate risks when outsourcing IT services to foreign countries?
2. What strategies did you use to assess your current internal resources before committing to outsourcing your IT services?
3. How do the strategies you use enable competitive advantage?
4. What strategies do you use to recognize potential outsourcing risks?
5. How does your company address potential risks with foreign outsourcing vendors?
6. How does your company's business objectives align with minimizing risk when outsourcing to foreign countries?
7. What challenges have you experienced in outsourcing services to foreign countries?
8. What risks have you experienced when competing for outsourcing services in foreign countries?
9. What strategies have you found effective in mitigating challenges from outsourcing services to foreign countries?
10. What additional information would you like to share regarding strategies implemented to mitigate risks when outsourcing services to foreign countries?

Conceptual Framework

The conceptual framework for this study was the resource-based view theory. Barney (1986) developed the resource-based view theory to explain how organizations could gain a competitive advantage by acquiring strategic resources. Organizations use offshore outsourcing as a strategy to achieve organizational goals and create maximum value for stakeholders (Davis & Simpson, 2017). For organizations to achieve their goals, leaders can identify and assess their current internal resources to determine the strength and weaknesses of the resources as compared to their competitors. The assessment can provide leaders in the organization with tools to implement strategies to make better use of the organization's resources to sustain competitive advantage (Lin & Wu, 2014).

When organizations experience challenges with making outsourcing decisions, they will predominately focus their attention on the costs of operations. For example, when an organization has to decide to outsource its information systems, the organization may choose to keep certain portions of the function in-house if it provides it to be more cost-effective (Wuyts et al., 2015). On the other hand, if it is not cost-effective to keep the information systems process in-house, the organization may decide to transfer these processes to an outsourcing vendor. Outsourcing vendors have the advantage of providing certain services at a more cost-effective rate because multiple organizations acquire similar services through economies of scale (Wuyts et al., 2015).

The resource-based theory defines an organization as a collection of valuable resources, such as physical, human, and organizational assets. The individuality and importance of resources measure as a competitive advantage. The organization maintains a competitive advantage because of its authenticity (Sausen & Tomczak, 2015). Alternatively, organizations must manage their transaction costs by controlling the expenditure and not exceeding return on investment.

Operational Definitions

Business processes: Business processes include the analysis and design of workflow and practices within and between organizations (Gonsalves, 2002).

Competitive advantage: The above industry average manifested exploitation of market opportunities and neutralization of competitive threats (Sigalas, 2015).

Core competency: Core competency is a core operation within a company that allows the company to sustain a competitive advantage over other competitors (Click & Duening, 2005).

Global outsourcing: Service and production operations managed in global markets and the purchase of products assembled in international countries define global outsourcing (Bouchet et al., 2015).

Offshore outsourcing: Offshore outsourcing is a movement of service-sector jobs from developed economies to offshore locations that are cheaper (Peslak, 2012).

Outsourcing: Outsourcing is the transference of certain core activities to another vendor (Manning, et al., 2011).

Risk management: Risk management is a process that identifies potential loss an organization experiences and the most appropriate technique selected for treating such exposures (Elahi, 2013).

Assumptions, Limitations, and Delimitations

Assumptions

An assumption is a factor that influences the study, where there is no supporting data (Karlsen, 2014). The fundamental assumption was that study participants will answer interview questions honestly and have an accurate recall of facts and information that may not be current. The assumption of truthful answers regarding individual experiences is reasonable since participation in the study will be voluntary, and participant identities will be confidential.

Limitations

Limitations are obstacles in revealing the reliability and validity of the study that is out of the control of the researcher (Price & Murnan, 2013). One limitation is the perceptions of the respondents during their interview. Another is self-reporting, which means the participants can skew the study's data based on their preference to share only certain information. The data collected for the study depended on the respondent’s memory, which could serve as a disadvantage when collecting data. Another limitation is the generalization of the study. The small sample size projected for the study reduces the generalization to a broader population. Transferability or external validity will be possible by obtaining thick descriptions of the data and creating variation in the selection of participants (Dyrvig et al., 2014).

Delimitations

Delimitation is a limitation imposed by the researcher on the study (Karlsen, 2014). These limitations can either describe the research boundaries or include decisions the researcher explicitly made during the research. Examples of delimitations are the choice of the conceptual framework, the methodology of the study, and the selection of participants. The first delimitation is selecting participants from only one business sector. The first delimitation could narrow the scope of the study. The second delimitation is making the questions during the interview too broad, making it impossible for the respondents to identify the critical nature of the interview or too difficult to understand or answer the questions.

Significance of the Study

Contribution to Business Practice

Determining the suitable risk management strategies to use when engaging in offshore outsourcing can assist leaders in technology and telecommunication organizations to effectively make decisions regarding outsourcing. This study addressed concerns leaders in technology and telecommunication organizations have when deciding to use offshore outsourcing and strategies. Changes in global conditions prompt leaders to continuously reevaluate their decisions. Gaining information from leaders in technology and telecommunication organizations that have been successful in offshore outsourcing can better enable leaders considering offshore outsourcing to employ suitable and valuable strategies to reduce risks. These leaders may be interested in the risk management strategies that have been successful in the offshore outsourcing process. Business leaders who use findings from this study may experience the benefits and allure of offshore outsourcing and be able to balance the risks and uncertainties with the potential for labor arbitrage (Stringfellow et al., 2008).

Implications for Social Change

The result of the study may effect positive social change because the information derived from this study may help to reduce risk when implementing offshore outsourcing practices. Leaders could gain new insights regarding how offshore outsourcing decisions influence financial gains and losses, business process improvements, or an organization's competitive advantage. The findings could also provide accurate decision-making by leadership to assist the organization with enhancing efficiencies and expanding the business. Study findings might enable business owners to reduce business losses and realize significant cost savings by lessening ineffective practices. Besides, companies with lowered risks in outsourcing could proffer from higher profitability, which increases their financial ability to address social issues such as poverty within their communities.

Review of the Professional and Academic Literature

In this qualitative exploratory case study, I explored strategies leaders in technology and telecommunications use to reduce the risks of outsourcing services outside the United States. The literature review includes research information that is related to the problem statement, purpose statement, research question, and conceptual framework. The literature review includes reasons that risk management is effective in offshore outsourcing, such as gaining competitive advantage, improving the overall customer experience, and enriching operating inefficiencies.

The approach I used for the analysis of the information in the literature included a comprehensive and attentive examination of multiples sources of various styles, including electronic media, scholarly journal articles, and books. Relevant sources found using the research database search engines on Walden University’s library tool included ProQuest, Business Source Complete, Google Scholar, ABI/INFORM Complete, SAGE Premier, Thoreau, and ScienceDirect. The literature review consisted of relative keyword searches that included risk management, outsourcing, offshore outsourcing, business processes, contracts, international outsourcing, offshore mitigation, cultural intelligence, and risk. Extensive literature existed on offshore outsourcing and risk management.

The information gained helped develop the understanding of shared perceptions and preconceptions in risk management strategies used to mitigate business risks. The review involved an exploration of thirteen main topics: (a) history of offshore outsourcing, (b) risks of engaging in outsourcing, (c) risk management strategies, (d) business continuity, (e) transactional costs, (f) resource acquisition, (g) disruptive outsourcing, (h) resource-based view theory, (i) competitive advantage, (j) operational risks, (k) financial risks; (l) human capital risks, (m) information technology risks, (n) legal and regulatory risks, and (o) alternative conceptual theories. For research purposes, offshore outsourcing includes an organization's decision to hire third-party vendors to manage particular business activities.

The search produced approximately 400 articles throughout nine months. I identified 240 articles relevant to the study. The literature reviewed encompassed information that was relatively new and within the last five years. Out of the 240 articles relevant to the study, 204 articles had publication dates during or after 2016, and 36 had publication dates before 2016. Additionally, the review contained three book references. The review includes 85% of peer-reviewed articles published within five years of anticipated graduation.

History of Offshore Outsourcing

Beginning in the 1980s, multi-national corporations turned to offshore outsourcing as an alternative to high costs associated with maintaining a labor force in developed countries (Lacity et al., 2015). However, 50% of offshore contracts failed to meet expectations and generate financial benefits to the organization (Moe et al., 2014). Carmel and Tjia (2006) noted a 2004 European study found problems existed in 80% of offshore ventures. As the management of the supply chain is critically important to the organization’s ongoing success and viability, making an incorrect sourcing decision can reduce an organization’s profitability and competitive advantage (Ding et al., 2005).

Services and products in some industries can provide more cost-effective rates through offshore outsourcing than providing domestically (Willcocks et al., 2017). The movement of the responsibility from the United States, where wages and costs to do business are higher, can create competitive advantages for the organizations. An organization’s leadership team may expand into offshore outsourcing to assist with diversifying risk (Petkov & Petkova, 2017). An organization's decision to venture into offshore outsourcing impacts labor rates, regulation, and competition (Willcocks et al., 2017).

The decision to move certain operations of an organization to an offshore company includes outsourcing functions that are repeatable and nonproprietary, have a high labor rate, and are not a part of the organization’s core competencies (Robinson & Kalakota, 2005). Offshoring is a function of the increased globalization of manufacturing and services and is the movement of value chain components to a low-cost location (Lacity et al., 2015). Organizational functionalities that can be easily acquired and replaced are more susceptible to offshore outsourcing (van Hassel et al., 2021). An increased number of organizations, such as Verizon and General Electric, employ offshore outsourcing companies to manage multiple services (Siems, 2005). Outsourcing also assists with reducing costs, increasing capacity, improving quality, and increasing organizational profitability (Grahovac et al., 2015).

Risks of Engaging in Outsourcing

Global outsourcing has become more prevalent since the 1990s, and the risks involved in long-term outsourcing are significant (Sharma & Bhat, 2011). Researchers have dedicated their attention to the assumed business risks involved with outsourcing globally, including an increased threat of vendors violating the company’s confidential information (Brandl, 2019). The violation of confidential information begins when an organization provides information about business processes and provides access to internal resources to assist the outsourcing vendor with completing tasks hired to do (Williams & Durst, 2019). An organization may also be widely exposed to additional risks when leaders decide to make a substantial investment in the transition of essential in-house functions.

If the outsourcing vendors breach the organization's confidentiality, this act may compromise its intellectual property (Bendoly et al., 2012). Many researchers have deduced that the organization must ensure it negotiates a solid contract between it and the outsourcing vendor; this can improve the relationship between the parties and provides recourse in the event any threatening activity occurs (Lacity & Willcocks, 2008). Although some organizations may experience competitive advantages over their competitors when engaging in outsourcing, long-term outsourcing relationships have a greater chance of experiencing risks. The success of an outsourcing relationship depends on the successful sharing of organizational resources (i.e., information, human resources) while prioritizing any relevant risks (Roh & Jang, 2018).

Organizations often make a substantial investment in outsourcing with the notion that profits will increase as a result. The initial investment to outsource may include increased costs of shifting responsibility to the outsourcing vendor and reduced costs for business processes remaining in-house (Tang & Zimmerman, 2013). Additional cost-impacting activities could also include ramping up the outsourcing vendor's information technology capabilities to maintain competitiveness with other outsourcing vendors (Jain & Khurana, 2013).

Patrucco et al. (2016) noted that when global outsourcing vendors are engaged, the organization must take careful steps to analyze the outsourcing vendor's business environment, modify their business model to address inconsistencies between the two companies, and manage the relocation of business processes. These steps are necessary to integrate the outsourcing vendor as their environment may be foreign compared to the organization's environment. Often, outsourcing may fail due to various factors with the outsourcing vendor, and the organization may need to reintegrate the outsourced processes back into their environment (Fratocchi et al., 2014). If this happens, internal organizational conflicts may arise because the organization cannot assume responsibility (Collm & Schedler, 2014). As such, the organization will need to solicit other potential vendors and negotiate new contracts.

There are limited decision paradigms used by business managers to project risks and quantify the benefits of outsourcing, which contributes to the failure of some outsourcing initiatives (Talluri et al., 2013). Organizations are not able to project the success of the outsourcing project too far in advance. Transaction cost theory (TCT) plays a vital role in providing a basis by which organizations can perform sourcing analyses to better plan for and potentially avoid the long-term risk associated with outsourcing (Hodosi & Rusu, 2019).

When organizations are incapable of closely overseeing the outsourcing vendor's activities, the risk level increase as decisions could be made by the outsourcing vendor, who could potentially put the organization at risk (Patrucco et al., 2016). An organization can also put itself at risk by assigning nonpareil assets, which means that the assets are not irremediable or irretrievable if the outsourcing agreement was unsuccessful (Mousavi & Gitinavard, 2019).

