Journal of International Management 19 (2013) 390–406

Contents lists available at ScienceDirect

Journal of International Management

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A Systematic Review of Literature on Offshoring of Value Chain Activities

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ARTICLE INFO

Article history:
Received 26 March 2013
Accepted 26 March 2013
Available online 6 May 2013

Keywords:
Offshoring
Offshore outsourcing
Global value chain
Systematic review

ABSTRACT

Locational aspects of a firm's value chain configuration are recently gaining increasing attention by academics, practitioners, and policymakers. In this vein, the international business (IB) literature has produced a substantial body of knowledge on the offshoring phenomenon, offering a sizeable and constantly growing amount of evidence related to the offshoring organization and its organizational and managerial specifics. In this study, I map and assess the existing literature on offshoring of value chain activities. In the course of a systematic literature review, I analyze a total of 63 studies from leading IB research publishing journals and synthesize them into an integrating framework that links offshoring with its antecedents and consequences. In doing so, this systematic literature review offers a two-fold contribution: On the one hand, it helps to identify gaps that IB scholars need to address in order to further develop the existing body of knowledge on offshoring. On the other hand, it provides practitioners with a comprehensive knowledge repertoire that increases the quality of their offshoring-related decision-making.

1. Introduction

Recently, offshoring—also referred to as international or global sourcing—has been put into the limelight of international business (IB) research (e.g. Lewin and Peeters, 2006) and is subject of much debate in practitioner (e.g. Aron and Singh, 2005) and policymaker (e.g. UNCTAD, 2004) communities. This development is particularly spurred by fierce globalization dynamics and enduring advancements in information and communication technology (ICT) (Kenney et al., 2009). The offshoring topic yet not only holds promising opportunities but also significant challenges for the involved actors in the IB ecosystem (Levy, 2005). In essence, offshoring refers to the cross-border (re)location of the firm's value chain activities (in the following referred to as "value activities") that were once performed somewhere collocated (e.g. in the firm's country of origin) to distant locations to serve global rather than local demand (e.g. Doh et al., 2008; Lewin et al., 2009; Manning and Massini, 2008). By this means, offshoring can be understood as a specific manifestation of firm internationalization that is primarily concerned with the internationalization of the firm's input-market side rather than with the internationalization of sales on the output-market side of the value chain. The resulting (re)configuration of the firm's value chain in form of a disaggregated and globally dispersed, specialized network of differentiated but interconnected value activities represents in its extreme form a counterpoint to multi-domestic or global configurations of the firm (Bartlett and Ghoshal, 1989) where value activities are replicated country by country (Asmussen et al., 2007; Beugelsdijk et al., 2009). This complex organizational design ultimately represents the defining characteristic of the offshoring organization—a firm, that pursues offshoring strategies aiming at identifying and implementing the optimal degree of value chain disaggregation and global dispersion of value activities to increase global firm value through leveraging arbitrage, flexibility, specialization, and global learning advantages on a global scale (Contractor et al., 2010).

The aim of this paper is to systematically take stock of the existing IB literature on the offshoring phenomenon and the offshoring organization as its main actor. Mapping and evaluating this fast developing literature stream is essential for scholars

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1075-4253/$ – see front matter
http://dx.doi.org/10.1016/j.intman.2013.03.011

and practitioners alike. Knowledge creation in the field of IB in general (Morrison and Inkpen, 1991; Ricks et al., 1990) and on the offshoring phenomenon in particular (Bunyaratavej et al., 2011; Lewin and Peeters, 2006) has accelerated over the recent years, producing a substantial body of evidence much of which has the potential to inform not only peer scholars but also practitioners and policymakers. However, there is a general cognition among scholars that research-based knowledge is under-utilized, especially by non-academic addressees (Denyer and Neely, 2005). Literature reviews represent a widely-accepted tool in management research to overcome that deficiency in the utilization of knowledge (Tranfield et al., 2003). In that vein, this review of IB literature on offshoring and the offshoring organization seeks a two-fold contribution: On the one hand, it attempts to identify gaps in the existing evidence base that have to be addressed in future academic studies to further develop the body of knowledge on the offshoring phenomenon. On the other hand, by collecting, synthesizing, and reporting existing knowledge on the offshoring organization, it aims at refining and consolidating the existing evidence base to support and improve decision making processes of managers and policymakers.

In the remainder of this article, the offshoring phenomenon and the offshoring organization represent the focal units of analysis and reference points for the systematic review process. Understanding offshoring in terms of a cross-border (re)location of value activities points to the fact that it basically encompasses two general situations: on the one hand does the cross-border *location* of a value activity to a distant site exclude any partial or full substitution effects, whereas a cross-border *re*-location on the other hand ultimately refers to the replacing of a value activity performing unit that was already existing elsewhere (Rilla and Squicciarini, 2011). In addition to that does the "offshoring"-term experience in the following a clear terminological differentiation from the "outsourcing"-notion. Even though these two terms are often used interchangeably and are somewhat related, they represent distinct business practices. Whereas offshoring in the following exclusively refers to the adding of distance between value activities through their (re)location across national borders, outsourcing in contrast points to questions related to the establishment of new boundaries of the firm during the re-integration of the disaggregated and offshored activity. It points on whether to rely on internal (captive), external (outsource) or cooperative (e.g. alliance, joint venture) governance modes as the optimal degrees of ownership and control (Pyndt and Pedersen, 2006).

My study is structured as follows: In the following section I briefly outline the applied systematic review methodology. After this a detailed report and synthesis of the review results following an "Antecedents–Phenomenon–Consequences"-logic forms the main part of the study. The study closes with a summary of the review results and an outlook on avenues for future research, complemented by the development of an integrating framework for the literature on offshoring of value activities.

2. Methodology

I applied the systematic review methodology introduced by Tranfield et al. (2003) to map and assess the body of knowledge on the offshoring phenomenon that has been developed by international business and management scholars between January 1998 and September 2012. According to Tranfield et al. (2003) systematic management reviews represent "rigorous scientific investigations of the literature" (Denyer and Neely, 2005: 133) and include three main stages: (1) a detailed a-priori planning of the review with a precise definition of the aim and research question to be approached in the course of the review, (2) a rigorous execution of the review itself comprising the identification of relevant literature using explicit, reproducible criteria for inclusion and exclusion supported by an appraisal of the quality of the reviewed studies and the strength of their findings, and (3) the reporting and dissemination of the review results. The motivation and objectives of the review (stage 1) have already been defined in the introductory section. The remainder of this methodology section will hence focus on the techniques applied to identify and select the relevant literature (stage 2). The third stage builds on these previously selected research articles and particularly includes the synthesis of the individual studies using an explicit analytic review scheme as guiding framework, followed by a balanced, impartial and comprehensive presentation of the results. This final process step of the systematic review will be exercised in the results section.

2.1. Identification and selection of relevant publication outlets

In this study I focused on publications in internationally renowned journals, other publication outlets such as books, book chapters, monographs, and conference papers or unpublished work were excluded from the analysis. I took journal quality as an indicator for study quality (see e.g. Judge et al., 2007; Narayanan et al., 2011) and focused on high-quality peer-reviewed academic outlets. Consequently, practitioner journals were excluded from further consideration. To respect the fact that a significant amount of IB research is published in journals with no explicit IB emphasis (Inkpen, 2001; Pisani, 2009) I included mainstream as well as functional management journals which are known for publishing relevant IB contributions. I finally selected a set of fourteen top-ranked journals that are widely considered as being the most important outlets for scholars to publish high-impact IB- research. The final set of journals comprised the *International Business Review*, *Journal of International Business Studies*, *Journal of International Management*, *Journal of World Business*, and *Management International Review* as core journals in the field of IB (see Chan et al., 2006; DuBois and Reeb, 2000; Harzing, 2008). These journals were complemented by the *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Management*, *Management Science*, *Organization Science*, and *Organization Studies* as leading general management journals (see Gomez-Mejia and Balkin, 1992; Pisani, 2009; Trieschmann et al., 2000), completed by the *Journal of Management Studies* as European-based outlet (see Lockett et al., 2006) and the *Strategic Management Journal* as a functional management journal known for publishing significant amounts of IB-research (see Tahai and Meyer, 1999; Treviño et al., 2010).

