Examining the role of employee motivation in services offshoring strategy implementation: a conceptual framework

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Title: Examining the role of employee motivation in services offshoring strategy implementation: a conceptual framework.

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Conceptual paper
Abstract

The objective of this paper is to shed light on the link between services offshoring strategy and its outcomes for the firm by developing a theoretical framework for examining the role of employee motivation in the implementation of services offshoring strategy. Our framework is built on two conceptual foundations: the Microfoundations view on strategy and Goal Framing theory. We analyse services offshoring in terms of (a) the attributes and (b) the outcomes of firm level offshoring strategies, and (c) in terms of the micro-level processes that are essential for realising the outcomes. As part of these micro-level processes, we focus particularly on employee motivation for services offshoring strategy implementation. We argue that our framework should constitute the basis of future empirical research in services offshoring, as it aims to contribute a greater theoretical understanding and practical recommendations for the refinement of services offshoring strategies.

Keywords: services offshoring, microfoundations, employee motivation, goal framing theory
Introduction

For over a decade, the services offshoring phenomenon has attracted the attention of practitioners (Booth, 2013), scholars (e.g. special issue of the Journal of International Management: Jensen, Larsen, & Pedersen (Eds), 2013) and policy makers (UNCTAD, 2004). Services offshoring refers to the transnational transfer of service activities to foreign destinations in captive, collaborative or outsourced governance modes (Doh, 2005; Manning, Massini and Lewin, 2008; Bunyaratavej et al., 2011; Pisani and Ricart, 2016). We focus on services offshoring because compared to manufacturing activities, services depend more on human capital. Aiming for a better understanding of what drives the success of services offshoring initiatives, scholars have progressively investigated a) services offshoring attributes (see e.g. Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2011; Jensen & Pedersen, 2012; Lewin et al., 2009), b) services offshoring outcomes (Jensen, 2009, 2012; Larsen, Manning, & Pedersen, 2013) and c) micro-level processes (e.g. onshore and offshore employee motivational processes) that underlie the services offshoring strategy implementation (e.g. Mattarelli & Tagliaventi, 2012; Zimmermann & Ravishankar, 2016).

However, the focus of most extant research into services offshoring is pitched at the firm level of analysis rather than at individual actors and teams (i.e. the micro level of analysis), and we know little about the links between the micro and macro levels (Pisani and Ricart, 2016). We therefore argue that a comprehensive synthesis is needed to understand the link between the macro and micro levels of analysis and to support our understanding of how micro-level processes aggregate into services offshoring strategy outcomes. We pay special attention to how a services offshoring strategy is implemented at the micro level and thereby affects services offshoring strategy outcomes. For this purpose, we build on the growing body of research that suggests a missing link between macro and micro aspects in strategy research
(Felin, Foss and Ployhart, 2015). Foss and Lindenberg (2013) argue that this gap should be
addressed through a focus on the cognitions and motivations of organisational members,
using a ‘micro-foundations of strategy’ approach.

In this paper we also address the role of employee motivation in services offshoring
strategy implementation in order to understand how the realised outcomes are generated.
Services firms are seen to encounter several offshoring implementation challenges (Manning,
2014), some of which are tied to motivational processes amongst onshore and offshore
employees (e.g. Zimmermann & Ravishankar, 2016). Despite its apparent importance, the
role of employee motivation in services offshoring strategy implementation has received little
consideration among scholars until now (Zimmermann and Ravishankar, 2016). For this
purpose we examine employee motivation through two theoretical lenses, the
Microfoundations (MFs) perspective on strategy and Goal Framing theory (GFT).

The rest of the paper is structured as follows: First we present a background description
of the microfoundations view on strategy and the use of GFT for MFs research. We then
discuss and highlight research gaps in extant services offshoring research from a macro/firm
level perspective and with a focus on micro-processes of services offshoring strategy. We
then propose a conceptual model for research on the microfoundations of services offshoring
strategy. Following this, we elaborate on how GFT can be used to address the role of
employee motivation in services offshoring strategy implementation. This leads to three
propositions, concerning (1) how services offshoring strategies can trigger joint production
motivation and how this is a prerequisite for successful strategy implementation, (2) how the
micro-processes of interpersonal relationships and social interactions impact on the micro-
processes of employee motivation in services offshoring and (3) how joint production
motivation may affect knowledge sharing (an essential condition for effective services
offshoring outcomes). Finally, we highlight the managerial relevance of the proposed theoretical framework and identify possible directions for future research.

The ‘Microfoundations’ view of Strategy and Goal Framing Theory

This paper situates the above arguments within the MFs view on strategy. The MFs movement in strategy and organisation theory provides the means to understand how micro-processes mediate relations between macro-variables (such as firm or business level strategy and firm / business level outcomes) (Felin, Foss and Ployhart, 2015). In the same line, we hold that the macro-level phenomena of (a) services offshoring strategy and (b) its realised outcomes are linked to micro-level processes in terms of actions and interactions of individual organisational members (i.e. managers and employees) that work towards putting the strategy into effect (i.e. strategy implementation).