When organizations decide to engage outsourcing vendors, additional risks such as shortfall of essential proficiencies and revealing of unstable expenditures if the outsourcing agreement is unsuccessful (Fratocchi et al., 2014.) An unsuccessful outsourcing agreement can have an extremely negative consequence on an organization, which could ultimately lead to additional expenses and loss of profits. Fratocchi et al. (2014) offered strategies to forecast the relevancy of outsourcing to either single or multiple vendors. These strategies involved the costs of the potential outsourcing vendor becoming complacent due to being chosen; alternatively, the negotiated incentives can negate the complacent behavior. Costs savings may be at the forefront of an organization leader's decision to outsource. However, the primary focus on minimizing costs being the only reason to engage in outsourcing results in the TCT being criticized (Hodosi & Rusu, 2019).

According to Fratocchi et al., some of the potential reasons that outsourcing initiatives fail include:

1. Engaging in an outsourcing agreement that is not beneficial to the organization.
2. Mismanaging the outsourcing agreement.
3. Minimizing inherent personnel dysfunctions.
4. Outsourcing functions that should remain in-house.
5. Failing to predict hidden costs that could impact the organization's revenue.
6. Selecting an inadequate/inexperienced vendor.
7. Failing to include details in the outsourcing agreement for default.

The emphasis on cost savings could also potentially impact the organization's ability to protect its information systems, including handling and processing confidential information (Patrucco et al., 2016). Outsourcing models have failed to incorporate complete explanations of outsourcing relationships and governance processes. Potential threats are imminent if the basis of the relationship is not clearly defined and managed. With differing outsourcing agreements, the outsourcing models should adapt to the variations to be successful (Teo & Bhattacherjee, 2014). The organizations can achieve success by structuring a catalog of potential scenarios based on existing outsourcing studies. The following are potential risks factors that can occur when an organization engages in outsourcing (Beasley et al., 2009):

1. *Market risks* impact the organization's market share and revenue because of the outsourcing vendor's lack of effective client care or the release of confidential data or information.

2. *Operational risks* are associated with implementing ineffective strategies when outsourcing, which potentially could cause the failure of the outsourcing relationship. Selecting the wrong outsourcing vendor, contractual inefficiencies, and ineffective implementation of the outsourcing processes are examples of actions that can lead to operational risks.

3. *Financial risks* involve the lack of proper assessment of all potential costs associated with the outsourcing project.

4. *Human capital risks* involve using employee resources that are not skilled in the area they are assigned, lack of adequate resources, and other human resources-related activities.

5. *Information technology risks* are related to lack of data security, the unapproved release of confidential organizational data and information, inadequate technology foundation of the outsourcing vendor, intellectual property related matters.

6. *Legal and regulatory risks* are related to potential legal and regulatory issues.

Organizations should effectively evaluate all potential risks and work to minimize the risks (Wu et al., 2013) that may impact an organization in the long-term.

Risk Management Strategies

Employing effective risk management strategies is essential to offshore outsourcing success (König & Spinler, 2016). Many organizations operate in a global environment, and these organizations possess a vital understanding of the prospective issues experienced in a global environment. Organizations conducting business in a global environment can experience operational risk, compliance risk, market risk, and credit risk (Hansen et al., 2017). Knowledge of the existence and origination of risk with an organization can help develop strategies to manage the risk.

An important factor in selecting an offshore vendor is the understanding of the functionality of the economic market (Liu & Wang, 2014). U.S. companies must ensure that the currency of the offshore country is stable enough to take advantage of tax incentives. Economic growth in selected countries will help determine the availability and cost of labor, as well as the availability of adequate technology (Dreher, 2006).

Political instability can determine whether an organization is susceptible to the risk of loss of business. Global political instability can affect the ability to engage in foreign services, copyright and trademark infringement, and breach of information (Marber, 2005). Political instability can dissuade an organization's decision to do business with various countries. For example, Turkey has experienced political instability that prevents U.S. organizations from engaging in business with the country (Liu & Wang, 2014). Risk analysis is conducted as a regular business practice to determine whether there is the potential for new risks and develop risk strategy changes. As a standard process, organizations should analyze the risk through identification, quantification, simulation of the impact that could assist with implementing change in the risk management strategies (Startienė & Remeikienė, 2007).

Outsourcing risks are well known. These risks include loss of information, rising costs, and deteriorating service levels (Gunasekaran et al., 2015). Minimizing outsourcing risks can lead to lower costs, economies of scale, access to specialized resources, and new business ventures (Ho et al., 2015). Risk categories are strategic, operational, or composite (Wiengarten et al., 2016). The risks can also include factors such as managerial, technical, and security. Managerial risks compromise outsourced software projects if effective management of the outsourcing relationship or clear communication between the companies is not present (Sundararajan et al., 2014). When this happens, the company suffers tremendously with expensive reworks, scheduling delays, cost overruns. If the issues are not corrected, the project will likely be at risk. Another outsourcing risk relating to the software is maintaining data security, and this risk is very high (Moe et al., 2014).

Business Continuity

Adapting to change is a vital component of the collaborative efforts involved in outsourcing. During the COVID-19 pandemic in 2020, many companies experienced a shift in the paradigm of how they conducted their business in the outsourcing atmosphere and worked to transition their employees to a remote work environment to minimize any interruption in services (Gamlin et al., 2020). Gamlin et al. offered fundamental mechanisms that companies worldwide could follow for a seamless transition to the end-users. The outsourcing provider and customer are encouraged to work together to make viable decisions of how the business will continue without interruption and risk of contractual obligations.

One of the critical tasks during this time is communicating the services that are vital to both the service provider and the customer. The communication may involve prioritizing essential versus non-essential tasks based on the orientation of the outsourcing agreement. The outsourcing provider and customer should discuss changes in logistics that may impose potential security risks. Once both parties have identified essential services or potential risks, both parties should work to modify the existing agreement to document the intermittent changes that may take place (Gamlin et al., 2020). The modification is crucial because it minimizes the risk of either party defaulting on the original agreement.

To embrace continuity of services, customers and outsourcing providers should also engage in the following activities:

Collaboration

Both the outsourcing providers and customers should work towards actionable items that involve the collaboration of both parties. Review of contractual obligations and risk mitigation clauses will ensure continuity of services. Common clauses found in contracts that will protect both parties are force majeure, right to cure, and termination for convenience. Despite the contract clauses that will protect both parties, entering into an alternative agreement to provide essential services is an option and can be beneficial to both parties. For example, many outsourcing companies that provide IT services were considered essential during the COVID-19 pandemic. Critical services needed by the customer should be clearly defined so that the outsourcing provider can determine if the requirements are attainable.

Change order is a key document involved when parties are looking to change the scope of contractual obligations is the change order. The outsourcing provider must ensure that the change order captures any deviation from the original performance work statement. Elements of a change order can include security, deliverables, and performance requirements. For example, if an outsourcing provider's timeline will be affected by an extenuating circumstance, they would need to negotiate a change of timeline or waiver of the obligation to minimize the possible risk of default of contract. The change order: (a) must be discussed and agreed to by both parties, and (b) any changes captured in writing to bind both parties under the contract effectively. For example, during the COVID-19 pandemic, parties entered into contractual agreements had the opportunity to implement change orders that would be required to accommodate the alternative remote work arrangements.

Internal operations are important components of a customer's international organization should contribute to any changes to originally agreed-upon terms and conditions of the contract. These components include, but are not limited to, risk management, legal, business operations, information technology, and security. The service provider's internal organizations should also have a key input in any changes to the scope of the originally negotiated contract.

Untimely delays are inevitable when two parties agree contractually. As such, both parties must be amenable to any changes in the scope of work that will affect the outcome and timeline of the overall contract. For example, during the COVID-19 pandemic, service providers equipped their employees with the systems to work remotely due to the limitation of regular business resources. There were stay-at-home orders implemented globally, which had a direct impact on the bandwidth availability of the communications network, as well as the reorganization of some of the business functions. Alternatively, customers may have been concerned whether the service provider would have the ability to manage the deliverables as agreed upon in the contract and any security risks or financial implications involved with the service provider's personnel working remotely. The parties would engage in ongoing communications and negotiations to ensure that there would be no significant impact on either business. Continual monitoring of the situation, on-going communication, and adaptability to change are key areas that both parties should focus on during change.

External impacts, such as compliance with governmental regulations, the effect on the parties' insurance coverage, and risk mitigation to the fullest extent possible, should also be considered by both parties. External impacts could have a flow-down effect on either party. Both parties must understand the risk and impact that external circumstances can have on business continuity.

Transactional Costs

The Transaction Cost Theory, developed by Oliver Williamson implies that organizations seek to minimize costs internally and externally (Rindfleisch, 2020). Transaction costs include exchange frequency, uncertainty, and level of transaction specificity of the stated investment (Christopher et al., 2006). An organization will investigate all costs incurred to determine whether the costs are viable. Offshore outsourcing is a method used for reducing cost structures, improving efficiencies, and gaining a competitive advantage (Denning, 2013). The transaction cost theory is useful when an organization is implementing make versus buy decisions.

Comparably, the implementation of suitable outsourcing strategies, such as contracting with several vendors and engaging in contracts for a shorter term, may increase transaction costs (Hodosi & Rusu, 2019). Also, suitable outsourcing strategies can encourage outsourcing vendors to: (a) endorse competition among organizations, and (b) provide lower outsourcing costs (Patil & Wongsurawat, 2015). Organizational leaders must strive to attain a suitable balance among risk management, strategic implementation, and expenses to outsource business processes successfully. Engaging with multiple outsourcing vendors may diminish outsourcing risks for the organization. However, the relationship between the outsourcing vendor and organization is more important (Sundararajan et al., 2014).

Resource Acquisition

Tashman and Rivera (2016) described the resource dependence theory (RDT) as a major resource management theory. Resource acquisition, a significant component of the RDT, emphasizes that organizations heavily rely on resources external to their current environment. Organizations may increase their vulnerability to risks because they may become dependent on the outsourcing vendors for the required resources, which ultimately transfers power (Alonso et al., 2018). The transference of power depends on the transferred processes, their relationships with the outsourcing vendors, and the mutual agreement of organizations involved (Tashman & Rivera, 2016).

Resource acquisition involves instances where an organizational leader has to make a decision that may significantly impact the outsourcing performance as well as the financial revenue of the organization (Bhalla & Terjesen, 2013). The disproportionate dissemination of information to individuals included in the outsourcing activity (i.e., the outsourcing vendors) provides additional risks because the disproportionate nature can result in a lack of accountability and untimely solutions when problems occur. As such, the outsourcing vendor may not be willing to share the risk not included in the decision-making process (Hodosi & Rusu, 2019).

According to Alonso et al. (2018), the inherent difference between the resource-based theory and the transaction cost theory is that the transaction cost theory focuses primarily on reducing costs instead of the importance of the activity. In contrast, there are two correlated constraints to the transaction cost theory: (1) focus on the minimization of cost for the organization results in value optimization for the organization only; and (2) engaging in a solid agreement that does not include process improvement requirements (Hodosi & Rusu, 2019). Alternatively, Babin & Saunderson (2016) recommended a structure grounded on transactional value theory, which emphasizes value optimization for both the organization and outsourced vendor to achieve profitability from the relationship collectively.

Disruptive Outsourcing

Deloitte conducted a global outsourcing survey in 2020 (Deloitte, 2020), questioning over 500 business executives. The result of the survey outlined that the predominant use of outsourcing is not to reduce costs and improve operational performance. Outsourcing is more beneficial in assisting companies with achieving competitive advantage through agility, accelerated change management, and growth; this is termed “disruptive outsourcing.” Disruptive outsourcing integrates technologies such as cloud solutions and robotic process automation (Deloitte, 2020).

During the survey, one of the outcomes identified was that disruptive outsourcing is adopted by many organizations through the initiation of discussions, conducting pilots, and fully implementing disruptive technologies. Over 70% of the executives surveyed reported that they prefer innovation from their service providers instead of improved back-office operations. As IT functions are the most outsourced functions in an organization, the adoption of cloud solutions is popular, according to 93% of the surveyed organizations (Deloitte, 2020).

Another outcome identified as a result of the survey was that accomplishing competitive advantage by implementing disruptive outsourcing solutions can prove to be a challenging task. When implementing cloud integration solutions, the top obstacles faced are data migration, security requirements, and application optimization (Deloitte, 2020). For organizations to overcome certain obstacles, the organizations are careful to address cyber risks resulting from outsourcing by entering into contracts that impose security protocols and administer evaluations. As a result, 61% of the executives advised that their initiatives resulted in a higher rate of passing third-party audits.

Resource-Based View Theory

Projected costs of business operations are most important to an organization when they must make outsourcing decisions. When outsourcing processes such as customer support, organizations could determine that certain functions should remain in-house to be more cost-effective (Alvarez & Barney, 2017). Instead, if maintaining the business operation in-house is not cost-effective, an organization may outsource the process to an outside vendor. Third-party vendors who provide offshore outsourcing services may provide operational services at a lower cost through the economies of scale (Hitt, et al., 2016).