2.2. Identification and selection of relevant journal articles

I used the EBSCOhost Business Source Premier database to access article data from the aforementioned set of 14 journals. I took the publishing date of Dunning's 1998 Journal of International Business Studies (JIBS) Decade Award winning article on the prominent role that "location" plays for the competitiveness of the contemporary international firm as retrospective cut-off point for the reviewed time period (January 1998). Up to the date when I performed the article search (September 2012), a total of 10,449 articles was published in these selected 14 outlets.[1] I performed a sophisticated keyword search in the titles and abstracts of these articles to identify relevant studies on offshoring. The keywords were defined by drawing on the offshoring definition I presented in the introductory section to semantically delineate a set of search terms which (1) may be used as synonyms for the "offshoring" term itself or (2) describe the key idea behind offshoring in terms of a firm's strategy on the spatial (re)configuration of its value chain, including the coordination of (re)located value activities. The individual keywords were arranged in keyword search algorithms using basic Boolean operators and applied to the total set of articles, leading to the identification of 297 relevant studies.[2] I manually screened the titles and abstracts of each of the 297 articles and excluded all manuscripts that lacked (1) an international orientation as they, for example, focused on (domestic) outsourcing in general, (2) a clear reference to value creation or value activities as they, for example, focused primarily on the process and management of international strategic alliances, international M&A, or on general firm internationalization and market entry, (3) a reference to the profit-maximization logic of business as they focused on non-profit organizations, or studies that exclusively dealt either with (4) specific functional aspects of IB like international human resources or (5) specific firm practices limited to distinct industries like the offshore banking industry. Taken together, these steps condensed the literature sample to a final set of 63 relevant research articles which formed the evidence base of the review. I read these articles in their entirety and extracted the relevant article data which, according to the systematic review process, will be analyzed and displayed in a synthesized manner in the following results part of the review.

3. Results

I applied a straightforward "Antecedents–Phenomenon–Consequences"-logic as overarching framework to differentiate the articles with respect to their thematic foci (see e.g. Narayanan et al., 2011). This review scheme, which is depicted in Fig. 1, acted as a guiding structure for the review process as it allows for organizing the reviewed studies in a comprehensible, coherent, and pragmatic way concerning their respective contributions.

Offshoring and the offshoring organization as its main actor represent the phenomenological anchor and central element of the review scheme. Articles grouped under this review scheme category deal with the delineation and conceptualization of the offshoring phenomenon itself ("What is so unique about offshoring?"). Furthermore they address aspects of offshoring strategy formulation and management of the offshoring organization as sub-themes ("The offshoring organization 'in action'"). The "Antecedents"-category encompasses articles on the internal and external driving forces and determinants that lead or enable firms to engage in offshoring ("What drives offshoring?"). The "Consequences"-category of the review scheme embraces articles on the performance effects that offshoring exerts on the offshoring organization ("What are the outcomes of offshoring?"). In the following I apply this "Antecedents–Phenomenon–Consequences"-logic as guiding structure to systematically outline the synthesized contributions of the articles after they were allocated to one of the three review scheme categories.

3.1. Antecedents of offshoring: initiating forces, drivers, and motivations for offshoring

Articles grouped under this category offer contributions on the factors that determine the emergence and diffusion of the offshoring phenomenon. The baseline notion of these articles is that no single theory explains how and why firms offshore value activities as they do as well as why differences in firm's offshoring practices exist (Lewin and Volberda, 2011). Hence, articles on the antecedents of offshoring regularly apply a co-evolutionary perspective as analytical lens to capture the relevant factors and dynamics that trigger firms' offshoring decisions. This co-evolutionary perspective highlights the multidirectional causalities

[1] Taking Dunning's 1998-article as demarcation point sets a principal methodological limitation to the study as relevant articles on offshoring which were published at a point in time prior to that date remain unconsidered. In this vein, I especially point to studies by Kotabe and colleagues (e.g. Kotabe, 1990; Kotabe and Omura, 1989; Kotabe and Swan, 1994; Murray et al., 1995) on the global sourcing practices of (mostly) US firms and the resulting performance effects induced by offshoring of production activities, which I generally acknowledge as highly relevant to the field. However, in order to keep the scope of the review manageable concerning the amount of the included studies correlating with the reviewed time period, I decided to take with the publishing year of Dunning´s seminal work a more recent cut-off point to put a stronger focus on contemporary literature on offshoring and the offshoring organization as this study´s unit of analysis.

[2] I applied the following three keyword search algorithms and successively consolidated their results: (1) "offshor*" OR "outsourc*" OR ("regional" OR "global" OR "international" OR "multinational") AND "sourcing"; (2) "value" AND ("chain*" OR "activit*") OR ("work" OR "R&D" OR "research & development" OR "innovati*" OR "production" OR "assembl*" OR "marketing" OR "sale*" OR "service*") AND ("regional" OR "global" OR "international"); (3) "configuration" OR ("distribution" OR "dispersion" OR "re-locati*" OR "relocati*") OR ("design*" OR "structure*") OR "network*" OR "("coordinat*" OR "*integrati*" OR "manage*")". The first algorithm captured possible synonyms for the offshoring term. The second and third algorithm captured alternative phrases describing the main idea behind offshoring. The '*' indicates that variations at the ending of the term were permitted.

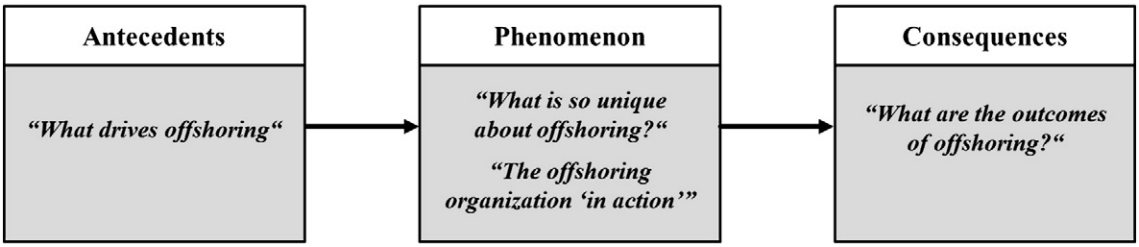

Fig. 1. Applied review scheme.

between the firm and its environment arguing that multiple parallel and interrelated trends in emerging and developed nations have resulted in recent firm-level offshoring strategies (e.g. Manning and Massini, 2008). In this tradition, Lewin and Volberda (2011), for example, develop a co-evolutionary offshoring decision model stressing the interactions between activity characteristics and managerial intentionality, path-dependent experience and knowledge accumulation as well as institutional forces that influence the decision to offshore and explain heterogeneous offshoring outcomes. Similar to that, Martínez-Noya and García-Canal (2011) find empirical support that firms differ in their propensity to offshore-outsource knowledge-intensive value activities depending on their international strategies, their accrued technological capabilities, and their home countries' intellectual property rights systems. Moreover, Lahiri and Kedia (2011) argue that offshore outsourcing can be understood as co-evolution of institutional and organizational factors relating to both clients and providers that enable and drive both parties towards engaging in offshore outsourcing practices.

Complementing this co-evolutionary approach, several studies identify and analyze particular factors which drive the offshoring phenomenon and determine firms' decisions to engage in offshoring. Numerous articles focus on internal, firm-specific characteristics which affect the propensity and characteristics of offshoring. In this line, Mol et al. (2004) investigate the effect that certain technological contingency factors have on the depth and scope of offshore outsourcing and find empirical support that, for example, increased product innovation raises the scope of offshore outsourcing. This result questions the traditionally assumed U-shaped relationship between technology level and scope of offshore outsourcing (Dunning, 1992) indicating that high-tech firms not necessarily outsource less abroad but do it rather differently. Lewin et al. (2009) identify the access to qualified personnel ("talents") as having a significant positive effect on the probability to offshore product development activities, suggesting that firms' engagements in offshoring of innovation activities is spurred by what they call the "global race for talent". Roza et al. (2011) study the significance of firm size as a determining factor of firm's offshoring decision. Their results suggest that smaller firms have behavioral advantages (i.e. entrepreneurial dynamism, internal flexibility) compared to larger firms and are thus more likely to offshore competence creating activities like product development. Moreover, they find that even small firms use offshoring to realize cost savings and relatively often engage in far-shoring.

Other articles focus on effects that external environmental forces have on a firm's motivation and propensity to engage in offshoring. On the national industry level, Chung and Yeaple (2008) find empirical support that host country industry attributes, like a similar technology profile and a larger knowledge stock relative to the home country, shape host country attractiveness as an offshoring destination. Nachum and Zaheer (2005) examine the impact of lowered costs of distance caused by advanced information technology on the motivations of firms to offshore value activities. They find empirical evidence suggesting that the greater the information intensity of an industry, the less important become market-seeking motivations as drivers for offshoring and that efficiency-seeking motivations will drive offshoring more strongly as information intensity of an industry increases. At the same time, resource-seeking motivations to access tangible resources become less important drivers for offshoring in information intensive compared to non-information-intensive industries.

On the institutional level, several studies examine determinants that affect offshoring dynamics and offshoring organizations' behaviors on regulative, normative, and cultural-cognitive dimensions. Concerning regulative institutional forces, Kshetri (2007) argues that the strictness of privacy laws in an offshoring organization's home country is negatively related to the outsourcing outflow from that country. Furthermore, a lack of strong rule of law in host countries is negatively related to outsourcing inflows into these destinations (Kshetri, 2007). Concerning normative institutional forces, Kshetri (2007) proposes that an increased relocation of firms' value activities increases domestic public pressure against such plans, and that firms in response engage in "strategic isomorphism" measured by reducing such offshoring of value activities. Moreover, he argues that the existence of trade and professional associations (Kshetri and Dholakia, 2009) in host countries enforcing ethics and codes of conduct is positively related to the inflow of offshored value activities into these countries. Concerning cultural-cognitive institutional forces, Kshetri (2007) conceptually develops propositions that link tacit factors like management style and perceived cultural distance with firms' offshoring decisions. He argues that the presence of a culture of "modern management" in a host country is positively related to locating value activities into that country. Moreover, he argues that the degree of cultural compatibility between a home and a host country, and therefore the existence of common beliefs and shared logics, is likely to be positively related to the amount of relocated value activities between these countries.

