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Global outsourcing

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Global outsourcing: A study of student attitudes

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Abstract

The practice of global outsourcing by U.S.A. companies is frequently the source of heated debate. Recently a Wall Street Journal-NBC News poll found that 86% of Americans believe that outsourcing is the number one factor contributing to the country's continuing economic distress. This study presents the results of a survey designed to assess the attitudes toward global outsourcing among business students and non business students at a large regional university in the Southeast U.S.A. A survey of attitudes toward global outsourcing was administered to 284 undergraduate and graduate students. Descriptive statistics, frequencies and MANOVA methods were used to analyze the data collected. Statistically significant differences with attitudes were found among the students' level of knowledge, age, gender, major, and classification. The results indicate business majors are more positive toward global outsourcing than are non-business majors. Another finding is that older students (>25) and MBA students are more pessimistic toward global outsourcing. Those "older" and MBA's were mostly concerned with the impact of such outsourcing on jobs. Implications for teaching international business are discussed.

Key words: global outsourcing, attitudes, business students, non business students

INTRODUCTION

In recent years global outsourcing by American firms has become a subject of heated debate. The intensity of the issue has been elevated to central campaign themes in many hotly contested U.S. Senate and Congressional elections. During the last U.S. Presidential race, the issue of global outsourcing was even evident in televised debates.

Since the Association to Advance Collegiate Schools of Business (AACSB) requires that the “common body of knowledge” includes an international dimension, it would be of interest to educators to assess how students in an AACSB College of Business perceive global outsourcing and related issues. This AACSB standard that requires evidence of an international perspective (either in required courses or “across the curriculum”) has been in place since 1979.

Most traditional business courses within the AACSB’s “common body of knowledge” emphasize that businesses should operate both efficiently and effectively. For example, all leading Principles of Management texts stress these two concepts throughout the book (Robbins and Coulter, 2009; Griffin, 2010; Schermerhorn, 2010). This philosophy of management has been a basic tenet of business school education for at least the last forty years.

Business school educators would then logically think that students would accept this view of why USA firms engage in global outsourcing:

In order for one to understand why companies globally outsource some of their job functions, one must understand the vitality of competition. Competition is a force that drives American firms to operate at their most efficient form. American firms maintain efficient and effective operations by achieving a higher return on assets through less capital commitment and increasing the ability to adjust quickly to a changing environment through less commitment to in-house resources. (Insinga and Werle, 2000).

In light of these competitive forces, many businesses have developed global outsourcing as a strategy that allows the firm to maximize its use of scarce resources.

This study was designed to assess how business school students perceive global outsourcing. In spite of the consistent messages students receive on the benefits of global outsourcing to business and the economy, negative attitudes may also reflect the message from the media that their own job prospects may be threatened. In an attempt to study business students’ attitudes, several “levels” of business school education were examined. Surveyed students included those just beginning their programs of study, those midway through their programs, and older, more experienced MBA students. To see how other college students view global outsourcing, students in freshman political science classes, who had not yet taken any economics or introductory business courses, were also surveyed.

LITERATURE REVIEW

Global Outsourcing

While the rhetoric of election campaigns and national media suggests that global outsourcing is a new trend, the facts are that USA firms have been globally outsourcing for several decades. On a broad scale, global outsourcing first became popular in the apparel and textile manufacturing industries during the late 1960's and 1970's (Madigan, 2003). Later came automotives, computers, electronics, and other forms of assembly work during the 1980's (Murray and Kotabe, 1999). Most recently, during the 1990's into the present and future is the trend toward outsourcing of "knowledge" work in software design, technical support, telemarketing, call centers, and back office work (Mandel, 2003).

According to some observers, outsourcing as a general business practice becomes most common during recessionary economic cycles (Bardhan and Howe, 2001). In recent years, the pace of global outsourcing has accelerated as firms all over the world attempt to develop strategies that seek out low cost advantages. For example, in one survey of over 428 of the fastest growing companies in the USA, all of them had used global outsourcing in at least a part of their business (Greco, 1997).

While many companies outsource some of their functions, some studies have suggested that for service firms, the corporate strategy will be to typically retain core functions intra-nationally, regardless of the type or complexity of the core function of the firm (Murray and Kotabe, 1999). A major reason for this is because of the difficulties encountered with outsourcing. Insinga and Werle (2000) identify the primary pitfall of international outsourcing as the upkeep and maintenance of workers at the local site. For example, communication problems, cultural differences, and norms have all led to some firms having major problems as they outsourced work abroad.