The resource-based theory defines an organization as profitable collective resources that include human, physical, and organizational assets, which places these resources in the competitive advantage realm due to the individuality and significance the asset holds. An organization can maintain its tactical advantage due to sustainability and profitability (Alvarez & Barney, 2017). Transaction costs related to the resource should be planned and not surpass the organization’s return on investment. Organizational resources may include information resources that are valuable systems needed to expedite purchasing new data and process improvement methods.

Nickerson et al. (2017) suggested that the knowledge-based theory is a better alternative to transaction cost theory. The knowledge-based theory originated from the resource-based theory, which defined organizations as dependent on lucrative resources. Organizations rely on the efficient distribution of resources to attain economic productivity and competitive advantage.

There are benefits and advantages associated with off-shoring knowledge-based jobs. Kumar et al. (2010) conducted a case study of the benefits and risks of transferring knowledge-based positions to offshore outsourcing vendors. As a result, creating a decision model highlighting the significance of deciding to engage in offshore outsourcing includes access to foreign workers, tax incentives, and government subsidies. Kumar et al. (2010) determined that the knowledge-based theory was the most efficient way to create knowledge, engage in applications, and manage outsourcing services/products.

Competitive Advantage

Most organization's long-term goal is to achieve sustained competitive advantage. In recent studies, the supply chain teams have been responsible for maintaining a competitive advantage. The organizational leaders give attention to the supply chain as the unit for analysis instead of the entire firm; this is the business unit that is more competitive with supply chain units of other organizations (Hines et al., 2017). The report further suggested that joint ventures or alliances with other organizations result in competitive advantage.

To create a competitive advantage, an organization needs to manage its value-added activities (Gylling et al., 2015). Customers will pay for value, so focusing on the activities attributed to value can be more important than the costs associated with the value. To gain a competitive advantage, organizations must focus on lowering cost, increasing innovation, and implementing different strategies, including considering offshore outsourcing (Lahiri, 2016).

The resource-based theory is a key strategic management theory that explains how an organization's competitive advantage relates to its organizational success. The perspective of competitive advantage is resource-based as well as industrial. Raduan et al. (2009) explained that examining competitive advantage from the resource-based value perspective can be used as a conceptually accepted guideline for organizations to adjust their business operations to realign their competitive advantage position and focus on their internal organizational capabilities (Pla-Barber et al., 2018).

According to Pablos (2006), the realistic improvement of a global organization relies on its skill to identify knowledge and communication of the understanding between its international offices. Global competency is essential for determining the primary advantage of increasing the organization's yield. In global organizations such as pharmaceutical, automobile manufacturers, electronics, and computers, there is a confident association among the distinctive organizational characteristics and the overall performance of the organization. Rose et al., (2010) explained the organizational view of the resource-based theory is vital. The resource-based theory is a conceptual guideline for effectuating the competitive advantage position and increases excellence in business organizations.

Overall, there is a significant association between an organization's competitive advantage and performance (Berry, 2011). Amplified performance theories show the correlation between performance and competitive advantage. Such research offers a body of knowledge by expounding upon the resource-based theory about organizational traits and the attainment of competitive advantage and increased firm performance (Davis & Simpson, 2017).

Competitive advantage is the design that describes and assesses the approach related to the performance of an organization. To achieve this, an investigation focusing on the value chain of a company regarding the strategic activities of the firm and its cost and role in differentiation (Davis & Simpson, 2017). Organizations outsource for economic, strategic, and technological considerations, with the key reason being the predicted reduction of costs (Festus & Adenike, 2011). Organizations focus on costs related to human resources and information technology, resulting in lower variable costs once there is a reduction in these costs (Festus & Adenike). The purpose of outsourcing, according to Casale (2001), is the diminution and domination of costs through the manipulation of the economies of scale involved in the process and the capacity provided by the outsourcing vendors.

Cost-effectiveness is often the primary reason organizations decide to engage in outsourcing. Organizations assess outsourcing initiatives as a possibility to cut operational costs and to reduce resources. Investing in operational cost savings in other business processes can result in additional savings. Some researchers have concluded that engaging in outsourcing can be beneficial if the organization wishes to reduce costs. (Shaviya, 2013).

Outsourcing vendors can typically have the capacity to capitalize on better technologies and innovation (Shaviya, 2013), thereby enabling improved control of the organizational functions, increasing knowledge of the organization’s business processes, and providing more innovative products and services. Lacity and Willcocks (2008) indicate that some business processes should remain in-house to ensure present and future competitive advantage while releasing other processes to outsourcing vendors.

Operational Risks

Yang et al. (2017) defines operational risk as the loss resulting from insufficient or unsuccessful methods, procedures, and human practices. Operational risks include legal risks and financial risks. The causes of operational risks can be: (a) inadequate or flawed processes, (b) the individuals assigned to perform the tasks make errors, (c) systems are broken, or (d) an external event that interrupts the activity. Organizations strive for limited to no operational risk; however, operational risks are inherent and unavoidable.

A solid client-vendor relationship in offshore outsourcing is an essential element of reducing operational risks (Qi & Chau, 2015). Also, the contractual relationship is important to the success of offshore outsourcing. The contract sets the expectations that support the relationship between the client and the vendor, and the contract's administration and intricacy are major success factors. Additional crucial factors in the client-vendor relationship include commitment, trust, level of communication, and the sharing of knowledge.

Interpersonal and organizational cultural differences are also vital factors for outsourcing relationship success (Rai et al., 2009). Rai et al. found that continuous problem solving, undeniable trust, and ongoing information exchange fosters the outsourcing relationship success. Gorla and Lau (2010) suggested that when clients and vendors have compatible organizational cultures, it propagates success. Gorla and Lau further suggested that clients select outsourcing vendors based on their alignment with the company's core competencies by implementing appropriate governance mechanisms that promote positive and negative reinforcement (Vorontsova & Rusu, 2014).

Financial Risks

Financial risks occur when organizations do not meet their expectations of the cost-effectiveness offshore outsourcing will bring (Xiaowei, 2016). The most significant risk with offshore outsourcing has nothing to do with outsourcing. Instead, the risk involves expectations the internal organization has about how much the savings from offshore will be. Executives in many organizations assume that the differing costs of labor in differing markets will provide equivalent cost savings (Riikka & Virpi, 2017). Often, these executives do not take into consideration the hidden costs and different operating models that are involved in making such comparisons. Cost savings of 15-25% can be realized during the first year, with savings of 35-40% by the third year based on the modification of operations to sync with the applicable model (Xaiowei, 2016).

Increased transactional cost is one of the causes of financial risks in offshore outsourcing. Organizations can reduce production costs but increase transactional costs because they will need to manage the vendors more closely (Denning, 2013). Increased transactional costs would include the cost of implementing processes to manage the vendor more closely. The lack of recognition of the hidden costs associated with offshore outsourcing also contributes to financial risks (Joshi & Mudigonda, 2008).

According to Babin and Saunderson (2016), although the resource-based theory emphasizes competitive advantage and profitability, it also focuses on the expenses and value of the organization. Focusing on the beneficial aspects of the outsourcing venture can provide an opportunity to develop and promote the value of the outsourced organizational resources. Implementing an all-inclusive approach that includes transaction costs and research-based methods would be more valuable for the organization as these methods complement one another (Berndtsson, 2013).

Bardhan et al. (2006) studied how information technology effected the decision to outsource manufacturing production. The study investigated if effective manufacturing strategies encouraged the decision to outsource production and if the decision to outsource effected manufacturing performance. The study presumes that information technology and manufacturing strategies link directly to the decision to outsource (Karlberg, 2015). U.S. manufacturing companies attained cross-sectional data to develop a theoretical framework. After data analysis, the determination is that manufacturing facilities investing heavily in information technology resources would be more inclined to outsource manufacturing production (Cho & Lee, 2014). Also, investing larger capital in information technology and making the decision to outsourcing manufacturing production would result in lower production costs and better product quality (Bardhan et al., 2006). The study did not identify the underlying motivation for deciding to outsource manufacturing production.

Minimizing costs, increasing revenue and productivity, and improving overall financial performance are major factors organizations consider when deciding to implement strategic outsourcing (Gallet et al., 2015). Studies have shown that when measuring the effects of outsourcing relating to organizational effectiveness, economic, strategic, and quality assurance measures must be taken into consideration (Karlberg, 2015). Also, organizations must evaluate the outsourced business processes, what the organization plans to achieve by outsourcing these processes, and the correlation between the strategy used in the outsourcing decision-making process and the current performance of the organization (Marchewka & Oruganti, 2013).

Human Capital Risks

Inadequate skilled employee resources are also risky in offshore outsourcing. When measuring offshore outsourcing performance, the employee attrition rate is measured (Nicholson & Aman, 2012). Foreign employees may look for jobs with various companies within a short period of being hired because there is a high demand for offshore outsourcing employees. Many vendors are faced with a high turnover rate as their employees have the opportunity to make higher wages with U.S. companies (Sengupta & Dev, 2013).

Employee attrition has a significant impact on a company's bottom line revenue. Employee attrition drives up the cost for resource allocation, training, and an increase in revenue (Sharda & Chatterjee, 2011). Companies considering offshore outsourcing must maintain skilled and knowledgeable employees to experience long-term financial gain (Musteen, 2016). Also, the costs and services to retain employees (i.e., wages, pensions, and healthcare) can have a huge financial impact on an organization's net revenue. As a result, the organization may entertain outsourcing to avoid the negative impact (Yao et al., 2010).

Information Technology Risks

Information technology risks encompass data security breaches, virus intrusion, the technology infrastructure that is constantly changing, the release of the client's confidential data, etc. (Liu & Wang, 2014). Eliminating or reducing investments can generate income when companies sell their assets or transfer services to outsourcing vendors. Technology services can be more efficient when using a vendor's technology instead of the company's technology (Pouder et al., 2011). With the transition of technology services to the outsourcing vendor, companies can focus more on their core competencies (Crixan et al., 2011). Core competencies are activities that companies make a substantial contribution to gain competitive advantage (Pouder et al.).

For companies to determine if outsourcing is a vital option when evaluating their corporate positioning, studies showed that outsourcing reduced costs by 41% and drove up innovation by 35% (Yao et al., 2010). Outsourcing assisted companies, such as Cisco Systems and Dell, in increasing their firm's innovation process by outsourcing product design to specialized companies (Niranjan & Rao, 2011). However, these companies continued to have control over the final assembly, test, and customization of the product to customer requirements. An analysis completed on Gartner Incorporated confirms that businesses spent 3.1% more on IT outsourcing services globally in 2010 than in 2009 (Mudambi & Venzin, 2011). Although the recession caused the unavailability of resources (material and labor), outsourcing of IT services has increased globally (Niranjan & Rao).

System failures or malicious computer intrusions are considered information technology and security risks. Financial organizations should be concerned about information security risks when outsourcing financial services to offshore vendors, which is a major concern of most consumers (Koku, 2015). Organizational leaders must consider the risk of information security breaches and lack of quality assurance when deciding to outsource services (Jain & Khurana, 2013). Offshore vendors in India experience challenges with entering into outsourcing agreements with organizations in the United States since these organizations are concerned that these offshore vendors are incapable of effectively protecting data (Ojha, 2014).

In 2015, approximately 85% of the reported cyber data breaches exposed customer’s personal and health information, including credit card, social security, and address information, which resulted in over $400 billion in annual losses (Trang, 2017). Although financial organizations implemented strategies to upgrade their cybersecurity protection, their customer’s information remained exposed due to outsourcing activities to third-party companies that did not provide adequate cybersecurity protection (Gonzalez et al., 2013). The primary threat that financial organizations experience is the breach of their customer’s personal and confidential information. Data privacy breaches and the lack of trust in certain third-party vendors were concerns to business leaders. However, technological advances that enabled cloud computing have heightened awareness of information security risks (Koku, 2015).

Through technological innovations, cloud computing has increased awareness of information security risks but provides multiple advantages as long as risk management strategies are implemented adequately (Weng & Hung, 2014). The crucial problem with engaging in cloud computing is that there is a lack of data security regulations. Zhang and Gu (2013) reported that organizational leaders launched cloud computing but did not engage in proper security measures to protect confidential information, such as customers' personal and confidential information and intellectual property. These security breaches will result in loss of revenue and irreparable harm to the organization's reputation. Mitigation of proper risk management strategies is critical when organizations decide to engage in cloud computing. The organizations should not rely on offshore vendors to administer risk management strategies independently if they want to minimize their operational risks (Trang, 2017).