An overview over the articles covered by the "Antecedents"-category of the review scheme and their main findings is given in Table 1.

Table 1
Antecedents of offshoring.

Study	Type of study	Contribution and main findings
Chung and Yeaple (2008)	Empirical (quant.)	Host country industries with similar technological profiles and with larger knowledge stocks attract firms as they help to overcome fixed R&D cost hurdles.
Kshetri (2007)	Theoretical	Development of propositions on the determinants, drivers, and implications of business process and IT-offshore outsourcing by applying an institutional lens: Home as well as host country IPR regulations and host countries´ codes of law are suggested to affect the propensity to offshore R&D activities and the governance offshoring governance mode. Moreover, a culture of "modern management" in a host country is suggested to be positively associated with outsourcing inflows into that host country. The degree of cultural compatibility between home and host country is suggested to be positively related to the amount of offshore outsourcing flows between these two countries.
Kshetri and Dholakia (2009)	Theoretical	In developing countries, professional and trade associations´ play powerful roles in shaping the industry landscape and, under certain conditions, help to mitigate host countries' institutional penalties in the eyes of the offshoring organization.
Lahiri and Kedia (2011)	Theoretical	Offshore outsourcing can be understood as co-evolution of institutional and organizational factors that drive both clients and providers to engage in offshore outsourcing relationships.
Lewin et al. (2009)	Empirical (quant.)	Investigation of firms' decision determinants in the context of offshoring innovation activities revealing a trend towards the global sourcing of qualified personnel ("science and engineering talents").
Lewin and Volberda (2011)	Theoretical	Application of a co-evolutionary perspective to conceptually develop an offshoring decision model to explain the variances in offshoring decisions.
Martínez-Noya and García-Canal (2011)	Empirical (quant.)	Firms differ in their propensity to offshore outsource R&D services depending on their international strategy, their technological capabilities and their home country´s intellectual property rights system.
Mol et al. (2004)	Empirical (quant.)	The degree of product innovation, asset specificity, and volume as well as technological uncertainty impact the depth and scope of firm´s offshore outsourcing practices.
Nachum and Zaheer (2005)	Empirical (quant.)	The information intensity of an industry determines firms' motivations to engage in offshoring: efficiency-seeking motivations will drive offshoring more strongly in information-intensive industries; the greater the information intensity of the industry, the less important are market-seeking motivations as drivers for offshoring; resource-seeking motivations to access tangible resources are less important drivers for offshoring in information-intensive compared to non-information-intensive industries.
Roza et al. (2011)	Empirical (quant.)	Firm size affects the offshoring decision. Firms of different sizes differ in their offshoring decisions concerning the activity that is offshored, the offshoring location, and the governance mode that they chose for their offshoring implementation.

3.2. The offshoring phenomenon and the offshoring organization "in action"

Offshoring and the offshoring organization represent the central element of the review scheme. Articles grouped under this category allow for a clustering in five sub-groups. A first group of articles focuses on the delineation and conceptualization of the offshoring phenomenon itself. A second group of articles centers on firms' decisions referring to the activity that is going to be offshored as well as on the location and the governance mode choices as central levers in the course of crafting, implementing and adapting offshoring strategies. This is complemented by two clusters of articles which focus on the management and coordination of intra- and inter-organizational networks of globally dispersed value activities which are characteristic for the offshoring organization. A final group of studies tackles the effects that the offshoring organization has on the global business environment in general and on offshore outsourcing providers in particular.

3.2.1. Delineation of the offshoring phenomenon and conceptualization of the offshoring organization

John H. Dunning's 1998 JIBS Decade Award winning article "Location and the multinational enterprise: A neglected factor?" can be regarded as the intellectual foundation of those articles in this review's literature sample that deal with the delineation of the offshoring phenomenon and conceptualization of the offshoring organization as its main actor (Dunning, 1998). In his seminal paper he re-emphasizes the role that location (L) advantages play in combination with and relative to ownership (O) and internalization (I) advantages (see Dunning, 1988a) in theorizing on firms' cross-national activities (Cantwell, 2009). In doing so he pushes the research agenda towards directing more attention on the spatial configuration of firms' value activities and the fact that firms derive an increasing share of their competitive advantages from operations outside their home countries (Dunning and Lundan, 1998). One mayor challenge yet seems to lay in the adequate assessment of a firm´s actual global value chain dispersion as it is argued that traditional (sales-based) measures of firm internationalization (for an overview see Li, 2007) fail to capture the degree to which value chains are truly globalized (Asmussen et al., 2007). To overcome these shortcomings, Asmussen et al. (2007) propose a so-called "Global Specialization Index" that describes the extent to which labor is internationally divided within a given scope of geographic areas the firm is active in. In the course of empirical investigations the index helps to identify a distinct cluster of internationally operating firms that show a significantly higher degree of international division of labor relative to other firms in the sample as they are presumably executing offshoring strategies. Similar to that study, Beugelsdijk et al. (2009) analyze cross-border sales flows among firms' foreign affiliates to verify the "trend towards a global value chain specialization" which is reflected by an increased share of host-host country intra-firm sales (Beugelsdijk et al., 2009).

Besides this, some articles apply economic approaches to conceptualize the offshoring organization. In this line, Buckley and Hashai (2005) propose a discrete choice model that follows the reasoning of the "economic school" and offers a method for a

detailed analysis of the location and control decision demonstrating how superior location and control configurations can be identified. In a similar study the authors apply the global system view (Casson, 1995) to predict the number of firms and their value chain configurations at a global optimum where the cost of operations and goods/information flows within the system are at a minimum (Buckley and Hashai, 2004). On a comparably abstract level, Liesch et al. (2012) develop the concept of a worldwide market for market transactions to explain the offshoring phenomenon. They argue that in the case of offshoring, foreign country actors expand the market of market transactions in such a way that the supply curve for market transactions for particular activities becomes increasingly elastic, which is especially true for high-value adding tasks and the increasing worldwide supply of well-educated personnel.

The question of how far a firm should go in its disaggregation and dispersion of the value chain is addressed by Contractor et al. (2010). They argue that the two variables "disaggregation" and "degree of dispersion" are not independent but interrelated and that there is an optimal level of disaggregation and dispersion for each firm where firm value is maximized. The authors additionally posit that the traditional classification in core/non-core activities is not a dichotomous one. Instead, they call for a more fine-grained distinction in core, essential, and non-core activities which is in line with a finer slicing of the firm's value chain to gain the full range of benefits from optimal degrees of disaggregation and global dispersion of its value chain. As a result Contractor et al. (2010) argue that the core competencies of the offshoring organization are its ability to analyze, coordinate and optimize along four related dimensions: (1) degree of value chain disaggregation; (2) organizational form (mix of internal, external and co-operative modes); (3) location, and (4) time (chronological coordination of distributed tasks). In this context, the offshoring organization is conceptualized as a firm that is simultaneously a knowledge seeker and arbitrageur of comparative advantages, skilled in contracting and managing alliances as well as in coordinating global supply chains and innovation networks (Contractor et al., 2010).

A further approach for theorizing on the offshoring organization is offered by Kedia and Mukherjee (2009). To answer the question of why firms offshore business functions they borrow from the idea of the OLI-paradigm and argue that firms engage in offshoring once they perceive "Disaggregation" (D), "Location-specific resourcing" (L) and "Externalization" (E) advantages. In essence they argue that firms engage in offshore outsourcing when perceived advantages related to disintegration of value activities (that stem from focusing on core capabilities and/or organizational modularity and flexibility) and externalization (that stem from relational capital build with external partners, co-specialization and organizational learning) are high and the cost of resources in offshore locations are low. Firms in contrast prefer the captive mode when perceived disintegration advantages are low but resource advantages in the form of e.g. labor, knowledge, time arbitrage, subsidies granted by the host government or advanced infrastructure exist abroad.

3.2.2. Crafting, executing, and adapting offshoring strategies

In essence, crafting an offshoring strategy demands explicit declarations by the decision makers in three separate fields clarifying (1) the value activity or business function that is considered to be disintegrated and relocated, (2) the location to where the activity or function is relocated to, and (3) the degree of organizational re-integration that is uttered through the selected offshoring governance mode. Despite the distinct scope of each of these decisions, when it comes to strategy formulation they however oftentimes mutually determine each other and tend to act in an interrelated manner representing "the strategic nexus of offshoring and outsourcing decisions" (Mudambi and Venzin, 2010: 1510).