Regardless of how business school students view global outsourcing, it does appear that such a strategy will continue to be used by American firms.

Perceptions and Attitudes

Attitudes are simply "learned predispositions to respond in consistently favorable or unfavorable manners with respect to given objects" (Fishbein and Ajzen, 1975). Since the primary thrust of this study is to assess business attitudes toward global outsourcing, an examination of the attitude formation process is in order.

According to Fishbein and Ajzen (1980), attitudes form due to relatively positive or negative experiences with a given object. The attitudes that form due to these perceptions are then related to behavioral intentions. For example, if a person forms a negative perception based on a belief that the economy is headed toward a severe recessionary cycle, then that person's behavioral intentions are more likely to be cautious in his consumption patterns.

Recently the media has focused on highlighting the "movement of American jobs abroad." Most of these episodes involve businesses acting very rationally to maximize economic returns on their assets by seeking out lower cost means of production. A concern is that students are getting negative messages about global outsourcing that in turn lead to negative attitudes. The effects of the media combined with the rhetoric of an intense presidential campaign may be creating a mindset among business students that global outsourcing is a "bad thing." In turn, this negative mindset may lead to a more generalized negative attitude toward international business.

There is not a lot of published research documenting precisely how business school students perceive international business. One study of 431 undergraduates in an AACSB school examined their attitudes toward a required course in International Business and careers in

International Business (Tillery, Cudd, and Rutledge, 1994). That study found significant differences between students interested in a career in international business and those not interested. Those interested were more positive toward the course in International Business. A somewhat paradoxical finding in this study is that while most students reported strong agreement that international business knowledge does provide competitive career advantages, those same students were not positive toward the idea of pursuing careers in international business. This last finding should be of major concern to educators.

If this study is representative of typical business school students across the country then follow-up studies should be done on learning why so many students are not interested in international business. This is especially critical in that many observers note that businesses are increasingly becoming more global and that future successful managers must have a global perspective (Bennet, 1989, Dumaine, 1988; Herr, 1989; Hayes, 1988; Kahley, 1985, 1987; Rosendahl, 1988).

RESEARCH METHODS

A survey questionnaire was constructed using 13 items designed to assess various attitudes and perceptions related to global outsourcing issues. Also included in the survey were demographic questions of age, gender, major, and a question asking students to indicate their level of knowledge of global outsourcing. Several professors who both teach and conduct research in international business then reviewed the questionnaire. A five point Likert scale was used to measure the level of agreement with the various items. The survey was then field tested using a small group of students and professors to check for understanding and clarity. The 13 items were ordered alternately in terms of positive/negative so that respondents would not develop a response bias.

Surveys were given to eight different classes at a regional university in the Southeastern United States with approximately 20,000 students. The College of Business is AACSB accredited and complies with all standards requiring coverage of international business in the curriculum. In the sample were five business classes and three undergraduate classes in political science. Three of the business classes were two large sections of Introduction to Business and one large section of Principles of Management. The other two business classes were MBA classes in International Marketing and Global Business Strategy. The total sample size was 284.

RESULTS

The data analysis includes two parts. First, a series of t tests are applied to evaluate differences in the item response by five categorical subgroups within the sample. Second, a set of scores on the items is calculated. Six of the questions reflect attitudes toward the impact of outsourcing on the economy. The negative items are reverse scored and the responses added. The range of possible scores then extends from a low of 6 to a high of 30. The higher the score the more optimistic the respondent is on the impact of outsourcing on the economy. Six questions are also designed to reflect the respondent's attitude toward the impact of outsourcing on job prospects within the economy. Again a score of 30 is more optimistic about job prospects in the presence of outsourcing and a low score is more pessimistic about job prospects. Both the job score and the economy score are then tested for significant differences between the subgroups.

The first level of comparison is based upon the self-reported level of knowledge of the respondents. The knowledge group includes 85 respondents who strongly agreed or agreed that outsourcing “is a topic of concern that I am very knowledgeable about.” The 101 respondents who disagreed or strongly disagreed are considered less knowledgeable. The items where respondent’s knowledge revealed significant differences in attitudes are presented in Table 1. The more knowledgeable were more likely to significantly disagree with the statements that outsourcing does not improve the overall economy, does not highly impact the USA manufacturing jobs, and increases employment opportunities for USA college graduates. In short they are significantly more likely to recognize outsourcing as good for the economy, but have greater fears as to the impact on manufacturing jobs and employment opportunities for college graduates.