Legal and Regulatory Risks

Legal and regulatory risks can be high when it comes to offshore outsourcing. Many countries have laws that override U.S. legal and regulatory laws; this can adversely affect the vendor's intellectual property (Zutshi et al., 2012). Protection of an organization's intellectual property is critical to the success of the organization as well as protect the business assets. Offshore outsourcing can expose intellectual property by providing access to U.S. confidential data, patents, or copyrights by foreign countries (Maheed, 2011). Intellectual property managed by an offshore vendor will typically fall under foreign guidelines and laws that may not consider U.S. laws and regulations (Peslak, 2012).

Researchers studied the contract theory to explore contractual and guiding principles, but on the contrary has also explored the addition of human perception when analyzing the differing views of outsourcing arrangements (Wiengarten et al., 2016). The client-outsourcing vendor relationship, and the contractual agreement, are vital components to consider when evaluating whether a breach of contract exists between the parties (Jin Kim et al., 2013). As such, the organization should ensure that a mutual understanding of the outsourcing relationship is a part of the contractual arrangement (Vorontsova & Rusu, 2014). Outsourcing agreements involve legal, operational, and regulatory implications if the organizational leaders do not regularly monitor the agreed-upon processes (Hirschheim et al., 2013).

Alternative Conceptual Theories

Several theories supporting offshore outsourcing both support and contradict one another. This section will provide an explanatory and exploratory synopsis of the theories studied in the outsourcing process.

Resource-Based View Theory

The basis of the resource-based view theory is that resources and capabilities can be significantly different among companies, and these differences can be steady (Mishra, 2017). If the resources and capabilities of a company are diverse and organized effectively, this can result in a competitive advantage for the company. The resource-based view theory in outsourcing generates from a scheme that a company that doesn’t have valuable and organized resources and capabilities should use outside resources to overcome any challenges it may face (Kutzikos & Mentzas, 2011). During the initial phase of the outsourcing process, the resource-based view theory would be useful to help define the framework required to make key organizational decisions and to prepare for the selection of a viable outsourcing provider.

Transaction Cost Economics Theory

The most widely used theory when it comes to outsourcing is the transaction cost economics (TCE) theory. Researchers believed that TCE theory delivers the tools that would allow company leaders to make vital decisions about outsourcing and further prepare leaders for the outsourcing process. The TCE theory encompasses governance features that are important when considering the financial impact of outsourcing. The TCE theory also provides information on the complexity of the potential contract administration activities. Even though it has been exercised extensively in outsourcing applications, the TCE has several indulgencies. Lacity and Willcocks (2008) criticized the TCE theory in that it is said to rely heavily on the analysis of a single transaction without taking into consideration the multiple components that can be involved when entering into outsourcing arrangements. The TCE theory is more suitable for a static transaction and not the dynamic nature of an ever-changing business environment.

Core Competences Theory

The resource-based view theory established the core competencies theory, which defines the collective knowledge of a company and the coordination of various production proficiencies and integrated technologies (Prahalad & Hamel, 1990). Researchers widely recognized the relevance of the core competencies theory in outsourcing. The view expands upon and tests various outsourcing decision-making charters that contend core business process activities and shall remain internal to a company. Feeney et al. (2005) explained that the concepts of knowledge and communication also made the theory applicable to the management of customer-outsourcing provider relationships and evaluation. An outsourcing provider’s competencies are critical to a successful outsourcing arrangement (Levina & Rosess, 2003).

Knowledge-Based View Theory

The knowledge-based view theory explains how parties collaborate to produce goods and provide services (Nasiopoulos, 2014). The knowledge-based view theory characterizes two ways of knowledge sharing among parties. They are knowledge generation and knowledge application. The knowledge-based view theory is critical to the positive outcome of an outsourcing arrangement and further explains the process of managing a successful outsourcing arrangement (Sakas & Kutsikos, 2014).

Relational View Theory

Wiengarten et al. (2016) explained how using the relational view theory is relevant when companies seek information on achieving and maintaining a competitive advantage by fostering effective outsourcing relationships. The theory is useful in assisting the leaders of a company with selecting compatible outsourcing partners and managing a successful relationship with minimal risks. It is also useful when exploring changes to the scope of the parties’ contract during all phases of the outsourcing arrangement.

Evolutionary Economics Theory

The evolutionary economics theory was originally cited during the 19th century and was revitalized in a research publication by Nelson and Winter in 1982. According to Anderson (1994), the theory initially developed by Darwinism included several assumptions:

- The company and outsourcing provider would not have effective communication, which would result in domestic outsourcing only, instead of globally.
- The decision-making process of both parties is typically obliged to policies, standards, and organizations.
- Parties are, to a certain degree, able to emulate the practices of other parties to effectuate self-discovery and creative innovation.
- The practice of emulation and innovation can be illustrated by significant degrees of cumulativeness and stability; however, it can be occasionally interrupted.
- The collaboration of the parties is typically unsteady but may be successful based on the parties involved, company structure, and external factors.

As a result of the assumptions above, the change occurring in the process can be irreversible, resulting in high applicability in the outsourcing process.

Agency Theory

Originally, the agency theory focused on the relationship among internal stakeholders (Jensen & Meckling, 1976). However, it ultimately expanded to include the relationship between independent parties such as the company and outsourcing provider. Mishra (2017) noted that applying this theory to an outsourcing arrangement would foster mechanisms to help monitor the arrangement and create a bond between the parties effectively mitigate any risk that may arise.

Neoclassical Economic Theory

The primary characteristics of the neoclassical economic theory are (Hodgson, 1994):

- Assumption that the parties will display rational behavior to achieve a positive outcome.
- Equilibrium between parties is a primary focus.
- Absence of adequate information is problematic.

Researchers significantly criticize the neoclassical theory for the lack of a full explanation of contemporary business processes (Solli-Sæther & Gottschalk, 2015).

Social Exchange Theory

The social exchange theory describes interpersonal relationships by postulating the economic cost-benefit analysis as a prerequisite for social engagement and exchange (Solli-Sæther & Gottschalk, 2015). The theory presumes that the interchanging of resources is a basic form of human interaction. Social exchange is a continual reciprocated activity because one's actions are dependent upon the rewarding actions of other parties. The social exchange theory has been used in conjunction with the TCE theory to identify the need to modify behavior during change processes.

Transition

Section 1 includes the history of offshore outsourcing and the underlying research question addressed for this study. The conceptual framework discusses current and historical literature relating to transaction cost and resource-based theories. Transaction cost theory and resource-based theory supports the discussion of effective risk management practices involved when engaging in offshore outsourcing. Section 1 also discussed the contributions this study will make to the business environment and implications for social change.

Section 2 details the approach of the study. The purpose of this qualitative multicase study is to determine the strategies technology and telecommunications leaders use to reduce the risks of outsourcing services outside the United States. The target population is leaders (including mid level and executive level managers) from U.S.-based technology and telecommunications companies that use offshore outsourcing in foreign countries. The eligibility requirement for purposively selected participants is that the individuals possess knowledge of the phenomena and can identify the risk management strategies that are consistently used or least used by technology and telecommunications companies. Following ethical requirements, I interviewed participants to understand best practices and strategies for reducing risks when participating in offshore outsourcing. Multiple data sources include semistructured interviews and publicly available information on company websites relating to outsourcing best practices.

Section 3 includes the discoveries of the exploration of the study. This section consists of the applications to professional practice, implications for social change, recommendations for action, and recommendations for further study. Also included in this section is personal reflections, summary, and research conclusion.

Section 2: The Project

Section 2 includes a restatement of the purpose of the study, a discussion of the researcher’s role and responsibilities, and outlines the participants of the study. In addition, Section 2 also contains a discussion of the methods used to justify and apply (a) the research and design, (b) the population and sampling, (c) data collection instruments, (d) ethical research compliance, and (e) techniques used to measure and ensure reliability and validity of the research findings in support of the research question.

Purpose Statement

The purpose of this qualitative multicase study was to explore strategies that technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries. The target population was leaders (including mid level and executive level managers) from U.S.-based technology and telecommunications companies that use offshore outsourcing in foreign countries. The implications for positive social change include the potential to (a) improve the overall standard of life for customers, (b) address corporate social responsibility, and (c) strengthen the relationship among individuals working in our global society. Leaders in these industries might use this study's findings to increase revenue and profitability to enable them to make a positive social impact.

Role of the Researcher

The role of the researcher in a qualitative study is to gain entry to the targeted group, facilitate the data collection, code the data, maintain strict adherence to ethical guidelines, interpret the data, draw conclusions, and effectively defend the results (Giles

& Yates, 2014). I will fulfill my role and interview participants, code the data, identify themes and patterns, and analyze the data. I plan to achieve interview quality through detailed interview planning and preparation, accurate note-taking, member checking, document analysis, and maintaining research records and interview transcriptions.

I abided by ethical research rules for human participants (McIntosh & Morse, 2015). The ethical researcher is held accountable for minimizing risks to participants and safeguarding all participants' security (Mertens & Ginsberg, 2009). I performed ethically to mitigate the potential risk to participants. To do so, I obtained informed consent, ensured the information was handled confidentially, and respected the participants' rights to privacy (Lincoln, 2009). I abided by the ethical guidelines and principles required in the Belmont Report (2009) and Walden University's Institutional Review Board (IRB). Ethical guidelines in the Belmont report include (a) respecting personal autonomy and diminished autonomy, (b) following the principles of beneficence and justice, (c) gaining informed consent, (d) assessing risks and benefits, and (e) selecting subjects fairly (U.S. Department of Health and Human Services, 2014). I did not expose the potential participants to risks and required consent from all participants before participating in the study.

Participants

The research participants were leaders in offshore telecommunication with a minimum of five years of experience directly relating to offshore outsourcing and risk management. The eligibility requirements were individuals who possessed knowledge of the phenomena and were able to identify the risk management strategies used by technology and telecommunications companies. Participation was strictly voluntary and assured of their confidentiality.

The study included participants in leadership positions from U.S.-based corporations that use offshore outsourcing. To gain access to the participants, I solicited the required approval from Walden University's IRB. Walden University's approval number for this study is **09-25-20-0367528** and it expires on **October 7, 2022**. Upon approval, I identified the participants that met the prescribed criteria. Participants were also identified through my professional contacts within the technology industry, by contacting professional organizations that manage outsourcing projects, and HR sourcing organizations that hire professionals for outsourcing projects. I also identified individuals on LinkedIn by searching within my network using the keyword "outsourcing." I contacted each participant through email with a follow-up phone call. The initial email was to introduce my position in the study and defined the study's purpose. Every contact with the participant complied with the ethical guidelines described in the Belmont Report and IRB requirements.

I conducted interviews through video conferencing and by telephone. I scheduled interviews upon receipt of participants' commitment to participate and successful access to the participants was achieved. I recorded and transcribed the interviews. Video-conference interviews allowed me to collect data by inquiring directly with the participants and gaining the visual perception of facial expressions and body language, which was vital in this qualitative research study (Bernard & Ryan, 2010). Data saturation will determine the sample size and content validity. I achieved data saturation once the responses were identical for each question after interviewing three participants. As recommended by Francis et al. (2010), I conducted one more interviews to confirm that no new information came from the data.

The method for establishing working relationships with participants was through fostering positive relationships and building trust by speaking directly with the participants and explaining the purpose of the study, as recommended by Hawamdeh and Raigangar (2014). The advantage of providing participants with purposeful information about the research study allowed participants to learn about the study's value about the interview process, open-ended questions, audio recording, and the value of shared experiences (Mealer & Jones, 2014).

Research Method and Design

Primary components that the researcher should consider when establishing the research problem and related questions are the method and design of the research (Maxwell, 2013). Three types of research methods are qualitative, quantitative, and mixed methods (Hyett et al., 2014). Based on the purpose of this study, a qualitative method, with a case study design, was appropriate since the intent was the exploration and investigation of the phenomenon of expert observations (Yin, 2015). The phenomenon I investigated was effective risk management strategies.

Research Method

A qualitative research method is to explore strategies to mitigate risk when companies engage in offshore outsourcing. A quantitative study was not appropriate to explore complex research problems with unknown variables (Yap & Webber, 2015).

Quantitative research is needed to examine specific relationships among stated variables and test hypotheses (Maxwell, 2013). A quantitative approach was not in alignment with the goals of this study. The use of the qualitative case study design increases the chances of accurately describing the lived experiences and perceptions of participants relative to the focal point of interest (Yazan, 2015).

I considered the mixed-methods approach. A mixed-methods design is a more comprehensive method of design is mixed methods which include both quantitative and qualitative elements of research (McCusker & Gunaydin, 2015). Mixed-methods research can be more complex and time consuming, which are primary factors for deciding against this method. I did not choose a mixed method because there will be no quantitative component to the study. Qualitative methods alone enabled me to address the problem and answer the research questions.