The MFs literature suggests that micro-processes in the context of individual motivations and their behaviour could be explored with the use of GFT (Foss & Lindenberg, 2013; Lindenberg & Foss, 2011). GFT suggests that in principle there are three overarching goals that individuals pursue: the hedonic and gain goals regarding personal needs and self-interest, and the normative goal concerning the need to work towards the realisation of collective interests. GFT provides the lens through which to explore the microfoundations of strategy by using the concept of “joint production motivation”. A joint production motivation is a motivation of individuals to contribute to a joint effort with their own “roles and responsibilities” and also with a shared understanding of “the relevant tasks, interdependencies, timing and possible obstacles to smooth coordination” (Foss & Lindenberg, 2013, p. 89). In other words, an employee / manager that pursues normative goals holds a joint production motivation. Based on these insights, we apply GFT to address
employee motivations in services offshoring strategy implementation, and further suggest that joint production motivation can play a key role in the implementation of services offshoring strategy.

**Research gaps in services offshoring research**

In the following section we identify and discuss two major gaps in extant research: a) the missing view on the micro-processes and b) the lack of explanations of the link between micro-processes and macro outcomes in services offshoring.

Overall, existing research on strategic firm-level services offshoring attributes (see e.g. Bunyaratavej, Doh, Hahn, Lewin, & Massini, 2011; Jensen & Pedersen, 2012; Lewin et al., 2009) suggests that the prime and most commonly mentioned strategic attribute refers to cost motivations based on reduced labour costs. However, in the case of advanced (i.e. knowledge intensive) services offshoring, the more central strategic firm goal is to foster international competitiveness through the expansion of knowledge resources and access to global talent pools (Jensen & Pedersen, 2012; Lewin et al., 2009; Pisani & Ricart, 2008).

Accordingly, services offshoring outcomes can be classified into two subgroups by the outcomes sought: a) organisational performance outcomes and b) capabilities, resources and processes, as an aftermath of services offshoring strategy implementation (Schmeisser, 2013; Pisani and Ricart, 2016). These outcomes are relevant to the various strategic attributes of service offshoring discussed above, namely the motive to achieve cost efficiency, access to skilled work, or access to new markets, which can also be called intended outcomes. The named outcomes constitute the preconditions for firm competitive advantage and value creation (Maskell *et al.*, 2007; Gerbl *et al.*, 2015). Furthermore, various operational offshoring characteristics, including governance mechanisms (i.e. formal and relational
governance) (Oshri, Kotlarsky and Willcocks, 2015) choice of activities to be offshored
(Roza, Van den Bosch, & Volberda, 2011), and coordination mechanisms (Srikanth and
Puranam, 2011), are used to achieve the intended offshoring outcomes.

Firm level offshoring and outsourcing research (see Di Gregorio, Musteen and Thomas,
2008; Jensen, 2009, 2012; Larsen, Manning and Pedersen, 2013; Manning, 2014) does
however not provide a clear view on how services offshoring strategies result in specific
services offshoring outcomes. In other words, limited evidence is provided on the link
between services offshoring strategy (i.e. strategic and operational attributes) and
organisational outcomes such as performance, capabilities and resources. We hold that in
particular, research is needed on the micro-level processes that underlie the link between
services offshoring strategies and their outcomes.

Only a few studies have explored micro-level processes within services offshoring. The
term “micro-level processes” is an encompassing term pointing to individual (i.e.
organisational members), team and small group level processes. We identify two different
research foci in this micro-literature that involve various levels of analysis: (a) a focus on the
impact of a macro (i.e. firm level) / meso (i.e. business unit level) services offshoring strategy
on micro-level processes (see Mattarelli & Tagliaventi, 2012; Sidhu & Volberda, 2011;
Zimmermann & Ravishankar, 2016) and (b) a focus on micro-level processes of services
offshoring strategies. The second focus on micro-processes is in relation to (a) the onshore
and offshore employee collaboration (Jensen & Nardi, 2014; van Marrewijk, 2010;
Zimmermann, Raab, & Zanotelli, 2013), (b) the role of knowledge transfer in strategy
implementation (Rottman, 2008; Mahadevan, 2011; Zimmermann, Raab and Zanotelli, 2013;
Zimmermann and Ravishankar, 2014) and c) the links between micro-level processes,
strategy implementation and the evolution of services offshoring strategies (Mattarelli and
Nevertheless, this set of studies has in turn not given a lot of consideration to macro level outcomes. Although there is some theoretical and empirical support to show that services offshoring success rests on micro-level factors that underwrite or jeopardise its implementation, research on this topic is still scarce, and theory building is in its beginnings (e.g. see Zimmermann & Ravishankar, 2014, 2016). Furthermore, we contend that the analysis of strategy implementation in extant research is limited because of lacking operationalisations of the concepts of services offshoring strategy, its implementation and its outcomes, in terms of levels of analysis. Whilst extant research aims at exploring firm / business unit level offshoring strategies, its focus primarily is on the execution of the operational aspects of an offshoring strategy (e.g. transfer and execution of specific tasks), rather than incorporating outright explanations on the link between operational strategy outcomes and strategic firm / business unit level outcomes.