The second level of comparison involves graduate students versus undergraduate students and is reported in Table 2. The sample included 218 undergraduates and 52 graduate students. The graduates were more likely to agree that outsourcing impacts USA technology related jobs and like the more knowledgeable disagreed with statements that it does not impact manufacturing and increases employment. The mean in Table 2 reflects the reverse scoring on the technology item. Each of the three items that is significant for the graduate students reflect a pessimistic outlook on the relationship between outsourcing and jobs. None of the items related to outsourcing and the overall economy were significant.

The third comparison evaluates differences in the sample response by gender. The sample contained 126 males and 145 female respondents. The significant items are reported in Table 3. Men were more likely to agree that outsourcing decreases USA companies’ labor costs and decreases the price of USA products. They are more likely to disagree that outsourcing does not allow USA companies to operate more efficiently or highly impacts service-related jobs. They are also more likely to describe themselves as knowledgeable than the female respondents. The analysis by gender reveals the first real division on the economic impacts of outsourcing beyond those related to jobs.

Table 4 contains the means test for the age variable within the sample. One subgroup of 45 respondents was over 25 years old. These responses are compared with the 237 respondents under 25 years old. This group of older respondents was very focused on job related items. Significant differences were found on outsourcing increasing jobs, impacting manufacturing jobs, creating new fields and jobs, and increasing employment opportunities for college graduates. In each case the older respondents were significantly more pessimistic about the impact of outsourcing on jobs. There were no significant differences on the economy related items by age. Finally, the older respondents did claim to be significantly more knowledgeable about outsourcing. One possible explanation is that older respondents have worked more than younger and as a result are more sensitive to anecdotes of job loss. Perhaps some of the respondents even attributed past job changes to outsourcing. That is certainly an issue to explore in further analysis.

The fifth demographic grouping is by major. Table 5 reports the means test for business majors versus non-business majors. Non-business majors comprised 87 respondents and business majors 193. This grouping revealed the greatest number of items with significant differences. Business majors’ attitudes reflect significant differences in the impact of outsourcing on the overall economy of the USA, the overall economy of the country to which the job is outsourced, the efficiencies of companies, labor costs, and prices in the USA. In each case the direction of difference is that the business major was more optimistic concerning the

efficiency and improvement in the economy from outsourcing. These students were also more likely to agree that outsourcing impacts service-related jobs and increases employment opportunities for college graduates.

To summarize the division of attitudes on outsourcing Tables 6 and 7 report the means test for the job score and economy score variables. In each case the reversed scoring allows items to be combined such that a higher score reflects a positive inclination toward the impact of outsourcing and a low score reflects a negative attitude. It is interesting to consider the differences revealed. Each of the five groupings discussed earlier had a significant difference on one of the two scores. In the case of age, reported knowledgeable, and graduate student status, the significant difference was in the view of jobs. Each of these subgroups is relatively pessimistic compared to their counterparts on the impact of jobs in the economy. Since both age and graduate status reflect a grouping where the negative view is likely to have more work experience a connection can be suggested. One possible explanation is that the view is predominant in the work force that outsourcing is a source of competition and hence viewed as a threat to employment. The same grouping of those reporting more knowledge may simply reflect the fact that workers with experience in global competition may see that as the source of their information and understanding of outsourcing. It is interesting to note that these groupings did not disagree on the impact of outsourcing on the economy. The two groupings that reveal differences in economy scores are business majors and gender. Males are reported as more favorable inclined toward the positive effect of outsourcing on the economy as a whole. This is consistent with other studies that report that gender is a significant predictor of attitudes toward free enterprise or economic conservatism. In each case males are more likely to maintain a favorable attitude. The positive score for business majors is a reassuring result for educators teaching globalization. It does appear that business education matters. Relative to non-majors business students are much more likely to accept the efficiency and effectiveness of the practice of outsourcing.