Concerning the interrelatedness of the location and governance mode decision, in his case-based study Hätönen (2009) investigates factors that influence the sequence of partner choice and location choice in cases where outsourcing is the selected governance mode for the offshored activity. He posits that if outsourcing aims at cost savings (capability and process enhancement) the choice of location proceeds (follows) the choice of the partner. This suggests that if firms choose external governance modes the location choice is perceived as being more important to realize efficiency-seeking compared to capability-seeking motivations. However, Mudambi and Venzin (2010) argue that there is no universal optimal decision sequence as it depends on the extent to which the firm's strategic objectives are location bound (see Rugman and Verbeke, 2001). They stress the fact that firms continuously have to evaluate and adapt their location and governance decisions to respond to the competitive dynamics on country- and firm-level.

In addition, significant evidence exist that the interplay between activity and location characteristics affects firm's formulation of offshoring strategies. For example, in order to explain location decisions for IT-enabled business processes, Graf and Mudambi (2005) expand Dunning's (1988b) location framework that exclusively encompassed host country level factors by integrating an additional human capital dimension to explicitly take into account the specific requirements for skilled labor. In the same line of thinking, Jensen and Pedersen (2011) find empirical evidence that the location choice is based on a fit between characteristics of the offshored business activity and host country attributes, like cost levels or availability and education of workforce. Their results indicate that it is particularly the advancement of an activity concerning its specific task characteristics (standardized or advanced) rather than which activity is offshored (manufacturing, IT or R&D) that determines the location choice. These findings suggest that a more fine-grained understanding of the nature and task characteristics of the offshored activity is needed as they appear to be important determinants of location choice. The argument that activity characteristics significantly affect a firm's offshoring location choice turns into evidence insofar as Doh et al. (2008) find empirical support that the degree to which an activity or service is interactive, repetitive, and innovative interacts with host country conditions (like wage level, advancement of ICT infrastructure, and abundance of skilled personnel) in determining the final offshoring location choice. Similar to that, Liu et al. (2011) use the attributes routines, complexity, and interactiveness to offer empirical support that these task characteristics

together with foreign country characteristics like cultural proximity and institutional quality impact the transaction costs in an offshore outsourcing relationship and determine where certain activities will be offshore-outsourced to.

The decision where to locate offshore value activities is an important yet complex one with substantial implications for the offshoring firm (Bunyaratavej et al., 2008). As a result, numerous studies investigate location decision determinants and come up with a catalog of host country variables that determine host country attractiveness and, thus, firm's location decision. In this context, interesting evidence is presented by Bunyaratavej et al. (2008) who adopt the perspective of service firms located in the US to examine the attractiveness of host countries for offshoring of services. Their overall findings reveal that county-level variables important to offshoring of services are different from those that have been found critical for manufacturing. Moreover, they find empirical support that countries differ in their relative resource and input efficiencies while service offshoring is more attracted by those countries that are more efficient providers of inputs like wages, infrastructure, and education. In a different study, Bunyaratavej et al. (2007) adopt a parity perspective of home vs. host country factors to explain firms' location choices. They find empirical support that firms are more likely to locate offshore facilities to countries with lower but increasing wage costs towards home country parity and to those with a similar culture and education level.

In a similar vein, Demirbag and Glaister (2010) empirically examine home and host country factors that determine the location choice of firms engaged in captive offshoring of R&D activities. They argue that countries have different national innovation systems endowed with different technological and environmental advantages for R&D projects. Theorizing on the OLI-paradigm (Dunning, 1988a), they investigate firms' location choices for captive R&D offshoring and find empirical support that differences in wage costs, knowledge infrastructures, availability of skilled personnel, and country risks between home and host countries as well as firms' prior R&D project experience in a region significantly influence offshoring location choices. Similar evidence is created by Hahn et al. (2011) who examine how economic and risk factors affect location choice. They contrast "near-shoring" with "far-shoring" decisions and reveal that the impact of these variables on the final location choice depends on whether the offshored service is a low- or rather high-skill demanding activity.

Further interesting evidence is delivered by Zaheer et al. (2008) who enrich the scholarly discussion by introducing aspects of social network theory to explain location choices. Their empirical results offer interesting insights as they show that ethnic ties (mother tongue, national origins, ethnic group, and region of birth) significantly affect firms' location choices. Although this proves to be true for a more modest extent for foreign firms' than it is for domestic firms, ethnic ties are however confirmed to impact firms' location choice decisions challenging the predominant role that traditional location attributes have played in academic work so far.

Besides these disaggregation (activity choice) and dispersion (location choice) decisions, a firm's offshoring strategy needs to be complemented by a decision on how to organizationally re-integrate the offshored value activity. As this decision is about the optimal organizational boundaries of the firm, transaction cost economics (TCE) (Williamson, 1979) is not surprisingly the predominant theoretic lens applied in studies that deal with governance mode decisions. However, evidence exist that the constructs and rationales of TCE-logics do not sufficiently capture the offshoring governance mode decision. For example, Murray and Kotabe (1999) find indications that in some cases conventional transaction-cost analysis fails to explain firms' governance mode choices. In particular, they empirically reveal a negative relationship between the degree of asset specificity and the probability to choose an internal governance mode for non-core service activities. According to Murray and Kotabe (1999), this shows that managers should not simply and exclusively rely on a TCE-argumentation when making the offshoring governance mode decision. In a similar vein, Hutzschenreuter et al. (2011a) argue that in order to explain firms' offshoring governance mode choices a framework is needed that integrates multiple theoretic perspectives ranging from the influence of firms' institutional environments to the specific challenges presented by the individual offshoring implementations. They propose and empirically test a framework comprising a set of variables on different levels of analysis to analyze governance mode choices and find that no single perspective could satisfactorily explain offshoring behavior in isolation. On the population level they find empirical support that firms copy the offshoring behavior (location choice, function to be transferred, governance mode choice) of surrounding firms they perceive as successful to gain legitimacy and increase their likelihood to survive. Moreover, on the firm-specific level firms are more likely to choose a specific governance mode when this control mode was already chosen in previous offshoring activities by the firm. However, on the implementation-specific level it is more likely for firms to use an external governance mode for autonomous functions rather than for knowledge-intensive and idiosyncratic functions. Particularity, with regard to R&D activities as exemplars for knowledge-intensive activities, Martinez-Noya et al. (2012) analyze when choosing an external governance mode for R&D offshoring is advisable and where these firms are likely to allocate their R&D offshore outsourcing agreements to. They find empirical support that the probability to engage in offshore outsourcing of R&D activities is predominantly determined by firm-level variables reflecting the need and ability to tap external resources on a global scale. The subsequent choice of the R&D outsourcing location instead is principally determined by firm's motivation for offshore outsourcing (knowledge-seeking vs. lower-cost seeking) and R&D service attributes (degree of tacitness and technological uncertainty).

3.2.3. Managing captive offshoring configurations: integration and coordination of globally dispersed value activities

The above mentioned studies are concerned with the development of an optimal configuration of the offshoring organization's value chain in geographical and organizational dimensions. The following articles in contrast focus on the managerial implications of having a disaggregated and globally dispersed network of value activities already in place. More precisely, they examine the coordination aspects of offshoring resulting from the spatial and organizational decoupling of formerly collocated value activities on a global basis. The main tone of these studies is that if value activities that are of high strategic importance for the firm are (re) located offshore, the socio-technical system of the organization experiences significant change. If that change is not addressed and

managed professionally it will cause internal disruptions, which may offset the benefits associated with offshoring (Medcof, 2001).

Concerning the coordination challenges that are related to the added geographic distance between onshore-offshore value activities, Kumar et al. (2009) apply task interdependency theory to work out the differences between inter-task dependencies of collocated versus geographically dispersed activities. They argue that the classical typology of task interdependence does well explain traditional work patterns for collocated, simple, physical production work, but fails to explain work patterns that require intense interaction between actors at dispersed work sites in globally distributed, knowledge-intensive work environments which are common in the current offshoring context. The authors therefore develop a revised typology of task interdependence and formulate guidelines to avoid, reduce, and manage the stickiness of task interdependence between geographically dispersed activities in order to increase the overall performance of globally distributed work systems. Similarly to that, Lampel and Bhalla (2011) elaborate on the differences between offshoring of low-value adding and high-value adding activities with respect to the potentially resulting disruptive effects. In their study they adopt the configuration view of strategy (Dess et al., 1994) and delivered a case-based argument highlighting that high-value adding activities are, relative to low-value adding activities, tightly coupled to other value activities and are thus difficult to decouple, relocate and subsequently re-integrate into the value creation nexus of a firm. This, according to the authors, causes disruptions to the cohesion and consistency of a firm's internal activity configuration which negatively affects offshoring outcomes.