Therefore, while scholars discuss the effect of micro-processes on services offshoring implementation, there are limited explanations on consequences for macro-level offshoring outcomes in financial terms (i.e. organisational performance) or in non-financial terms (e.g. firm capabilities and resources). To conclude, we believe that more empirical and theoretical underpinning is needed to draw conclusions on how micro-level motivational mechanisms affect certain macro-level outcomes in services offshoring.

**Conceptual model for services offshoring strategy research and propositions**

Based on the MFs perspective, we consider that the link between services offshoring strategy and its microfoundations still needs further exploration. In the following section we will use GFT to suggest how employee motivations are likely to be interlinked with a services offshoring strategy, its implementation and outcomes. This will lead to specific
propositions regarding the interlinkages between a services offshoring strategy, its microfoundations and its outcomes. The propositions are incorporated in our theoretical model, shown in Figure 1.

The core mechanism in GFT is that cues from the social environment can directly trigger the goal frames that an individual holds, or indirectly increase or decrease the relative strength of existing goal frames. We argue that an offshoring strategy will provide cues that trigger the goal framing of individuals involved in the offshoring setting. GFT can therefore help us investigate how employees are motivated to implement a services offshoring strategy, what the goals are that they want to pursue, what the prevailing goal frames are and what stabilises these goal frames. Based on the MFs view on strategy, we further suggest that the individual goal frames direct employee and managerial actions and interactions and impact on strategy implementation, which in turn affects the macro level outcomes of the services offshoring strategy.

On the whole, individual goal frames and actions/interactions together with strategy implementation constitute the microfoundations that aggregate into specific services offshoring outcomes (i.e. (a) organisational performance outcomes and/or (b) capabilities and resources. To conclude, the conceptual model describes the effect of offshoring strategy on its outcomes as a multi-level phenomenon. Its core key element is the employee motivation to implement the intended services offshoring strategy.

We therefore put forward the following propositions:

**Proposition 1a**

A services offshoring strategy that provides cues for joint effort of offshore and onshore employees is more likely to contribute to a normative goal frame and thereby joint production
motivation, compared to a services offshoring strategy that provides cues that trigger or stabilise gain or hedonic goal frames.

**Proposition 1b**

*Joint production motivation in services offshoring is a prerequisite for achieving the intended offshoring outcomes.*

**Proposition 2**

*Interpersonal relationships and relational signals can stabilise or hinder normative goal frames and thereby joint production motivation, which affects employee motivation to implement a services offshoring strategy.*

**Proposition 3**

*A services offshoring strategy that triggers normative goal frames in employees will increase knowledge sharing behaviours between onshore and offshore employees.*

**Conclusions**

In recent years, scholars have suggested that offshoring systematically entails more knowledge intensive, high value, innovative, non-routine activities in the services sectors (see e.g. Contractor et al., 2010; Jensen & Pedersen, 2012; Lewin et al., 2009). In this context, they explored various firm level criteria for services offshoring decisions that describe the initial firm motivations such as cost efficiency and knowledge seeking (Roza, Van den Bosch and Volberda, 2011). However, extant research on firm-level criteria for services offshoring decisions does not provide a clear view on how these decisions result in specific offshoring outcomes. In parallel, researchers have addressed the role of micro-processes and especially the role of employee motivational processes in services offshoring implementation. Nevertheless, the corresponding micro-research is not providing comprehensive explanations
of the links between motivational processes, strategy implementation and its macro-level outcomes.

We therefore proposed a conceptual model that focuses on employee motivation in implementing services offshoring strategies. In other words, the proposed model accounted for the employee-level microfoundations of services offshoring strategy. Its importance is its explanatory power. In detail, it linked services offshoring strategy attributes and its realised outcomes, with employee motivational processes that lead to actions and interactions and facilitate (or not) the implementation of the services offshoring strategy. Furthermore, with three propositions we advocated that in order to investigate services offshoring outcomes, scholars and practitioners should use GFT to consider possible links of these outcomes with employee level processes in services offshoring. Hence, the model also offered a guiding tool for governance in services offshoring arrangements and introduced a new starting point for future empirical research.
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Figure 1: Conceptual model for services offshoring (SO) strategy research

Macro level

SO Strategy (Intended strategy)  SO Strategy outcomes (Realised strategy)

Strategy provides the cues that trigger individual goal frames

Individual goal frames / employee and managerial actions and interactions (Microfoundations)

Implementation

Microfoundations aggregate to offshoring strategy outcomes