

Practical Class #06

International Management
Spring 2025

March 13/14

Mid-semester presentations - April 3rd/4th

- ❖ Should take **no more than 10 minutes**.
- ❖ **Not all members need to be present** and/or speak, but this need to be agreed inside the group – we will not take points from those who do not speak. However, all members must be in the class
- ❖ Submit the slides on Moodle by April 2nd/3rd (until 23:59).

Outsourcing and Offshoring

- ❖ Go to Moodle >> Outsourcing vs Offshoring (PDF)
- ❖ Based on the article, discuss in groups:
 1. What are the main differences between the concepts?
 2. What are the risks of adopting each of these concepts?

Results from the exercise

OUTSOURCING

- Performing activities outside the boundaries of the firm / move operations to a third party (an expert)
- Concentrate on your core activities
- It combines the competitive advantage of different firms
- Firms typically outsource activities such as: IT services, contact center, accounting
- Downside is that you may lose capabilities ... the third party may become your competition
- Do not outsource part of your R&D if your IP is not protected or to avoid bad reputation that may result from poor quality (Service legal agreements to avoid lower quality)
- It may be complex to manage the relationship

OFFSHORING

- Performing activities within the firm but in locations abroad / it is primarily a geographic activity
- Production goods (relocation of factories / services (Indian IT industry))
- Reduce costs for the seller and the price for the consumer
- Provide jobs in developing countries
- Because of the existence of high imported tariffs and transportation costs
- It is a way of entering new markets
- May lose quality

COMBINATION

- Moving operations to a third country and abroad
- Frees up domestic producers to concentrate on innovation and other high-value activities
- Less costs
- Public opposition
- Exposed to political / regulation instability
- Difficult to control

Biggest outsourcing IT failures

- ❖ Cambridge University NHS Foundation Trust and Epic
- ❖ Virgin airlines and Navitare
- ❖ Royal Bank of Scotland and their IT vendor
- ❖ The State of Indiana and IBM
- ❖ The State of Texas and IBM
- ❖ Queensland and IBM

Supply chain resilience

❖ Go to Moodle >> “Risk, resilience and rebalancing in global chains”

❖ Based on the article, answer to:

1. What are the main conclusions of the report?

Strategies to build supply chain resilience

Exhibit E7

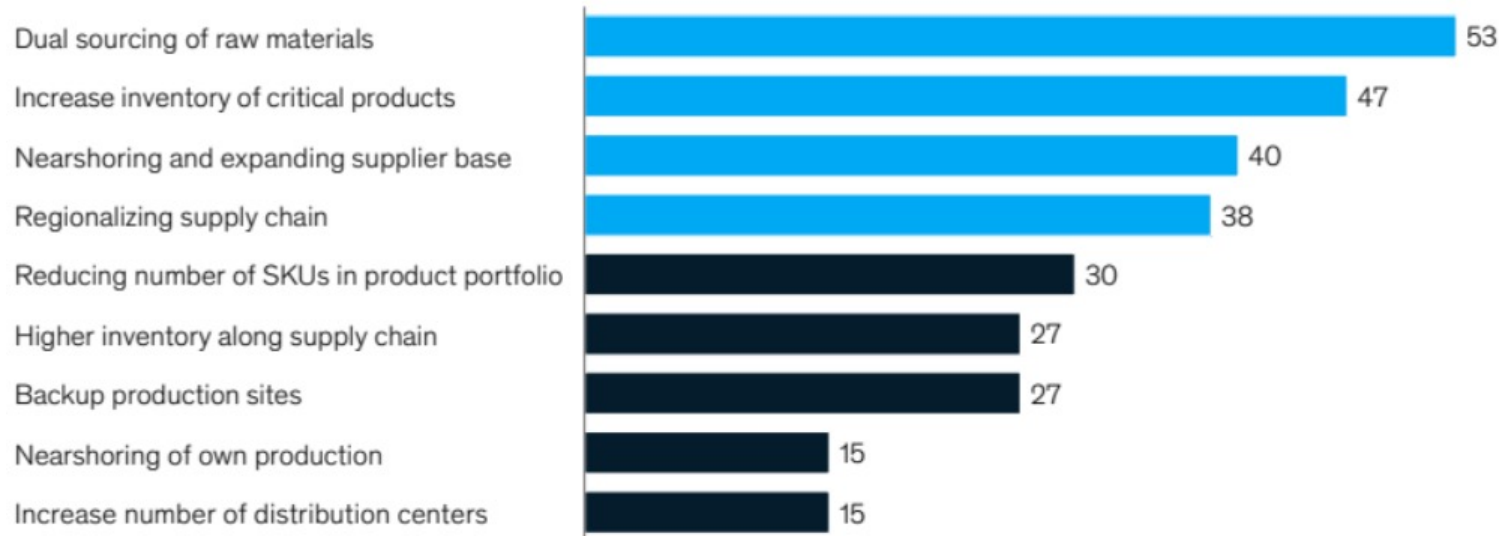
Surveyed business leaders are increasing resilience in supply chains and production through multiple strategies.

93% of global supply chain leaders are planning to increase resilience¹

44% would increase resilience even at expense of short-term savings²

Planned actions to build resilience

% of respondents¹



1. McKinsey survey of global supply chain leaders, May 2020.

2. McKinsey survey of business executives, May 2020.

Source: McKinsey survey of business executives, May 2020 (n = 605); McKinsey survey of global supply chain leaders, May 2020 (n = 60); McKinsey Global Institute analysis

Group Project Exercise

1. Would you consider offshoring or outsourcing for your international expansion? Why?
2. How exposed is your business to value chain disruptions and what strategies can be implemented to overcome it?