To mitigate these negative effects, Srikanth and Puranam (2011) empirically investigate coordination strategies to integrate globally dispersed value activities. They focus on tacit mechanisms that enable the formation and leverage of shared and known-to-be-shared (so-called "common ground") knowledge without the need for direct, ongoing communication. In doing so, they identify modularization investments in electronic communication channels as well as in tacit coordination mechanisms as conceptual and empirically distinct practices that mitigate the negative impact of interdependence between offshore and onshore processes. In this context, Sidhu and Volberda (2011) make a somewhat contrary argument in formulating the counter intuitive proposition that standardization effects which pursue a shared organization-wide identity and work context may backfire and spark political conflicts that lead to a sub-optimal offshoring performance. Instead, according to the authors, managers should tolerate, nurture, and take advantage of differences in language, culture, institutions, work places, and skills between onshore and offshore teams as this positively influences the offshoring-performance relationship (Sidhu and Volberda, 2011).

3.2.4. Managing offshore outsourcing relationships: integration and coordination of organizationally disaggregated value activities

The reviewed literature sample comprises a set of research articles on the management of offshore outsourcing relationships between the offshoring organization (client) and host country service providers (for a detailed overview see e.g. Javalgi et al., 2009). These articles elaborate on the special nature of these relationships and try to create empirical evidence regarding the factors that determine the emergence and development of the different types of contractual agreements between the involved parties. They aim at explaining offshore outsourcing relationships regarding contract choice and renewal, organizational learning and change as well as coordination and control over knowledge-intensive activities that were outsourced by firms from mainly developed countries to service providers in developing countries (see e.g. Hätönen and Eriksson, 2009, for an overview).

In a conceptual article Kedia and Lahiri (2007) develop a model that proposes three generic types of offshore outsourcing partnerships (tactic, strategic, and transformational offshore outsourcing). These three predominant partnership types differ in the degree of involvement with the provider and in the value proposition the provider is confronted with by the client. Additionally, they introduce two relational factors (trustworthiness and cultural distance) which, according to their argumentation, moderate the partnership dynamics in offshore outsourcing relationships. These relational factors affect each of the three partnership types to a different extent but nevertheless emphasize that engaging in and continuing on effective partnerships is not only a client-specific concern but bears also important challenges for the provider.

Concerning the demand for coordinating offshore outsourced value activities that are critical for the firm's competitive position, Griffith et al. (2009) analyze how clients organize their product development offshore outsourcing relationships with suppliers regarding the degree of supply concentration and supplier involvement. Drawing on TCE and resource dependence theory they find empirical support that modularity of the development system leads to lower supply concentration whereas strategic importance of the project is positively related to supply concentration. These two factors are found to increase the degree of supplier involvement, too, whereas specificity of the technology and technological discontinuity are both found to be negatively related to supplier involvement. Similar to that, Luo et al. (2012) investigate factors which determine the degree of process integration between the offshoring provider and its global client. Following information-processing theory logic they argue and find empirical support that business process' task characteristics (complexity, security) and task interdependence (connectivity, stickiness, dependence) positively relate to the degree of business process integration between client and provider. The relationship moreover is moderated by provider characteristics and the client's geographic breadth of operations which, by increasing the complexity of the external conditions, accentuate the positive relationships with business process integration.

Several studies overcome that static perspective on the challenges of managing and coordinating offshore outsourcing relationships in order to investigate the underlying dynamics of these collaborations. In this line, Manning et al. (2011) analyze the determinants of provider contract renewal by the client firm and the development of long-term relationships between both parties. They find empirical evidence that those provider investments that increase asset and relational specificity increase the likelihood of contract renewal. On the other hand, task characteristics (knowledge-intensity) and the degree of contract specification (number of contract items) are, contrary to the expectations, found to decrease the rate of contract renewal. This evidence suggests that clients and providers may opt for more market-like, open contract designs as these allow for learning

opportunities and informal monitoring which is perceived as beneficial by the parties and increases the disposition to renew existing contracts (Manning et al., 2011). Regarding the long-term benefits of offshore outsourcing relationships, Jensen (2009) argues that offshore outsourcing partnerships serve as arenas for organizational learning and facilitate strategic business development and transformation as partnerships mature and firms gain experience. In a case-based study, he applies an organizational learning perspective on offshore outsourcing to investigate the process behind capability creation and internalization arguing that offshore outsourcing partnerships are linked to strategic renewal and organizational change of home and host country firms. In the same vein, Vivek et al. (2009) present a longitudinal case-based study revealing that, over time, offshoring relationships between home and host partner firms are subject to a strategic shift from opportunism to trust, because accumulated relationship experience changes the partnership to a non- or less transaction cost focused one. As a consequence, according to the authors, a dynamic approach to governance and coordination is needed that in early stages focuses on safeguards against opportunism hazards but in later stages adjusts for allowing the building of dynamic capabilities to increase process value through a trust-based relationship.

3.2.5. Implications for the international business environment

A final group of articles is concerned with the impact of the offshoring phenomenon on the international business environment. On a macro-level, Manning et al. (2010) explores the underlying dynamics of the development of knowledge service clusters in Latin America and argues that growing demand for lower-cost but high-skilled technical talent and service expertise from offshoring organizations as well as the fact that firms with similar sourcing needs and suppliers with similar service capabilities tend to cluster in certain locations over time promoted the emergence of "offshoring hotspots" in developing countries. By this means, the offshoring practices of firms from developed countries propel the transition in developing countries with regard to upgrading the countries' infrastructures and institutional systems, which in turn further increases host countries' attractiveness' and FDI inflows (Jain et al., 2008).

On a mico-level, Gopal et al. (2003) empirically analyze determinants of vendor–client contract choice and the impact that contract choice has on project profits that accrue to the provider firm. In that line, Lahiri and Kedia (2009) and Lahiri et al. (2012) investigate how the internal and relational resources and management capabilities of the provider predict provider's economic performance. In both studies they find a positive relationship between provider's internal resources and provider's performance, whereas provider's management capabilities (Lahiri et al., 2012) or partnership quality (Lahiri and Kedia, 2009) as moderating factors accentuated this resource-performance relationship. Against this background, they reason that provider firms should develop and maintain strong partnerships with their international offshore outsourcing clients as this will significantly impact the way how various internal resources are deployed and performance expectations are met.

An overview over the articles covered by the "Phenomenon"-category of the review scheme and their main findings is given in Table 2.

3.3. Consequences of offshoring: performance implications for the offshoring organization

The third category of the review scheme captures articles on the consequences of offshoring in terms of examining the impact that an engagement in offshoring practices has on the offshoring organization's economic success. Articles that fall in this category allow for a differentiation in two sub-groups. A first group of articles applies either sales- or profit-related indicators to gauge the performance effect of offshoring. A second group of studies focuses primarily on the impact that offshoring has on the development of the offshoring organization's resource and capability stocks, which according to theory (Barney, 1991; Prahalad and Hamel, 1990) represent the foundations of future competitiveness and superior firm performance.

3.3.1. Sales- or profit-related consequences of offshoring

A first set of insights into the nature of the offshoring-performance relationship is delivered by Coucke and Sleuwaegen (2008), Bertrand (2011), and Hutzschenreuter et al. (2011b). Herein, a fundamental benefit of offshoring as a competitive strategy for firms that face competitive pressures in their home market is identified in the sense that firms from developed countries which engage in offshoring of value activities are attested a greater likelihood to survive in globalized industries compared to those that do not source goods and services internationally (Coucke and Sleuwaegen, 2008). Additionally, a positive and significant relationship between offshore outsourcing and firms' export sales of final goods is revealed, which is positively moderated by firm's export experience and proves to be stronger in cases in which the firm also imports intermediate goods from the respective export market (Bertrand, 2011). This is supported by Di Gregorio et al. (2008) who find empirical evidence that offshore outsourcing of knowledge-intensive (administrative and technical) services by small- and medium-sized enterprises increases the scale and scope of their internationalization of sales. In order to identify the key success factors for reaping the potential performance gains offered by offshoring, Hutzschenreuter et al. (2011b) investigate the drivers of implementation time for offshoring ventures. They find that publicly available knowledge about offshoring, the heterogeneity among governance modes at firms' offshoring sites, and cultural proximity have a positive effect on the time horizon within the expected financial (cost savings) and non-financial (service levels) targets are reached.

However, empirical studies on the question whether offshoring in general increases offshoring organization's performance, and, if so, under which conditions, offer ambiguous results. In this line, in a study by Mol et al. (2005) the common belief that offshore outsourcing of intermediate products improves firm performance is tested on a sample of Dutch manufacturing firms. In an empirical study they do not observe any performance effects for international or global outsourcing indicating that offshore

outsourcing may not be the performance-enhancing tool for manufacturing firms that it is ascribed to be for information technology service firms. However, although these empirical evidence suggest that the internationalization of the firm´s supply base does not matter much in terms of obtaining superior results, offshore outsourcing does certainly matter in terms of the firm's overall structure and strategy, for example through the establishment of footholds in other markets to improve its legitimacy (Mol et al., 2005). Mauri and Neiva de Figueiredo (2012) analyze the effect that a global dispersion of value activities has on the variability of firm performance. They find significant empirical support that performance variability decreases with the dispersion of geographic activities, which can be used as an indicator for the degree of firm's engagement in offshoring practices. Moreover, performance variability is found to increase with the degree of global integration of firm's activities and to decrease with the intensified use of outsourcing. However, when these variables are taken two-by-two they find significant interaction effects, each of them signaling increased performance variability. These results suggest that there exist substantial tradeoff-relationships between the degree of global dispersion of the firm's value activities and the location decisions on the one hand and the governance mode decision on the other. These tradeoffs finally have to be considered when crafting offshoring strategies because they determine the complexity of the resulting organizational configuration and, thus, the predictability of firm performance.