Research Design

I used a qualitative multiple case design. A case study researcher examines a diverse experience that does not have sufficient preliminary research to support testing a theory (Boeije, 2010). Case studies can be either single case studies or multiple case studies. A single case study involves one selected organization (Yin, 2015). A multiple case study provides the researcher with the ability to explore the differences among multiple cases to understand the similar experiences that the cases have in common. The case study analysis approach is suitable to examine the participants' experience and provide answers to how and why elements of research questions. The interview questions consisted of semistructured openended questions to add depth to the qualitative study by exploring the approaches used to diminish risks on successful offshore outsourcing. The study will also include company reports (such as SEC filings) that outline the results of the offshore outsourcing initiatives.

I considered the major qualitative research designs of (a) case studies, (b) phenomenology, (c) ethnography, (d) narrative, and (e) grounded theory. A phenomenological design involves examining the commonality of the participants' experience or phenomenon (Ormston et al., 2014). I rejected a phenomenological design since the study did not include studying perceptions of the lived human experiences of participants during a major event but will, instead, focus on verifiable factors effecting outsourcing. An ethnographic study is selected as it explores the behavior of a group of individuals that share the same culture (Merriam, 2010), which is not the intent of this study. The grounded theory design would provide for the development of theories for a particular phenomenon but not necessarily yield a descriptive analysis of a particular phenomenon (Venkatesh et al., 2013).

Typically, when the primary purpose of the study is to explore, explain, or describe a specific context relating to a chosen participant pool, a case study is used. Case studies can be single or multiple cases (Merriam, 2010; Yin, 2018). The multiple case study is the most appropriate design to explore specific strategies that build upon existing theories (Easton, 2011). Multiple-case studies follow a replication logic and afford better prospects to gain detailed understanding of experiences than a single case study thus enabling a comparison among varying conditions of different organizations (Yin, 2018).

Population and Sampling

The population for this study is outsourcing professionals, risk managers, and outsourcing consultants that manage and oversee outsourcing practices in large U.S. corporations that outsource services, such as customer care, IT services, and security services offshore. I obtained contact information for prospective participants through Salesforce Data.com, Connect, and Hoovers. Hoovers, a subsidiary of Dun and Bradstreet, provides researched business information for national and international companies.

The study involved a purposive sampling technique (Uprichard, 2013). Purposive sampling is a nonprobability method of sampling because researchers intentionally selected participants to fit the purpose of the study (Benoot et al., 2016; Emerson, 2015). The purposive sampling technique allowed me to select individual participants who was most likely to contribute relevant data for the study.

The sample included seven participants, which was considered sufficient in a case study (Gentles et al., 2015). Data saturation determined the sample size and content validity. The participants' experiences and viewpoints are a critical tool in supporting data saturation. Once the interviews established a foundation to support the research study based on the existing theory, and no new material or ideas ascertained through additional questions, data saturation was achieved. A two-step process is acceptable for obtaining data saturation (Francis et al., 2010). To apply this method, a researcher selects a minimum sample size recommended from the literature. Upon achieving data saturation, the second step involved two more interviews. If no new ideas emerged, then the interviewing ceased at that time. When required, I repeated step 2 to meet data saturation.

The approach of this qualitative study was to interview an appropriate number of individuals to determine whether the feedback received was consistent among all participants. The eligibility criteria for the participants were a minimum of 10 years of corporate experience with a minimum of 5 years of direct experience relating to offshore outsourcing and risk management. Saturation is where new or pertinent information in the data collection process is no longer required for the newly constructed theory (Fusch & Ness, 2015). This is the point when the researcher determines that no more data needs to be collected. When the theory appears to be strong with no disparity, saturation is achieved. The reason that participants needed a minimum of five years of experience was that these individuals were in a position to provide the information relative to the use of offshore outsourcing.

I sent a brief description of the study and participation request to 25 outsourcing and risk management professionals from U.S. companies that engage in offshore outsourcing. I obtained a list of potential participants from Linked In. Potential participants received solicited requests through the Linked In application. Additional data also included information retrieved from documented offshore outsourcing risk management journals and memoranda.

Before taking the survey, participants acknowledged consent via email, of their willingness to participate in the study. The survey included questions to confirm the participant’s position within their company and the years of experience, and the years the company has been engaging in outsourcing activities. I randomly selected seven participants, using the purposive sampling technique, from the pool of participants engaging in the next phase of the study to identify the risk management strategies that are consistently used or least used by the identified companies. Subject matter experts in the area of offshore outsourcing will provide knowledge of effective risk management strategies. Collecting data from multiple sources enables a researcher to gain various interpretations of the subject matter as well as alleviate the issue of construct validity, which can be present in case studies (Yin, 2015). I used semistructured interviews, archived documents (such as outsourcing agreements, performance work statements, Securities and Exchange Commission (SEC) filings), and information collected from the organization’s website for this qualitative case study. The semistructured interview is appropriate for a means of data collection in a qualitative case study (Yin, 2015). I used document analysis to assess and construe information received from the organization’s websites and archived documents recommended by O’Reilly and Parker (2013) to confirm data saturation.

Ethical Research

As noted in the Belmont Report, ethics in research is crucial to protect the participant’s rights and to eliminate risks (U.S. Department of Health and Human Services, 2014). I followed Walden University’s IRB process when conducting this qualitative exploratory case study research. This process included gaining IRB approval prior to conducting the research and prior to collecting information from the participants.

The participants will be protected through compliance with human rights laws, and the research data will be held as confidential at all times. Informed consent was obtained from each participant to ensure that the participants understood the confidentiality of the survey responses. Participants in this study were over the age of 18.

The targeted participants received a written request (See Appendix A) to participate with detailed information regarding the purpose of the research, the researcher's role, the participant's rights, roles, and responsibilities, confidentiality protection for the participants, and the researcher's contact information for questions. A copy of the informed consent and written consent is included as an attachment to this study.

Participation in the survey was solely voluntary and did not include any incentives to influence involvement in the research. The participants received information that explained the benefit of the research was to provide additional knowledge of risk management practices beneficial to outsourcing organizations. The participants were asked to sign a consent form to acknowledge that they understood the purpose of the research, the researcher's role, and their rights, roles and responsibilities. Upon receipt of the participant's consent, I provided the survey to the participants for completion.

The information gained from the participants will be held in strict confidentiality at all times. The data was coded accordingly so as not to identify the participant in any way. The data will be stored in locked file cabinets or in databases that are secure, such as external hard drives or thumb drives. In the event any participant elects to withdraw their participation during or after the research, the record relating to that participant will be deleted permanently. Upon completion of the research, records will remain stored for five (5) years, after which time the information will be permanently destroyed through shredding of paper copies and deleting of all soft copies.

Data Collection Instruments

In qualitative research, the investigator is the principal instrument in the data collecting process (Grabner et al., 2012). I used semistructured interviews, archived documents, and information collected from the organization’s website for this qualitative case study. The semistructured interview was appropriate for a means of data collection in a qualitative case study (Yin, 2015). I used document analysis to assess and construe information received from the organization’s websites and archived documents (such as outsourcing agreements, performance work statements, Securities and Exchange Commission (SEC) filings) as recommended by O’Reilly and Parker (2013) to confirm data saturation.

The objective of the data collection process was to obtain the perceptions and ideas about best practices and strategies for reducing risks when participating in offshore outsourcing. By answering the interview questions, the participants described their experience of successfully managing risks. During the interviews, participants answered semistructured interview questions (see Appendix B) as a means to obtain rich details of the phenomenon under investigation.

A crucial characteristic of proving reliability is a strategy for collecting the research data to validate the research question. This is outlined in the interview procedures (see Appendix C) (Sim et al., 2014). Qualitative exploratory research involves using semistructured interview questions to gather detailed data that lead to open-ended responses (Ballangrud et al., 2014). The questions in the instruments, (see Appendix B), allowed participants to provide their perceptions and ideas of the phenomenon.

Data collection also involved a member-checking process. Member checking helps guarantee credibility through participants' verification of the data collected during the interview and validated that the emerging themes are consistent with the participants' intended description of events (Reilly, 2015). After conducting the interviews and interpreting the data, I used the member-checking process to gain additional information. Member checking assures the accuracy of the data, ensures validity, and improves credibility (Carlson, 2010; Thomas & Magilvy, 2011).

Data Collection Technique

The Case Study inquirer requires various sources of data for a qualitative case study (Yin, 2015). In this study, one method I used was participant interviews to help the researcher grasp the participants' rationalization of the experience to determine the significance of the study. The process for the collection of data included (a) the dissemination of the invitation to the participants inviting them to participate in the study, (b) the collection of the participants' consent via email, and (c) the distribution of the interview questions. Multiple data sources, such as results from semistructured interviews, documented processes, historical records, direct and participant observation, and physical articles are relevant for case study research (Yin, 2018). In this case study, I used publicly available information derived from the company websites that related to offshore outsourcing best practices, interview transcripts, and my notes to substantiate the basis of my study.

Participants were required to answer multiple interview questions relating to their experiences, specifically the *what* or *how* questions. Due to the COVID-19 pandemic, face-to-face interviews were not conducted as the type of research I was conducting was not considered an essential activity. As an alternative, I conducted video conferencing and phone interviews in an ethical manner. To be respectful of the participants' time, I scheduled phone or video conference interviews, as needed, for about 30 minutes each, as phone and video conference interviews provided for flexibility based on participants' schedules.

Data Organization Technique

The process for data organization was to obtain digitized voice recordings of the participants' reply to the interview questions, create a transcription document of the recorded interviews, transfer the interview information onto a password-protected computer, and compile the interview information into an Excel journal (Loeppenthin et al., 2014). The process used in the collection of data was to include (a) the dissemination of the invitation to the participants inviting them to participate in the study, (b) the collection of the participants signed consent forms, and (c) the distribution and collection of the survey questions.

The data was collected in a manner that will protect the confidentiality of the participants. NVivo software will help manage and code the data. I was the only individual with access to the data obtained during the research. A computer thumb drive was the means for filing participants' transcribed interviews. A locked file cabinet was used to store the data, the audio tapes, thumb drive, and the backup disc of the separate Microsoft Word files of each participant. The survey and interview responses were coded to identify the relevancy of the responses received. The information will be retained for five (5) years, at which time the information in hard and soft copies will be permanently deleted.

Data Analysis

In qualitative studies, data analysis is an inductive process where data are examined to identify themes to understand the meaning of the data collected during the interview process (Goel et al., 2008). This study encompassed data collected from the interview questions in specified categories. Multiple data sources, such as results from interviews, documented processes, historical records, direct and participant observation, and physical articles are relevant for case study research (Yin, 2018) to reduce bias. I also used publicly available information on company websites relating to outsourcing best practices, and my notes for this study.

The participants' responses to the interview questions was one of the sources for data analysis. To respect the participants' schedule, I arranged video conference interviews for about 30 minutes each, as video conference interviews provided for flexibility based on participants' schedules. The following semistructured interview questions enabled participants the opportunity to expound upon their extensive experiences of offshore outsourcing.

1. What strategies have you used to mitigate risks when outsourcing IT services to foreign countries?
2. What strategies did you use to assess your current internal resources before committing to outsourcing your IT services?
3. How does the strategies you use provide you with a competitive advantage?
4. What strategies do you use to recognize potential outsourcing risks?
5. How does your company address potential risks with foreign outsourcing vendors?
6. How does your company’s business objectives align with minimizing risk when outsourcing to foreign countries?
7. What challenges have you experienced in outsourcing services to foreign countries?
8. What risks have you experienced when competing for outsourcing services in foreign countries?
9. What strategies have you found effective in mitigating challenges from outsourcing services to foreign countries?
10. What additional information would you like to share regarding strategies used to mitigate risks when outsourcing services to foreign countries?

After evaluating archival data and interview information, I manually analyzed and coded the data. I used data triangulation from a variety of data sources in this study. The use of multiple sources of research information helped to enrich the understanding of the study and eliminate evidence of bias (Yin, 2018).

The data measurement consisted of the inductive content analysis approach. This approach fostered a negative and positive composition to measure the data from the interview questions. Using the inductive content analysis displayed specific data patterns and helped to analyze the patterns (Simmons et al., 2011). Semistructured interviews were one of the sources of data used in this study. A method to determine the meaning of the results, based on the interview data, was to program the participants' information into groups of irregular components, distinct thoughts, or beliefs to create groups of themes (Rubin & Rubin, 2011). In this study, I used a five stage process for data analysis. The data analysis encompassed the following stages, as recommended by Yin (2018):

1. Accumulate the data.
2. Divide the data into specific groups.
3. Compile the data into themes.
4. Evaluate the information.
5. Develop conclusion.

To reject bias, I used a manual process to evaluate the data and categorize my results (Arbour & Wiegand, 2014). I manually coded relevant information from the transcript by using the different color font. This method allowed me to arrange the information into themes (Seidman, 2013). I codified the statements into single- or double-word meanings and assigned a representative number to facilitate sorting.