CONCLUSION

The summary of results is included in Figure 1. Outsourcing is a topic that generates disagreements and division. However, there are some consistent patterns in the discussion. When outsourcing is discussed in terms of the impact on jobs, those questions raise fears for workers about the potential job loss. Not surprisingly, older workers and graduate students are more susceptible to attitudes that reflect this pessimistic view of outsourcing and jobs. The people who are afraid of negative job impacts are also more likely to feel knowledgeable about outsourcing. Males are more favorable toward the economic arguments on outsourcing. This is consistent with literature that shows males in general are more favorable toward free enterprise and have a more conservative view of economic thought.

The most significant result for educators engaged in the teaching of global business practice is the finding regarding business majors. Business majors are more likely to appreciate the positive impact of outsourcing on the economy. The lessons that business practices focus on efficiency and effectiveness has in general been learned by the business major. These respondents are significantly more likely to report an optimistic view of outsourcing on the economy. This result occurs even though there is no significant difference on the impact of outsourcing on jobs and employment issues.

Additional research is needed to explore these issues. For example, what kinds of attitudes are found among those students who, in fact, have taken several international business classes? Likewise, what attitudes will be found among those students in their very last class of business, just before graduation? It is believed that variations in “mind-set” are more likely depending on how that student perceives global outsourcing will impact his own job prospects.

Another interesting line of research would be to learn how business school educators themselves view global outsourcing. To contrast business school educators’ attitudes with faculty from outside the business school would be particularly interesting.

Table 1. Outsourcing Attitudes by Respondents’ Knowledge

| Question | More Knowledgeable | Less Knowledgeable | T-Test and Significance |
|---|--------------------|--------------------|-------------------------|
| Does not improve the overall economy of the USA. | 2.76 (1.35) | 3.12 (.92) | -2.050 .042 |
| Does not highly impact USA manufacturing jobs. | 2.00 (.91) | 2.25 (.77) | -1.980 .049 |
| Increases employment opportunities for USA college graduates. | 2.48 (1.29) | 3.03 (1.20) | -2.984 .003 |

Table 2. Outsourcing Attitudes by Student Type

| Question | Graduate Students | Undergraduate Students | T-Test and Significance |
|---|-------------------|------------------------|-------------------------|
| Highly impacts USA technology related jobs. (R) | 3.04 (1.14) | 3.55 (.87) | 3.013 .004 |
| Does not highly impact USA manufacturing jobs. | 1.98 (.75) | 2.66 (.90) | 2.282 .025 |
| Increases employment opportunities for USA college graduates. | 2.42 (1.16) | 2.73 (1.21) | 1.650 .100 |

Table 3. Outsourcing Attitudes by Gender

| Question | Male | Female | T-Test and Significance |
|---|----------------|----------------|-------------------------|
| Does not allow USA companies to operate more efficiently. (R) | 3.67 (1.11) | 3.45 (.98) | 1.770 .078 |
| Decreases USA companies’ labor costs. | 4.09 (.77) | 3.82 (.88) | 2.662 .008 |
| Decreases the price of USA products. | 3.19 (1.03) | 2.96 (.97) | 1.895 .059 |
| Highly impacts service-related jobs. (R) | 3.09 (1.14) | 3.37 (.90) | -2.259 .025 |
| Is a topic that I am very knowledgeable about. | 3.16 (.95) | 2.63 (1.03) | 4.380 .000 |

Table 4. Outsourcing Attitudes by Age

| Question | <25 | >25 | T-Test and Significance |
|---|----------------|----------------|--------------------------------|
| Increases Jobs in the USA | 2.28 (1.17) | 1.89 (.98) | 2.388 .020 |
| Does not highly impact USA manufacturing jobs. | 2.27 (.86) | 1.82 (.89) | 30144 .002 |
| Does not create new jobs and fields in the USA. (R) | 2.68 (1.20) | 2.27 (1.07) | 2.167 .031 |
| Increases employment opportunities for USA college graduates. | 2.78 (1.23) | 2.29 (1.12) | -1.1913 .057 |
| Is a topic that I am very knowledgeable about. | 2.84 (1.01) | 3.16 (1.15) | -1.749 .086 |