Further indications that offshoring does not always have beneficial effects on firm performance are offered by Funk et al. (2010) who find empirical evidence that in some cases a cross-border relocation of parts of the value chain backfires and negatively affects sales volume of the final product. In a comparative study they identify consumer animosity, which can be defined as "remnants of antipathy related to previous or ongoing military, political or economic events that affect a consumer's purchase behavior in international markets" (Funk et al., 2010: 640) as a robust construct with practical relevance and find that partial shifts of value activities to animosity evoking countries have a direct negative effect on consumers' willingness' to purchase the product. Beside these downstream effects, Fuchs and Kirchain (2010) find empirical support that the offshoring location choice for manufacturing activities in some cases significantly determines the economic viability of competing technologies and, in this line, affects offshoring organization's product and technology strategy at upstream-ends of the value chain.

3.3.2. Resource- and capability-related consequences of offshoring

Apart from that, various articles in the reviewed literature sample shed light on the potential gains of offshoring with regard to upgrading the firm´s resource and capability base. There is a common tone that offshoring of especially knowledge-intensive activities like R&D and product development is not primarily practiced to exploit already existing firm-specific advantages but to explore and seek new strategic resources, knowledge, and capabilities which are today found to be increasingly globally dispersed. In this respect, Nieto and Rodríguez (2011) find empirical support for their hypothesized positive relationship between offshoring of R&D and firms' innovation performances. This relationship is however stronger for product than for process innovation outcomes as the knowledge inputs required for the latter one are argued to be more tacit, systemic and complex and thus more difficult to transfer and internalize. Moreover, they find empirical support that captive offshoring has a stronger positive impact on firms' innovation outcomes than offshore outsourcing as the latter one holds higher risks regarding the knowledge transfer process and the loss of competitiveness. This evidence is principally supported by Jensen (2009), who argues based on a case-study analysis that offshoring offers systemic and strategic learning potentials and therefore represents opportunities for strategic and organizational transformation, which in many cases differ from the initial offshoring objectives and expectations. In a different study, Jensen (2012) analyses the process of offshore outsourcing of high value-adding service activities from Danish client firms to Indian service providers to investigate how this process helps to sustain and/or enhance the resource base of the client firm. He shows in two case studies that offshore outsourcing of advanced services indeed influences resource stocks in the client firm. Moreover, he identifies determinants that contribute to the resource building (e.g. partnership commitment, interconnectedness of resources) while others impede or slow down resource building (time compression diseconomies, lack of resource mass efficiencies). The impertinent danger of erosion of client firm's resources and competencies, which can lead to a "hollowing out" of the offshore outsourcing client firm (Kotabe, 1989), is addressed by Kotabe et al. (2008). On the basis of three case studies they develop a stage model that relates manufacturing offshoring and outsourcing to competence development inside the client firm. By this means, they reveal that under certain conditions, for example when firms outsource competencies that later become important platforms for growth and innovation, a vicious circle may emerge that leads to competence destruction and a loss of competitiveness. This might happen in situations where provider´s and client´s competence bases are overlapping rather than complementary, which opens opportunities for forward integration by the provider. In such instances, they conclude, it is important for client firms to consider the future value of their in-house production rather than solely the short-term cost savings which will accrue if activities are outsourced to external providers.

An overview over the articles covered by the "Consequences"-category of the review scheme and their main findings is given in Table 3.

4. Discussion and directions for future research

My goal in this study was to map the relevant IB literature on the offshoring phenomenon and the offshoring organization as its main actor. To do so, I applied the systematic review methodology introduced by Tranfield et al. (2003) to identify and synthesize theoretical contributions and empirical evidence on offshoring and the offshoring organization that were issued in 14 core IB journals and mainstream management outlets. Choosing Dunning's, 1998 JIBS Decade Award winning article as cut-off point, I identified a total of 63 research articles published between January 1998 and September 2012. I analyzed these studies by adopting a review scheme that follows a transparent and pragmatic "Antecedents–Phenomenon–Consequences"-logic to achieve

Table 2
The offshoring phenomenon and the offshoring organization as its main actor.

	Study	Type of study	Contribution and main findings
Conceptualization of offshoring	Asmussen et al. (2007)	Theor. & empirical (quant.)	Development of index to measure firm´s degree of international value chain configuration ("global specialization") that complements existing measures of firm multinationality as it captures the degree of international division of labor in specialized national units. An application of that index on an existing data sample reveals a distinct group of firms that independently of their geographic (sales) spread share high degrees of international division of labor suggesting that these firms are actively engaged in offshoring strategies.
	Beugelsdijk et al. (2009)	Empirical (quant.)	An empirical analysis of cross-border intra-/inter-firm sales of US foreign subsidiaries supports the presumed trend towards a "global value chain specialization" as the share of host-host intra-firm sales has increased significantly over time.
	Buckley and Hashai (2004)	Theoretical	Application of the "global system view" to model and analyze the location and control strategies of international firms in order to introduce a formal solution for identifying optimal location and control configurations.
	Buckley and Hashai (2005)	Theoretical	Development of a discrete choice model that follows the reasoning of the "economic school" to conceptually analyze the decision-making of an internationalizing firm regarding the location and control of its (globally dispersed) value-adding activities.
	Contractor et al. (2010)	Theoretical	Conceptual argument on the nature of the firm in the context of offshoring and outsourcing concerning the optimal degree of firm´s disaggregation and global dispersion of value activities and the core competencies that it needs for geographic and organizational (re-)configuration.
	Dunning (1998)	Theoretical	Re-examination of the prominent role that "location" plays for the MNE and how the locational determinants of international production have changed over time. The location portfolio of the MNE in the sense of its cross-border value chain is suggested to be critical to firm´s global competitive position.
	Dunning and Lundan (1998)	Empirical (quant.)	Revealing by means of a management survey that MNEs in the perception of the managers are deriving an increasing share of their competitive advantages from their foreign based activities.
	Kedia and Mukherjee (2009)	Theoretical	Development of a conceptual framework that builds on disintegration, location, and externalization advantages to explain why firms offshore business functions.
	Liesch et al. (2012)	Theoretical	Introduction of the "Worldwide Market for Market Transactions" to model the modern globalized economy in order to explain offshoring and outsourcing as results of falling trade and investment barriers, facilitated externalization and the emergence of new organizational forms which are altering the scope of the firm.
Crafting, implementing, and adapting offshoring strategies	Bunyaratavej et al. (2007)	Empirical (quant.)	Firms chose foreign locations for their offshored activities that tend towards home country parity in wages, education, culture, and information and communication infrastructure.
	Bunyaratavej et al. (2008)	Empirical (quant.)	Factors that determine the location decision for manufacturing offshoring and service offshoring differ. The primary driver for service offshoring is host country´s overall efficiency in the production of services. Host countries differ in their sources and relative efficiency levels for service offshoring while service offshoring is more attracted by countries that are more efficient providers of the inputs (e.g. wages, infrastructure, and education) and the respective outputs associated with service offshoring.
	Demirbag and Glaister (2010)	Empirical (quant.)	Analysis of firm- and host country-factors that determine the location choice for captive R&D offshoring: (a) the host country´s or region´s wage differential relatively to the home country, its knowledge infrastructure, availability of qualified personnel and the existing country risks and (b) firm´s experience in a specific region have an effect on the likelihood to select the region as R&D offshore location.
	Doh, Bunyaratavej, and Hahn (2009)	Empirical (quant.)	The offshoring location choice depends on the interaction between basic host country factors (low wages, ICT infrastructure, educated workforce, stable political environment, use of home-country language) and specific attributes of the services that are considered to be offshored (interactiveness, repitiveness, innovativeness).
	Graf and Mudambi (2005)	Theoretical	Investigation the interplay of host country infrastructure, country risk, government policy, and human capital with firm-and situation-specific moderating factors influencing the location decision for IT-enabled business process outsourcing.
	Hätönen (2009)	Empirical (qual.)	Conceptual development of propositions concerning the factors which (1) influence the location decision given that offshore outsourcing is the chosen governance mode and (2) drive firms to choose a partner prior to choosing a location.
	Hahn et al. (2011)	Empirical (quant.)	Analysis of the factors which determine firms' decisions to engage in near-shoring vs. offshoring of certain activities: Labor cost advantages, host country risk and the advancement of the offshored activity relate to the propensity of offshoring, whereas geographic proximity (near-shoring vs. offshoring) has a moderating effect on either of these relationships.
	Hutzschenreuter et al. (2011a)	Empirical (quant.)	A multidimensional perspective which accounts simultaneously for firm´s institutional environment, the behavior of surrounding firms, firm-specific, and implementation-specific factors is necessary to satisfactorily explain firm´s offshoring governance mode choice.
	Jensen and Pedersen (2011)	Empirical (quant.)	The degree of fit between the attributes of the activities (differentiation between manufacturing/IT/back-office activities as well as between the advancement of the activities) and the attributes of various locations determine the activities that are offshored to certain locations.
	Liu et al. (2011)	Empirical (quant.)	The characteristics of services to be offshore outsourced (routiness, complexity, interactiveness) determine the offshore location choice (characterized by cultural proximity and institutional quality).