I used the commercial software, NVivo, to assist with data analysis, as a means to develop themes from the data (Marshall & Friedman, 2012; Pfaff et al., 2014). The software facilitates the process of analyzing raw data collected from the interviews to identify clusters or themes based on the participant's experiences (Rubin & Rubin, 2011).

NVivo software helped me to facilitate the management of the data and assisted with identifying themes that address the stated research question. A quantitative study was not used to answer the research question because quantitative research would not provide the opportunity to develop additional research questions, if necessary. Quantitative research was better suited to examine specific relationships among stated variables (Maxwell, 2013).

I created hierarchical themes through the lens of the resource-based view theory. I used NVivo to organize the data and assist in identifying patterns of codes. The process involved comparing key themes with the existing literature and the conceptual framework. This step was used as a means to make sense of the concepts and themes in terms of participants' experiences as recommended by Yin (2018).

Reliability and Validity

Key components of excellent research are reliability and validity are factors of quality research (Cronin, 2014). These factors are essential when providing justification for the results of the research (Yin, 2018). The researcher must use relevant qualitative strategies to attain dependability, credibility, conformability, and transferability (Kuo & Lach, 2012). This will result in a more reliable and valid research study (Houghton et al., 2013). The following subsections describe my approach to assuring reliability and validity.

Reliability

Dependability. Dependability in qualitative studies is an equivalent concept of reliability, which is used in quantitative research (Bryman, 2016). In qualitative studies, the researcher has to confirm duplication by thoroughly describing the research and member checking process (Flick, 2014). Member checking was conducted and included verification of the words stated with transcripts of discussion included for accuracy. The consistency, frequency, and sequencing of the verification was used to strengthen the research study's reliability (Keller & Casadevall-Keller, 2010). In addition, the precise translation was cross-checked with the intention of proving that the participants interviewed meant what was said during the recorded information (Flick, 2014). Clarification of the information was sought during the member-checking process.

Data saturation and purposeful sampling was used to ensure the variety of information collected validates the reliability of the research study and the accuracy of the participants' experience (Cope, 2014). To remediate the risks associated with lack of dependability, there has to be a thorough description of the approach used for data gathering, analysis, and clarification to alleviate duplication (Merriam & Tisdell, 2015). I selected participants who were completely familiar with the risks associated with offshore outsourcing, and documented in detail the techniques used to gather, code and analyze the data collected (Shou et al., 2012).

Validity

Credibility. To ensure adequate research in qualitative studies, creditability, conformability, and transferability are corresponding elements of validity. Credibility can be compared to internal validity and transferability can be compared to external validity (Karlsen, 2014). The process to assure credibility includes recording interviews to generate detailed transcriptions and providing the participants the opportunity to evaluate the information for accuracy (Silverman, 2015). Another creditability procedure that will be used is member checking for transcript accuracy and preventing drift in the definition of codes, as noted by Walliman (2015). Participants reviewed transcripts and data interpretation for possible errors in transcription, data interpretation, and code inconsistencies.

Triangulation is a validity procedure using different data sources to assist with understanding a phenomenon (Flick, 2014) and will provide substantiated evidence received from multiple sources that confirm the stated themes. When data are collected from multiple perspectives, this increases the validity of the study (Bryman, 2016). To assist with the validation of the suggested themes, the research study questions collected during the participants’ interviews and information gained from reviewing the documentation and archival records will be assessed for effectiveness, as suggested by Silverman (2015).

The study included participants from three large U.S.-based corporations that have used offshore outsourcing. Video-conferencing or phone interviews was conducted with participants that agreed to be enrolled in the study. I was granted permission from the participants to record the interviews. The video-conferencing method enabled the collection of data by inquiring directly with the participants and gaining the visual perception of facial expressions and body language, which is vital in a qualitative research study (Bernard & Ryan, 2010). Data included information from documented outsourcing-related material. Collecting data from multiple sources enabled me to gain various interpretations of the subject matter as well as alleviate the issue of construct validity, which can be present in case studies (Yin, 2018).

In this case study, I explored the strategies used to mitigate risk when companies engage in offshore outsourcing. The interview consisted of semistructured questions to add depth to the qualitative study by exploring the approaches used to diminish risks on successful offshore outsourcing.

Conformability. The confirmation of the trustworthiness of the stated results is referred to as conformability (Thomas & Magilvy, 2011). I documented the methods used to establish conformability, which required multiple examinations of different sources of data during the research study. Triangulation is a widely used method to ensure the credibility and conformability of qualitative studies and ensures that data saturation has occurred (Marshall & Rossman, 2011). The validity of this study was further confirmed by requesting, via email, that the participants authenticate the data transcription. This is another form of member-checking (Kolb 2012). The transcribed data will be kept securely and allow for a review of the content.

Transferability. According to Amber (2012), transferability refers to the factor of whether dependability is evident in the qualitative study when compared to other research studies. Transferability includes the concept of thick descriptions, which facilitates assistance when evaluating concurrent research (Morales & Ladhari, 2011). By utilizing transferability, researchers will be able to demonstrate the connection between the themes analyzed and suitably assign the findings to other contexts or viewpoints (Munthe-Kaas et al., 2019).

Transferability is applicable to establish whether the information compiled when conducting qualitative research is transferable to subsequent frameworks and perspectives (Branthwaite & Patterson, 2011; Oleinik, 2011). Transferability will be identified when the detailed information in the research findings is similar to additional research data or perspectives (Wisdom, Cavaleri, Onwuegbuzie, & Green, 2012).

Transition and Summary

The purpose of this qualitative multiple case study was to explore strategies technology and telecommunications companies use to reduce the risks of outsourcing outside the United States. Section 2 defined the role of the researcher in managing the participants and providing answers to the research questions. Section 2 also defined the research method and design and identified the population and sampling methodology used. Data collection, organization, and analysis were discussed, as well as how reliability and validity were established during the research process. Section 3 presents a summary of the research findings and provide recommendations for further study.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The objective of this qualitative multicase study was to investigate strategies that technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries. I collected data from semistructured interviews with four leaders in the information technology and telecommunications industries experienced in implementing effectual strategies to mitigate risks when engaging in offshore outsourcing. Using the resource-based view theory (Barney, 1986) as the study's conceptual framework, I explored strategies that leaders used in their organization to successfully diminish the risks in outsourcing Information Technology services. The participants described various strategies to mitigate risks associated with utilizing offshore vendors, including creating a productive relationship among the key stakeholders by establishing measures to foster ongoing communication and building trust. This section includes the summary of the data analysis and conclusions that correlated to the research question.

The participants in the study disclosed their experiences with the methods used to mitigate risks. The methods used include: (a) ensuring vendor prequalification by conducting an assessment of potential vendors to determine the suitability of financial status and compatibility with the company’s core business functions; (b) fostering effective communication at all levels through ongoing contact and communication between parties; (c) developing solid contractual arrangements by conducting ongoing reviews of vendor’s compliance with contractual obligations; (d) determining the quality of vendor experience by conducting ongoing reviews of vendor’s staffing capability and process efficiencies, and; (e) ensuring stakeholder involvement by developing and reviewing performance metrics with key stakeholders. My findings indicated that participants who engaged in offshore outsourcing contributed to their company's overall success by reducing the potential of losing revenue through effective risk management. The participants’ experiences of managing offshore vendors and minimizing risks could benefit other technology and telecommunications leaders and provide insight on effective processes that may help overcome potential risks when transferring certain in-house functions to outsourced vendors. The following sections present the details of the research findings in relation to the conceptual framework that outlines how outsourcing can improve the overall performance of an organization when risk is managed and minimized effectively, application to professional practice, implications for social change, and recommendations for action and further research.

Presentation of the Findings

The participants in this study disclosed their experiences about strategies needed to fully assess potential vendors during the selection process and ensure that the potential vendors were entirely made aware of the requirements during the solicitation process. The strategies used by the participants were deemed to be more beneficial for the company when there was a clear understanding of the company’s objectives. The overreaching research question for the study was: What strategies do technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries? I obtained data from multiple sources for this case study. I conducted in-depth semistructured interviews of four business executives from four different companies using open-ended questions (see Appendix B). I reviewed written publications relating to risk management in offshore outsourcing developed by the participants and publicly available documents from three corporate websites that described outsourcing best practices.

The use of pseudonyms for each participant (e.g., P1, P2, P3 and P4) protected the identity of participants and preserved their confidentiality. Participants 1, 2, 3, and 4 were senior leaders of companies that engaged in varying levels of offshore outsourcing and who implemented successful strategies to minimize outsourcing risks. Two participants owned their own consulting business, and two participants were executive leaders at technology companies. The professional experience shows that the four participants have worked more than 20 years, and all had direct experience with offshore outsourcing. My original plan was to interview seven participants. I invited 12 participants to ensure data saturation. I received affirmation from all 12 requested participants. Eight participants withdrew their participation, resulting in four actual interviews. The interviews were conducted via web conferencing to maintain compliance with the World Health Organization’s protocols to prevent the spread of Covid-19. In accordance with the multiple case study approach, I interviewed participants from different industries in different geographical locations. The interviews lasted an average of 45 minutes.

At the onset of the interview and throughout our discussion, each participant shared their level of experience as well as their perspective about minimizing risk when managing offshore outsourcing vendors. I presented the same 10 semistructured interview questions to each participant. The recording was conducted through the Zoom application recording feature. The use of semistructured interviews, documents, and member checking revealed effective strategies developed and implemented to minimize risks. To identify themes, I used open-coding techniques and QSR NVivo® 12 to analyze the research data and as an aid in identifying high-frequency words or phrases. Five key themes resulting from my data analysis are discussed below in the subsections.

After the interviews, I expressed my gratitude to each participant for their participation in the study and transcribed the information recorded during the Zoom meetings using NVivo transcription software. I also reviewed my hand-written notes to capture additional information. To facilitate the member-checking process, I emailed the transcribed information and my summary of the responses to each participant to check for accuracy of the information. The participants did not make any changes to the transcribed information. I proceeded with collecting data until data saturation was achieved and no additional themes resulted from the collected data. I began the data analysis process by importing the transcribed information into the NVivo software program for coding, interpretation, and theme development.

The participants emphasized the importance of ensuring that the decision to engage in offshore outsourcing is a reliable and profitable business operation. I ascertained the top five themes from various data sources, including the interview transcriptions, participants’ written publications, my notes, and publicly available information from company websites relating to offshore outsourcing best practices. I analyzed the themes and determined the degree to which they aligned with the conceptual framework and literature review. The five themes are: (a) vendor prequalification; (b) effective communication at all levels; (c) solid contractual arrangement; (d) quality of vendor experience, and (e) stakeholder involvement. I also used procedural data triangulation during my research to examine the various data sources to verify the reliability and validity of my findings.

Once I completed the data collection, Yin's five-step qualitative data analysis process was used (Yin, 2018). The steps were compiling, disassembling, reassembling, interpreting, and concluding. The process began with transferring the information collected into MS Word by manually coding and analyzing the data to identify the key themes. The data were then transmitted into NVivo software to access computer-aided coding to understand further and create the relevant themes.

Theme 1: Ensuring Vendor Prequalification

Every participant stressed the importance of ensuring that the potential vendor's ability to manage the outsourcing requirements meets the needs of the company's objectives. P1 said, "the vendors should be taken through a prequalification process to make sure that they are financially sound and that their infrastructure includes technology that is compatible with the company's technology." This is especially important when seeking to minimize the risk of outsourcing to foreign vendors.

P2 explained that "prequalifying vendors will allow the company to gain insight on the vendor's overall capability, level of integrity and key employee experience including industry certifications all which are vital aspects of being able to manage outsourcing responsibilities." P3 stated that, "During the solicitation phase, the company must look at the vendor's fiscal resources, physical resources, and technical capabilities to narrow the list of potential vendors. The requirements would be outlined in a Statement of Work, allowing the vendors to provide us with information on what they can provide. Alternatively, the company can attach a Statement of Objectives to the competitive solicitation which would provide the company's key criteria for evaluation." P4 noted that: "A key part of the outsourcing process is vendor selection." This includes selecting vendors as a result of a competitive solicitation based on predetermined set of criteria that will meet the objectives of the company.

Theme 1 was consistent with the conceptual framework. The findings align with relational view theory, whereas establishing a relationship with a third-party outsourcing vendor allows the company to increase its competitive advantage by transferring the management of selected internal business processes to the selected vendor. Participants noted that companies prioritizing vendor prequalification are better positioned to achieve and maintain a competitive advantage by fostering effective outsourcing relationships. This theme suggests that the selection of competent outsourcing vendors may help the company's leaders achieve a successful vendor relationship with minimal risks. The positive vendor relationship may also help resolve any contractual limitations and provide a more straightforward change management process during the term of the contractual relationship (Wiengarten et al., 2016; Jin Kim et al., 2013; Vorontsova & Rusu, 2014). The outsourcing documents reviewed on company websites explains that conducting thorough vendor prequalification is an essential part of engaging in offshore outsourcing with foreign vendors. This statement supports data obtained from participants' interviews.