Table 5. Outsourcing Attitudes by Business Majors

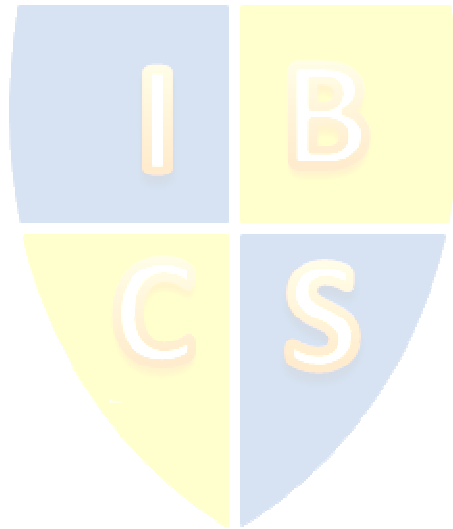
| Question | Business | Non-Business | T-Test and Significance |
|---|-----------------|---------------------|--------------------------------|
| Does not improve the overall economy of the USA. | 3.06 (1.09) | 2.70 (1.26) | 2.282 .024 |
| Improves the overall economy of the country to which a job is outsourced. | 3.81 (.87) | 3.59 (1.04) | 1.738 .084 |
| Does not allow USA companies to operate more efficiently. (R) | 3.65 (1.01) | 3.31 (1.10) | 2.532 .011 |
| Decreases USA companies' labor costs. (R) | 4.02 (.83) | 3.75 (.87) | 2.480 .014 |
| Decreases the price of USA products. | 3.14 (.97) | 2.91 (1.05) | 1.800 .073 |
| Highly impacts service-related jobs. (R) | 3.17 (1.01) | 3.43 (1.03) | -1.981 .049 |
| Increases employment opportunities for USA college graduates. | 2.78 (1.19) | 2.52 (1.28) | 1.685 .093 |

Table 6. Impact of Outsourcing Mean Job Score

| Question | Mean Job Score | Standard Deviation Job Score | T-Test and Significance |
|--------------------|-----------------------|-------------------------------------|--------------------------------|
| Undergraduate | 16.6376 | 3.5962 | 2.771 |
| Graduate | 15.0577 | 3.7175 | .007 |
| <25 | 16.8017 | 3.6183 | 3.650 |
| >25 | 14.6222 | 3.6822 | .001 |
| Knowledgeable | 15.7294 | 3.9533 | -2.430 |
| Less Knowledgeable | 17.0495 | 3.3537 | .016 |

Table 7. Impact of Outsourcing Mean Economy Score

| Question | Mean Economy Score | Standard Deviation Job Score | T-Test and Significance |
|-----------------|---------------------------|-------------------------------------|--------------------------------|
| Business | 21.6269 | 2.9853 | 3.728 |
| Non-Business | 20.1494 | 3.2476 | .000 |
| Male | 21.6587 | 3.1526 | 2.428 |
| Female | 20.7448 | 3.0180 | .016 |



Outsourcing Attitude Summary

Figure 1

The more knowledgeable:

Are more likely to disagree: does not improve the overall economy of the USA.

Are more likely to disagree: does not highly impact USA manufacturing jobs.

Are more likely to disagree: increases employment opportunities for USA college graduates.

Graduate Students:

Are more likely to agree: highly impacts USA technology related jobs.

Are more likely to disagree: does not highly impact USA manufacturing jobs.

Are more likely to disagree: increases employment opportunities for USA college graduates.

Men:

Are more likely to disagree: does not allow USA companies to operate more efficiently.

Are more likely to agree: decreases USA companies' labor costs.

Are more likely to agree: decreases the price of USA products.

Are more likely to disagree: highly impacts service-related jobs.

Are more likely to agree: is a topic that I am very knowledgeable about.

Older (>25):

Are more likely to disagree: increases jobs in the USA.

Are more likely to disagree: does not highly impact USA manufacturing jobs.

Are more likely to agree: does not create new jobs and fields in the USA.

Are more likely to disagree: Increases employment opportunities for USA college graduates.

Are more likely to agree: is a topic of concern that I am very knowledgeable about.

Business Majors:

Are more likely to disagree: does not improve the overall economy of the USA.

Are more likely to agree: improves the overall economy of the country to which a job is outsourced.

Are more likely to disagree: does not allow USA companies to operate more efficiently.

Are more likely to disagree: decreases USA companies' labor costs.

Are more likely to agree: decreases the price of USA products.

Are more likely to agree: highly impacts service-related jobs.

Are more likely to agree: increases employment opportunities for USA college graduates.

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