Table 2 (*continued*)

	Study	Type of study	Contribution and main findings
Crafting, implementing, and adapting offshoring strategies	Martinez-Noya et al. (2012)	Empirical (quant.)	The probability to engage in R&D service offshore outsourcing is determined by firm´s characteristics (technological resources and capabilities, international experience) whereas the location decision is determined by R&D service attributes (degree of tacitness, uncertainty) and firm´s offshoring motivation (knowledge- vs. efficiency seeking).
	Mudambi and Venzin (2010)	Empirical (qual.)	Case-based analysis of the magnitude, sequence and dynamics of firms´ interdependent decisions regarding the offshoring location and the activity which is offshored arguing that there is no universal optimal decision sequence, as the decision sequence depends on the extent to which the firm´s strategic objectives are location-bound. The extent to which fine-slicing of a firm´s value chain makes sense depends on the linkages of the activity in question with the firm´s entire value chain.
	Murray and Kotabe (1999)	Empirical (quant.)	Conventional transaction-cost analysis fails in predicting the governance mode choice for offshoring of (supplementary) service activities as a significant negative relationship between asset specificity and the captive governance mode is revealed.
	Zaheer, Lamin, and Subramani (2009)	Empirical (quant.)	Analysis of the role of ethnic ties on location choice relatively to traditional location characteristics (like cluster capabilities): Ethnic ties influence foreign firms' offshoring location choices, even if to a more modest extent then they do for domestic firms.
	Kumar et al. (2009)	Theoretical	Conceptual extension of traditional task interdependency theory and taxonomy to address work design issues in the offshoring context in order to understand the resulting interaction and communication requirements between onshore-offshore sites.
Coordinating captive offshoring	Lampel and Bhalla (2011)	Theoretical	Relatively to offshoring of low value creating activities which are loosely coupled, offshoring of high-value creating activities which are tightly coupled to other activities will have the greatest disruptive impact on firm's organizational configuration, and thus negatively affect firm performance.
	Medcof (2001)	Theoretical	Conceptual work and formulation of propositions arguing that strategically important extra-national units have to be managed differently from units with little strategic importance as the power shift within the MNE-network induced by offshoring requires explicit consideration.
	Srikanth and Puranam (2011)	Empirical (quant.)	Modularization, ongoing communication, and tacit coordination are conceptually as well as empirically distinct coordination mechanisms that mitigate the negative effect of interdependence between onsite and offshore locations.
	Sidhu and Volberda (2011)	Theoretical	Formulation of formal propositions according to which uniform norms, values and work practices that underpin a shared organization-wide identity and work context are likely to have a negative effect on onshore-offshore task coordination.
	Hätönen and Eriksson (2009)	Literature review	Literature review of research on offshore outsourcing focusing on the development of offshore outsourcing strategies from a theoretic as well as practical perspective.
Coordinating offshore outsourcing relationships	Griffith et al. (2009)	Empirical (quant.)	Asset specificity (degree of modularity, strategic value of the project, technology specificity) and uncertainty (cultural distance and technological discontinuity) effect the supply concentration and degree of supplier involvement in supplier-buyer partnerships of new product development offshore outsourcing projects.
	Jensen (2009)	Empirical (qual.)	Client-vendor relationships in offshore outsourcing of advanced services serve as arenas for organizational learning and facilitate strategic business development and transformation
	Kedia and Lahiri (2007)	Theoretical	Development of a conceptual model that helps to understand the various types of service offshore outsourcing partnership and the factors clients need to put a focus on in order to enhance the quality and duration of their partnerships.
	Luo et al. (2012)	Empirical (quant.)	Task uncertainty and interdependency determine the degree of business process integration between offshore service providers and global client firms. This relationship is moderated by the selected governance mode (captive vs. outsourcing).
	Manning et al. (2011)	Empirical (quant.)	Client-specific investments in infrastructure, software and training as well as client involvements in provider operations in combination with high frequency of client interaction and high degree of interdependence with the client organization increase the propensity of deal renewal.
	Javalgi et al. (2009)	Literature review	Literature review on offshore outsourcing to emerging markets with a special focus on the relevant theoretical perspectives, the development of a taxonomy of outsourcing strategies and the discussion of policy implications.
	Vivek et al. (2009)	Empirical (qual.)	Over time, offshoring relationships between home and host partner firms are subject to a strategic shift from opportunism to trust, because the accumulated relationship experience changes the partnership to a non- or less transaction-cost focused one.
	Gopal et al. (2003)	Empirical (quant.)	Analysis of the determinants of vendor-client contract choice in the software offshore outsourcing industry: A set of vendor-specific factors and client-specific characteristics explain offshore outsourcing contract choices.
Impact on environment	Jain et al. (2008)	Theoretical	Formulation of propositions suggesting that the potential for profiting from imitative behavior of offshore (-outsourcing) organizations stimulate the development of host government policies towards being more investment friendly.
	Lahiri and Kedia (2009)	Empirical (quant.)	Examination of how offshore outsourcing providers' assets (human capital, organizational capital, and management capability) are considered valuable by clients and contribute to providers' performance in offshore outsourcing relationships.
	Lahiri et al. (2012)	Empirical (quant.)	Examination of how offshore outsourcing service providers' internal and relational resources and capabilities jointly predict their economic performance.
	Manning et al. (2010)	Empirical (quant.)	Offshore outsourcing and firms' increased global sourcing of services and qualified personnel spur the development and growth of service clusters in developing countries.

Table 3
Consequences of offshoring.

	Study	Type of study	Contribution and main findings
Profit- and sales-related	Bertrand (2011)	Empirical (quant.)	Offshore outsourcing has a positive effect on firm´s export sales. This positive effect is positively moderated by firm size, intra-firm sourcing, and export experience of the firm.
	Coucke and Sleuwaegen (2008)	Empirical (quant.)	Relative to purely domestic firms, firms which engage in offshoring have a higher rate of survival in situations of increased local competition and domestic market penetration by foreign MNE affiliates.
	Di Gregorio et al. (2008)	Empirical (quant.)	The unique relationships between foreign service providers and SMEs in the course of offshore outsourcing projects results in substantial learning and social-network advantages which facilitate internationalization efforts and international competitiveness.
	Fuchs and Kirchain (2010)	Empirical (quant.)	Under certain conditions, a firm's location decision for offshore manufacturing facilities impacts new technology development by increasing the cost-advantage of the prevailing technology, and, thereby, influences the technology trajectory of the industry.
	Funk et al. (2010)	Empirical (quant.)	Consumers' willingness to purchase a ("hybrid") product is negatively affected if value activities are offshored to animosity-evoking countries.
	Hutzschenreuter et al. (2011b)	Empirical (quant.)	Publicly available knowledge, heterogeneity among firms´ offshore governance modes, and cultural proximity have a positive effect on the time horizon within expected offshoring objectives are realized.
	Mauri and Neiva de Figueiredo (2012)	Empirical (quant.)	The geographical dispersion of value activities leads to a decrease in performance variability. A captive governance mode thereby leads to an increase in performance variability while offshore outsourcing contributes to a decrease in performance variability.
	Mol et al. (2005)	Empirical (quant.)	International outsourcing is not a significant explanation for firm performance. As firms vary in their ability to search and evaluate for suppliers, a "capability to outsource internationally" may be the missing link in the offshoring-firm performance relationship.
Resource- & capability-related	Jensen (2009)	Empirical (qual.)	Offshore outsourcing partnerships on advanced services serve as arenas for organizational learning and facilitate strategic business development and transformation. As the partnerships mature and firms gain experience, learning in both host and domestic firms evolves in areas different of those initially intended, which can lead to strategic and organizational transformation.
	Jensen (2012)	Empirical (qual.)	Offshore outsourcing of advanced services influences firms' resource stocks through the external acquisition of resources and through the internal accumulation of resources.
	Kotabe et al. (2008)	Empirical (qual.)	Investigation of the conditions under which manufacturing (offshore) outsourcing might become a vicious circle and leads to competence destruction in firm´s home base.
	Nieto and Rodríguez (2011)	Empirical (quant.)	R&D offshoring has a positive effect on innovation performance with greater effect on product than on process innovations. Captive offshoring has a greater effect on innovation performance than offshore outsourcing.

a systematic synthesis and reporting of the contributions and evidence presented by the identified studies. To conclude, the following Fig. 2 arranges the thematic sub-groups of articles which were identified in each of the review scheme categories in an integrating framework for the literature on offshoring of value activities.