Theme 2: Effective Communication at All Levels

Communication was a common theme among 3 out of 4 participants. P1 expressed: "During the phase where the company is transitioning its processes to the outsourcing vendor, communication at all levels is critical. This will ensure that there is a smooth transition, or in the unlikely event of a delay, alternative measures can be immediately put into place."

P3 explained that when services are outsourced to a global vendor, "the company may lose some control and visibility over the vendor" because they are overseas. In addition, another area of communication that poses risks when outsourcing is the language barrier. P3 spoke about personal experience with communication barriers that caused interpretation issues and ultimately resulted in a loss of revenue, intellectual property risks, and quality issues. P4 acknowledged that the exchange of knowledge and information is key to a successful outsourcing relationship. P4 stated that "the lack of communication can damage a company's reputation and reduce its competitive advantage."

Sundararajan et al. (2014) concluded that communication of the expected outcome of the relationship between the company and vendor is critical. The findings aligned with the literature review in that the material validated the participants' information that there is a greater risk if the outsourcing relationship is not managed effectively or if communication between the company and vendor is unclear. Lack of communication or ineffective relationships between the parties can result in scheduling delays or data security breaches (Moe et al., 2014).

The outcome may include prioritizing service to a level of essential and nonessential tasks, as agreed upon in the outsourcing contract. Both parties will be required to identify what the potential risks may look like and how the changes can minimize or maximize the potential risks. The resource-based view theory considers relationships as resources. Popli et al. (2017) identified business relationships as intangible resources. The findings of this study could potentially contribute to understanding the relationship between an offshore outsourcing vendor and the organizations' personnel to ensure the personnel performs adequately to meet the organization's goals.

The theory initially developed by Darwin and others in the 1900s that there is a natural selection of variations that increase the ability to compete and survive. The assumption is that a company and outsourcing vendor experiencing ineffective communication will result in minimal opportunity to outsource with a global outsourcing vendor and face threats of survival (Anderson, 1994). The communication theme aligns with the body of literature and relates to the evolutionary economics theory in that language barriers and ineffective exchange of information can impact the successful outcome of an offshore outsourcing relationship between the parties. The theme also aligns with information obtained from the publicly available information on the P1's company website that communication is a key factor in maintaining a sustainable relationship with vendors when engaging in offshore outsourcing.

Theme 3: Solid Contractual Arrangement

The consensus among the participants was that the contractual agreement between the company and vendor must clearly state each party's obligation and associated penalties if either party does not meet its contractual obligation. P1 noted that "The terms and conditions of the contract should be introduced to the vendor during the vendor selection phase to introduce the vendor to the contractual obligations. There should be clear deliverables and milestones in the contract to allow the company to track the vendor's progress." P2 also reiterated "that the proper contractual terms and conditions are essential to allow the company to terminate for convenience or default." A solid termination clause will allow the company to terminate the contract at will or in the event the vendor does not meet the predefined milestones as stated in the contract.

P3 also stated that "the termination clauses in the contract are very important." In addition, P3 noted that "the contract should also include service level requirements that clearly state the expected service level of the vendor with measurement and monitoring tools and metrics as well as standard reporting procedures, which will allow the company to measure the vendor's performance against the service levels."

A key objective of the contract is to incorporate penalties when the vendor fails to attain specified service levels where business is impacted through failure to meet service performance requirements, mission-critical system requirements, or meet critical milestones or objectives. This makes it easier to mitigate the vendor when service levels are not met because it impacts the vendor in a financial manner. Also, applying incentives in the negotiated contract will likely encourage the vendor to meet or exceed the prescribed service levels. In addition, including a clause that clearly defines liquidated damages is critical in order to hold the vendor accountable for losses that the company may suffer as a result of the vendor’s nonperformance. P4 expressed the importance of the negotiation of the contract, especially taking care to minimize the vendor’s ability to subcontract the services to third-party vendors. Subcontracting services to third-party vendors add risk to the vendor’s ability to manage and monitor key elements of the contract, such as breach of data security.

The participants’ response was in alignment with the information presented in the literature review that a cohesive client-vendor relationship is essential to reduce operational risks and critical to the success of the outsourcing project (Qi & Chau, 2015). The expectations of the client-vendor relationship outlined in the contract, effective administration of the contract, effective communication, knowledge sharing, commitment, and trust are all factors that can contribute to a successful contractual arrangement. This theme was further confirmed by the publicly available information obtained from P3's company website. According to the information, continuous assessment of each party's compliance to the contractual obligations ensures that all parties are accountable if the company's strategic goals are unmet.

Theme 4: Quality of Vendor Experience

Quality of vendor experience includes managing the security of the company’s data, familiarity with the company’s products and services, and cultural training. P1 suggested that: “The vendor must have the ability to develop an operational solution as well as have a thorough understanding of the company’s geographical landscape.” P2 reiterated that the vendor must show that their employees possess the appropriate industry certifications to show they are familiar with the IT operations or core center functions required to manage the company's data security. ISO 20000 certification is a service management system (SMS) standard that sets the requirements on how a service provider should plan, establish, implement, operate, monitor, review, maintain and improve the service management system to ensure it is safe and secure.

P3 advises that the company must verify the vendor's experience in advance of contract negotiation to alleviate the possibility of being 30, 60 or 90 days into the contract only to discover that the vendor does not have the experience they originally stated. The risk of outsourcing to offshore vendors may include the vendor not having adequate IT resources, such as WiFi, mobile networks, IP locations, which can be problematic when outsourcing IT functions.

The results of this study correlate with inadequate skilled employee resources are risky in offshore outsourcing because companies use employee attrition to measure offshore outsourcing vendor performance (Nicholson & Aman, 2012). The findings enhance the existing body of knowledge because foreign employees can seek jobs with multiple companies after being hired as offshore outsourcing services are in high demand (Sengupta & Dev, 2013).

Employee attrition significantly impacts a company's revenue and increases the cost of resource allocation and training (Sharda & Chatterjee, 2011). Companies considering engaging offshore outsourcing vendors must maintain their skilled and knowledgeable employees to experience long-term financial gain (Musteen, 2016). The costs of wages and benefits to retain employees may impact a company’s revenue resulting in the company engaging in outsourcing activities (Yao et al., 2010).

Theme 5: Stakeholder Involvement

Stakeholder involvement was emphasized by P1, P3 and P4. The main points of this theme are that the key stakeholders (internal and external) will play an integral part in identifying the business areas that require outsourcing and approving any costs that may impact the outsourcing decision. In addition, the key stakeholders must be a part of the decision-making process from the very beginning by providing input about the project plan, as well as approving the project plan and any change orders that are required. P4 emphasized that any exposure to risk that the company experiences must be clearly identified and communicated to the key stakeholders as the success or failure of the company will impact them.

The findings discovered during the participants’ responses support the findings of the reviewed literature. Mykhaylenko et al. (2015) highlighted the decision to select an optimal outsourcing vendor impacts the effectiveness of the outsourcing relationship. The findings support other authors’ conclusions that the success of an organization, when engaging in an offshore relationship, directly relates to the organization’s leaders communicating their mission and vision to ensure the commitment of key stakeholders (Jacob et al., 2013).

The validity of the information collected from the participants supports the theme of this study. It establishes the relevance of the research findings with existing peer-reviewed literature that the involvement of key stakeholders enhances the success and reduces the risks of the outsourcing relationship. The theme of the study aligns with the agency theory, which focused on the mechanisms required to assist critical stakeholders with creating a cohesive company-vendor relationship to effectively mitigate any risks that may arise (Mishra, 2017).

Findings Related to Conceptual Framework

The conceptual framework for this study was resource-based view theory (Barney, 1986). The general premise of the Resource-Based View theory is that in order to gain competitive advantage, a firm must initially focus on its resources and skills, and then on its positioning in the industry. Then, a company needs to strategically manage the resource accumulation, coordination, and allocation process to attain a sustainable competitive advantage (Prahalad & Hamel, 1990). The methods used in researching companies experienced in managing offshore vendors should align with the knowledge that ineffective negotiations with vendors and lack of vendor management can result in risky business (Gamlin et al., 2020).

The conceptual framework of minimizing risks included elements of managing outsourcing costs. Monitoring of outsourcing vendor’s performance standards can prevent the client from incurring unexpected costs from engaging in outsourcing activities (Grahovac et al., 2015). The findings of the study indicate that setting performance level goals for the offshore vendor can help to decrease additional costs for nonperformance. The evaluation of the offshore vendors’ performance could also help control additional costs that may be incurred by the organization (MacKerron et al., 2015).

To evaluate the offshore vendor's efficiency, the participants stated that retaining a third-party auditing company helps ensure optimal performance. The organization's leaders can gain valuable insight on outsourcing costs by reviewing service level goals, monitoring performance, and evaluating whether the goals have been achieved (Larsen, 2016). The findings of this study suggest that failing to achieve the organization's performance goals with respect to outsourcing can result in loss of revenue.

Applications to Professional Practice

The findings from the study could be of value and contribute to the understanding that leaders in technology and telecommunications companies could apply the results of the study in a structured approach to improve business practices to understand better and provide adequate management of offshore outsourcing activities. By employing the themes generated in this study, the managers could potentially offer proper overall management throughout the lifecycle of the outsourcing process, which could better prioritize the functions for which the company engaged the offshore vendors to perform. Based on the participants' responses to the semistructured interview questions and review of the company documents, I found that establishing and implementing strategic risk management processes that include but are not limited to vendor oversight practices could potentially support positive company performance.

The success of the outsourcing contract frequently depends on the choice of the vendor during the preselection process. The company's key decision makers' assessment and selection of the potential vendors before executing the contract is vital (Lacity et al., 2015). In addition, the body of knowledge relating to the elements that result in increased risk when meeting company objectives would directly result from poor vendor selection and management of vendor relationships (Williams & Durst, 2019).

The elements of the study that provide knowledge of the basis for companies to identify risks that cause outsourcing vendors to show a lack of performance when meeting the company's assigned deliverables contribute to the key risk management decisions. The themes identified in this study could be instrumental in overcoming any challenges that can outweigh good performance by the vendors. An in-depth understanding of the offshore vendor's internal processes could provide the company's decision makers with insight on how an analysis of vendor management can assist with the monitoring of the vendor's employees as well as performance levels.

Engaging the company's key stakeholders in evaluating vendors is a critical method of determining whether the vendor can meet the company's objectives. The key stakeholders could be concerned with the vendor's work environment and how the environment could directly impact the success of the outsourced services. This study presented findings that suggested poor oversight of the vendor employees would directly affect employee morale, low employee performance, and lack of incentives to perform at the highest level. The study's findings also suggest that the company and the vendor should have a mutually cooperative relationship to enable both parties to succeed (Collm & Schedler, 2014). The collaboration of the company and vendor in the decision-making process and implementation of key practices could improve employee morale and increase employee performance. It could also result in enforcing a positive work environment and a trust-worthy client-vendor relationship to achieve defined objectives.

Adequate training for the employees of the outsourced vendors will contribute to the elimination or reduction of risk and breakdown of communication when striving to meet the company’s defined goals. When collecting the research data, the participants conveyed that the lack of training resulted in increased errors. The participants expressed that limited direction on how to manage the assigned tasks resulted in poor employee performance at the vendor’s locations. The research data demonstrated that a key business process would involve constant training resources to enable employees to increase their level of performance. The training would also allow the vendor to develop and retain experienced employees that are more capable of meeting the company’s defined goals, which would in turn, improve the quality of service the vendor provides.

When the company’s key decision makers are not involved in the design and implementation of the vendor’s requirements, the result can be the failure to meet organizational goals. In the findings of the study, the company should not have to engage in micromanaging the vendor employees to ensure the vendor meets the company’s expectations. The participants expressed that setting clear performance goals and making sure the vendor agrees with the goals during contract negotiation is not a common business practice. The company may oftentimes set performance levels that are not attainable by the vendor, which sets the vendor up for failure. As a result, the findings presented that an effective business practice would involve realistic goals, clear understanding by the company of the vendor capabilities, and increased alliance between the company and the vendor when developing the key design and implementation strategies. Eliminating the potential for the company to micromanage the vendor, providing of well-defined objectives, and creating open communication will contribute to the success of achieving the company's objectives.

Efficient communication and system capabilities are two key factors that companies should consider when evaluating potential outsourcing vendors. The participants conveyed those discrepancies in the information provided versus information confirmed and lack of efficient systems could result in poor vendor performance. Effective business practices by the company would include open communication and collaboration with key business partners to discuss the company's objectives, clear understanding of the company's and vendor's system functionality, and ongoing measurement of performance levels. Engaging in this business practice can result in minimal risks and success of meeting defined objectives.