The "Antecedents"-construct of the applied review scheme embodies articles which investigate the main initiating forces that drive and enable firms to pursue global offshoring strategies. The common tone of these articles is that no single IB theory entirely explains how and why firms offshore value activities as they do (Lewin and Volberda, 2011). Hence, co-evolutionary perspectives which account for the interplay of interrelated and sometimes self-enforcing factors on different levels of analysis represented the dominant approach to capture the main drivers and motivations for offshoring. Apart from that, several firm-specific factors and stimuli from the external environment on the national industry and institutional level are proven to affect the propensity and character of firms' offshoring commitments. An explanatory piece that is however still missing refers to the actual timing of offshoring and the question of "when" rather than "why" firms decide to offshore value activities. Why do some firms start offshoring certain value activities earlier or later than others, and why do they start just now and did so not earlier? These questions might relate to the capability-base of the focal firm and the process of building up certain "offshoring capabilities" that enable the firm to formulate and successfully execute offshoring strategies at a certain point in time. Therefore, a fruitful avenue for further research on the antecedents of offshoring might seek to identify these "offshoring capabilities" as well as analyze the process of developing these capabilities to gain further insight into the tacit prerequisites and promoters of the offshoring phenomenon.

The "Phenomenon"-construct of the applied review scheme comprises five thematic groups of studies that particularly focus on specific aspects of the offshoring phenomenon and the offshoring organization. The first group of articles addresses the question as to why and regarding to which facets offshoring by nature is different relative to other forms of firm internationalization. The main goal is to develop a sound conceptualization of the offshoring phenomenon and the offshoring organization. The baseline notion of these studies is in line with Doh's claim that "offshoring challenges core theories which underpin many assumptions within IB-research" (Doh, 2005: 696) as it still lacks a solid theoretic foundation. The study of Kedia and Mukherjee (2009) in which the authors develop a Disintegration-Location-Externalization (DLE)-framework to theorize, similarly to the OLI-paradigm-logic, on offshore outsourcing of value activities represents a notable exception. However, what is really unique about contemporary offshoring practices of firms is that they moved from offshoring specific activities to favorable locations (atomistic offshoring strategies) towards reconfiguring their entire value chain on a global scale as they started to craft holistic offshoring strategies on the system level. Firms no longer use offshoring and offshore outsourcing to optimize single value activities and business functions but rather take a systematic approach to optimize the whole system of value-adding entities. Hence, the contemporary offshoring phenomenon is about the effective configuration of the organizational system on a global

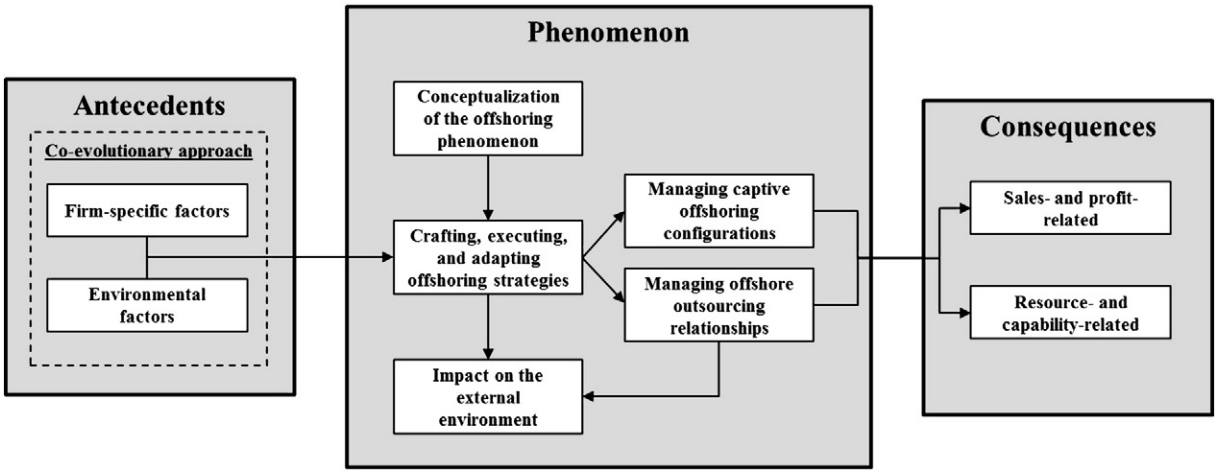

Fig. 2. Integrating framework for literature on offshoring of value chain activities.

scale, followed by the efficient coordination of the globally dispersed system elements relying on a mix of market-, hierarchy-, and cooperation-based mechanisms. For this reason, future research should harness its efforts towards developing a more comprehensive and convincing conceptualization of the offshoring phenomenon and the offshoring organization to capture that inherent uniqueness in comparison to other forms of firm internationalization.

The second group of articles is concerned with the offshoring organization "in action". It covers articles on the activity, location, and governance mode choice of firms in the course of formulating offshoring strategies. The key insights delivered by these articles are that firms increasingly locate high-value adding activities and business functions to distant locations. Moreover, the motivation for this practice does not exclusively follow exploitation but increasingly an exploration rationale. Furthermore, the specific characteristics of the value activity that is considered to be offshored closely interacts with host country factors in the course of making the location decision. Additionally, there exists evidence that traditional TCE-logic fails to explain or at least does not fully capture the specific nature of the governance mode decisions for offshored value activities. However, what becomes apparent is that these studies almost exclusively focus on the global location of value activities instead of considering the case of a *re*-location of activities across national borders to distant locations, which ultimately refers to the substitution of value activity performing units that were already existing elsewhere. This "*re*-location-variant" of offshoring implies considerable changes in the organization which are likely to be more severe than those resulting from introducing an additional foreign subsidiary to the existing organizational configuration. In any case, the relocation of organizational units emphasizes the importance of managing firm's internal and external linkages. The concept of architectural modularity (Baldwin and Clark, 1997) in a firm's organizational design offers a fruitful approach to accomplish that effort. Therefore, a promising avenue for future research regarding the crafting of offshoring strategies will be to investigate offshoring practices of firms through a more rigorous organizational design lens in order to capture the challenges and advantages of the offshoring organization that stem from its unique organizational architecture and configuration. Furthermore, relocation may not only affect subsidiaries but also genuine headquarter functions and may even culminate in (partial) headquarter relocations to foreign countries. Hence, offshoring strategies for not only high value-adding operational but strategic headquarter activities and business functions open up another promising field for future research.

Moreover, once firms have installed disaggregated and globally dispersed configurations of their value chains, offshoring organizations must actively engage in coordinating and controlling their global networks of value activities. This involves the capacity to e.g. optimally leverage the flexibility, arbitrage, and global learning gains from having a global network of value activities in place (Kogut and Kulatilaka, 1994). This also includes the capacity of building or internalizing new resources and capabilities at distant locations as well as to defend the existing resource and capability stock from imitation or deterioration by global competitors or outsourcing service providers. Hence, future research might concentrate on the "offshoring coordination-capabilities" as well as on the capabilities needed to successfully defend existing and build/internalize new resources and capabilities in an international environment.

The "Consequences"-construct of the applied review scheme covers articles which focus on the outcomes of offshoring in terms of the performance implications for the offshoring organization. The review revealed ambiguous results concerning the question whether offshoring has positive effects on a firm's profits and sales suggesting that a realization of the potential benefits of offshoring depends on certain contingencies, like the availability of relevant host country information and cultural proximity to the firm's country of origin. However, the measurement of the degree to which a firm is engaged in offshoring as well as of the sales- and/or profit-related performance impact still pose methodological challenges to the scholarly investigation of the offshoring-performance relationship. Therefore, a fruitful avenue for future research will be to address these measurement challenges and to conceptually link the degree of value chain disaggregation and global dispersion of value activities to firm performance in a transparent and rigorous fashion. In addition to that, the consequences that offshoring - whether performed

within the intra-firm network of subsidiaries or by using external partner firms – bears for offshoring organization's resource and capability base is another promising field of enquiry. In this line of thinking, the notion of "transformational offshoring" and the underlying processes of organizational learning in international environments open up an exciting territory for future offshoring research.

To summarize, the ultimate motivation for this systematic review of the offshoring literature is to advance the understanding of the offshoring phenomenon and the contemporary offshoring organization through a comprehensive synthesis of existing theoretical contributions and empirical evidences. To the best of my knowledge, there exists no study so far that attempts to map and assess the relevant literature in a breadth and depth that is comparable to this study. For academics, this systematic review offers a valuable reference point in order to effectively harness resources and efforts to further develop the field in those promising areas that regrettably only got scarce attention so far. For practitioners, the results of the systematic review represent a reliable knowledge base by accumulating knowledge from a vast range of rigorous academic studies in a comprehensive manner. In this sense, this systematic review of the offshoring literature can be argued to lie at the heart of a pragmatic IB research, which aims to serve academic and practitioner circles alike.

Acknowledgments

I greatly thank the anonymous reviewers as well as the Special Issue Editors Peter Ø. Jensen, Marcus M. Larsen, and Torben Pedersen for their constructive comments on earlier drafts of the manuscript, which helped to significantly improve the quality of this paper.

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