The findings of this study contributed to the understanding of the practices that can result in poor vendor performance in meeting defined objectives and increasing risks. The findings of this study indicate that the key factors to reduce risks include: (a) prequalification of vendors, (b) communication, (c) effective contracts, (d) vendor experience, and (e) stakeholder input. The incorporation of these key factors in the business strategy could result in high vendor performance and reduced overall risks. The findings of this study also contribute to an existing body of knowledge relating to engaging with offshore vendor organizations by demonstrating that the relevance of the key factors described above may increase the success rate of both the company and the vendor.

Implications for Social Change

The implications for positive social change include technology and telecommunication leaders who use effective strategies to manage the outsourcing process and minimize risks will have positive business results, which will in turn increase the success of offshore outsourcing relationships. Global markets, such as India, China, Mexico, and the Philippines are the primary countries receiving outsourced services from the United States (Gurung & Prater, 2017). Services that are sent offshore, such as IT, customer service, and financial data, have increased year over year in these countries and are expected to continue to see growth (Chipalkatti et al., 2014). Chipalkatti et al. (2014) stated that 60% of the companies surveyed engaged in offshore relationships and planned to expand the current offshore operations to profit from the economic benefits of offshoring engagements to sustain competitive advantages. Socially, an increased demand in the countries mentioned above could improve the economy and standard of living for citizens residing in the countries.

Additional implications for social change include the possibility for leaders to identify strategies that would increase the profitability and competitive advantage of the company and minimize overall risks. Also, an increase in the demand of offshore services might contribute to positive social change by: (a) improving the foundation that would lead to job creation and growth in countries identified as emerging markets, and (b) increase cultural awareness through establishing commonalities and alignment with foreign business practices. As business leaders formulate strategic partnerships with offshore vendors in certain countries, the cultural values, and business practices will be better received, and the societal gaps can be bridged to create better partnerships.

The success of minimizing risks when utilizing outsourcing vendors may lead to stable economic conditions for countries where outsourcing vendors India, China, Mexico, and the Philippines are the primary countries receiving outsourced services from the United States (Gurung & Prater, 2017). The study was designed to expand upon the knowledge of outsourcing from a company leader's perspective by exploring insights into how the leaders view operating efficiencies and effectiveness. Outsourced decision-making that is effective may increase sustainable business practices that could result in better outsourcing partnerships between companies and outsourcing vendors (Manning et al., 2011). Companies can create decision-making practices that contribute to the overall performance of both parties.

The findings from this study can serve as a blueprint for the essential practices that results in high performance and low risk. The findings could benefit domestic company leaders, offshore vendors, and the communities they are involved in by creating successful outsourcing functions. This would also include providing company leaders the ability to avoid unsuccessful negotiation of contracts with offshore vendors to ensure deliverables are successfully met.

Recommendations for Action

Companies have experienced an increase in offshore outsourcing which often presents a great deal of business risks, including loss of revenue, data security breaches, disruption of services, and lack of control of processes (Steven, 2015). The findings in the study highlight the results from a comprehensive exploration of the successful strategies used to mitigate risks when engaging in offshore outsourcing. The findings may contribute to U.S. business leaders' improving offshore outsourcing business practices to minimize risks in offshore outsourcing practices.

Based on the study findings, I recommend the following strategies and practices to business leaders to improve strategies to minimize risk when outsourcing services to global vendors.

Vendor Prequalification

Company leaders should carefully engage in vendor prequalification before awarding a contract to increase the likelihood of success of vendor performance. In addition, leaders should not use cost reduction as a leading factor when selecting a vendor. Other factors to consider when selecting a vendor include verifiable experience, vendor’s internal business processes, competency of the company’s business, and other industry-defined criteria. Leaders should define the necessary costs, inspect the vendor’s performance record, and carefully examine the contractual terms with vendors.

Effective Communication

Identify any gaps or lack of understanding between the company and vendor that could affect the positive outcome of achieving business objectives. Use internal and external quality assessment tools to monitor the effectiveness of the services provided by the vendor and use the results to reduce costs in the long term. Establish a trusting relationship with the vendors to promote communication across all levels.

Define Contractual Arrangement

Identify the expectations of vendor efficiency and review the information to understand how a lack of performance can result in contract termination. Implement strategies to minimize risks by applying the necessary focus on the vendor’s performance scorecards. Engage third-party companies to examine and conduct audits on the vendor’s performance related to the efficiency of services provided and compliance with contractual requirements.

Vendor Experience

Effectively manage risks to ensure the success of the outsourcing relationship. Conduct periodic visits to vendor’s locations to validate the quality of service and compliance with contractual requirements. Representatives from the vendor and the company should define the change management process and how changes to the scope of the contract can involve potential risks.

Engage Key Stakeholders

Ensure key stakeholders are involved in the decision-making process to outsource to an offshore vendor and the critical implications the decision can make for the company. Engage stakeholders to discuss the outsourcing opportunity and potential challenges and opportunities to make an informed decision. Evaluate and plan the strategy to enter into a contractual arrangement with the offshore vendor.

By applying these recommended strategies, business leaders may benefit from learning how to identify and mitigate the risks in their relationships with offshore vendors. I will distribute my findings in this study to business leaders through (a) business journals, (b) business conferences and summits, and (c) training conferences to educate business leaders from various business sectors.

Recommendations for Further Research

This study focused on technology and telecommunications leaders' strategies to mitigate risk when outsourcing services to foreign vendors. The approaches recognized in this study are significant to overall business practices. The study results reflected the experiences of study participants who engaged in outsourcing with offshore vendors.

To further increase the understanding of the strategies leaders use to mitigate risks when outsourcing services to foreign countries, I recommend researchers conduct more extensive studies on the same or similar industries. Researchers can also further research how the information can be transferable to financial and manufacturing service companies that outsource with offshore vendors in countries such as Canada, Brazil, and Australia.

Researchers should conduct comprehensive explorations to study business leaders' additional strategies to mitigate risks. The other researchers may employ the findings from the different companies to compare to the information gathered from the participants of this study and explore those findings to determine the use of information financial and manufacturing business service industries.

Reflections

As I reflected on the doctoral study process, I found the process engaging and enlightening concerning effective risk management practices. Before I conducted the study, I had a limited view of the importance of managing risk when engaging in offshore outsourcing. I gained an extensive understanding of how risk management strategies have a substantial role in prioritizing successful business processes. Upon reviewing the literature, I learned that risk management is more complex when compared to what I previously thought I knew. Complexity creates sources of new opportunities, in addition to increasing challenges that need to be addressed.

As the researcher of this qualitative case study, I was required to collect data without bias and judgment. I strived to comprehend the participants' experiences to present the findings and recommendations ethically, objectively, and organized. Upon interviewing the participants, the information I received about the participants' experiences enlightened my perception of the process business leaders follow to create a positive, collaborative experience with minimal risk when engaging with offshore vendors.

Prior to conducting the study, my view of contractual relationships between companies and offshore vendors was that this relationship could foster many power struggles, conflict of interest, and opportunism. After conducting the study, I realized that companies and vendors could develop long-term business relationships with common goals.

The journey through this doctoral study process was, at times, quite challenging but informative. I realized that doctoral research is filled with challenges and hurdles; critical thinking and determination are crucial attributes required to complete the doctoral study journey. I could not have anticipated the need to collect research data during a global pandemic. During this time, businesses were closed or were operating on a remote schedule, which resulted in obstacles when I attempted to schedule interviews. Many business leaders were hesitant to participate in interviews as they were struggling to stay afloat in their businesses. I did not allow the challenges to deter me from pushing forward. Overall, the challenges made me push harder to completion. The experience I valued most of all was having an incredible mentor, Dr. Marilyn Simon, who always encouraged me to keep pushing through to the end. I also enjoyed conversing weekly with people from all over the world with various cultural experiences which also made me appreciate the opportunity to engage in the doctoral process.

As a professional who has many years of experience writing contracts and proposals, I had a preconceived idea that the process would be less challenging for me than for someone who may not engage in some form of writing as a profession. However, that was not the case. Participating in this study allowed me to improve my critical thinking skills, academic writing, and formalizing business strategies. The level of academia I experienced throughout this process provided me with a return on my investment.

Conclusion

The focus of the study was to determine the key strategies used by technology and telecommunications leaders to mitigate risks when outsourcing services to vendors in foreign countries. The findings from this qualitative single-case study disclosed that successful vendor prequalification, effective communication, and the involvement of key stakeholders contributed to effective risk management strategies, which resulted in competitive advantage and increased revenue. I used the data collected from the participants' interviews and additional company documents to determine that business leaders executed specific business strategies to minimize risks.

The goal of business leaders in most companies is to increase revenue. Business leaders should take the necessary measures to mitigate outsourcing risks that could affect the company's profitability and status in the marketplace. Business leaders should use the recommended actions detailed in this study to determine the factors involved when companies experience risks in their engagement with offshore vendors.

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Appendix A: Invitation to Participate in Research Study

I am pleased to invite you to participate in a research study entitled Key Strategies Used to Mitigate Business Risk when Managing Offshore Outsourcing” to help determine what strategies do technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries. For this study, you are invited to describe your knowledge and experience of managing risks when engaging in offshore outsourcing.

This invitation is part of the doctoral study for Lauren Stewart, a DBA student at Walden University.

About the study:

- One 30- to 60-minute telephone or video interview
- To protect your privacy, details about your identity will not be shared, nor will your personal information be used for purposes other than this study.

Volunteers must meet these requirements:

- 18 years old or older
- Possess a minimum of five years of experience directly relating to offshore outsourcing and risk management.
- The ability to identify the risk management strategies used when engaging in offshore outsourcing.

TO CONFIDENTIALY VOLUNTEER, PLEASE SEND AN EMAIL TO LAUREN.STEWART2@WALDENU.EDU TO EXPRESS YOUR INTEREST IN PARTICIPATING IN THE STUDY.

Appendix B: Interview Questions

1. What strategies have you used to mitigate risks when outsourcing IT services to foreign countries?
2. What strategies did you use to assess your current internal resources before committing to outsourcing your IT services?
3. How does the strategies you use provide you with a competitive advantage?
4. What strategies do you use to recognize potential outsourcing risks?
5. How does your company address potential risks with foreign outsourcing vendors?
6. How does your company's business objectives align with minimizing risk when outsourcing to foreign countries?
7. What challenges have you experienced in outsourcing services to foreign countries?
8. What risks have you experienced when competing for outsourcing services in foreign countries?
9. What strategies have you found effective in mitigating challenges from outsourcing services to foreign countries?
10. What additional information would you like to share regarding strategies used to mitigate risks when outsourcing services to foreign countries?

Appendix C: Interview Protocols

The guiding research question for the study is as follows:

What strategies do technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries?

The following interview protocol contains the questions used to explore the central research question.

Interview Protocol	
Protocol Steps	**Protocol Action**
Introduction	Good morning or afternoon, I want to first thank you for taking the time to participate in this research study. The purpose of this qualitative study is to explore strategies that technology and telecommunications leaders use to mitigate risks when outsourcing IT services to foreign countries. The outcome may produce an understanding of how leaders in the technology and telecommunications industries might use the findings to minimize risk while increasing revenue and profitability. As the researcher, I want to assure you that the information provided will be kept confidential, as indicated in your signed consent form. The qualitative research data are collected using interviews to understand the experiences and processes from the perception of the participant. These questions are presented in an open manner to encourage you to answer as openly as possible. The interview will last approximately 30 to 60 minutes with an additional 20 minutes at an established date to review the synthesized data captured during the initial interview. Before we proceed, are there any questions concerning the intent of this study or anything that I have stated?

Begin with Interview Questions	1. What strategies have you used to mitigate risks when outsourcing IT services to foreign countries?
	2. What strategies did you use to assess your current internal resources before committing to outsourcing your IT services?
	3. How do the strategies you use provide you with a competitive advantage?
	4. What strategies do you use to recognize potential outsourcing risks?
	5. How does your company address potential risks with foreign outsourcing vendors?
	6. How does your company's business objectives align with minimizing risk when outsourcing to foreign countries?
	7. What challenges have you experienced in outsourcing services to foreign countries?
	8. What risks have you experienced when competing for outsourcing services in foreign countries?
	9. What strategies have you found effective to mitigate challenges from outsourcing services to foreign countries?
	10. What additional information would you like to share regarding strategies used to mitigate risks when outsourcing services to foreign countries?
	11. What other insights would you like to add regarding offshore outsourcing and risk management strategies associated with outsourcing?
Interview Wrap-up	This concludes the interview and I want to thank you again for your participation. Recording of interview is concluded.
Advise of member checking process	As a part of the member checking process, I will transcribe the interview and send it to you via the email address you provided. Please review the information in detail and provide me with any feedback that you may have. If any of the information in the transcribed document does not align with what was discussed, I will correct the information and return the document to you for additional review.
Answer additional questions	Do you have any additional questions relating to this interview?