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Business Service Sourcing: A Literature Review and Agenda for Future Research

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Abstract: Business service sourcing is increasing in importance for firms; a trend recognised by significant research efforts among scholars. The rapidly expanding literature is, however, highly fragmented. It is difficult to grasp what has actually been investigated, and what remains to be studied. Therefore, the purpose of this article is to review, analyse and categorise empirical research in the area of business service sourcing. A total of 119 empirically-based articles published in peer-reviewed journals were identified and classified according to their focus of research, empirical context, and research methodology. Most articles dealt with the sourcing process or sourcing strategy, less with antecedents to sourcing and sourcing outcomes. Logistics and information systems/information technology services have received the most attention, as have European and North American service buyers. A majority of articles employed statistical methods of analysis.

Key words: business services; service sourcing; outsourcing; literature review; empirical research; purchasing; procurement.

1 Introduction

The sourcing of business services is expanding, both in scale and scope, as firms are looking for external suppliers to provide services previously performed in-house (Agndal *et al.*, 2007; Fitzsimmons *et al.*, 1998; Nordin, 2008). Services sourced range from activities added to or included in the final offering, such as manufacturing and product services (Blumberg 2003), to those indirect services consumed by the firm itself, such as information technology (IT) and business consulting. Services are also increasingly globally sourced (Kotabe and Murray 2004; Kotabe *et al.*, 1998; van Gorp *et al.*, 2006; Youngdahl *et al.*, 2008) from multinational firms and from firms located in emerging low-wage countries such as India and certain Eastern European countries (Engardio *et al.*, 2003). Some reasons mentioned for this trend of externalisation include faster technological development, more complex products, less continuous customer demand, more global competition, and a growing number of specialised and flexible outsourcing firms in the marketplace (Axelsson and Wynstra, 2002 p. 68).

Many researchers have noted this trend, and the body of scholarly literature on sourcing of business services has expanded rapidly in recent years. This body of literature is, however, highly fragmented. To our knowledge no systematic attempts have been made to present a general picture of *what* has been written in the area of service sourcing, even if there are literature reviews that have a more narrow focus. Such overviews can be found in regard to, for example, logistics outsourcing (Razzaque and Sheng 1998) and IT outsourcing (Bartell, 1998; Mahnke *et al.*, 2005). Moreover, Ellram and Carr provide an overview of the purchasing literature in general, although without a specific focus on services (Ellram and Carr, 1994).

Since there are no systematic overviews of research on the increasingly important phenomenon of service sourcing, it is difficult to grasp which aspects have been researched and which remain to be studied. Thus, the purpose of this article is *to review, analyse and categorise empirical research in the area of service sourcing in business markets*. Based on this overview, a secondary purpose is *to provide some suggestions regarding future research directions*.

The rest of this paper breaks down into seven sections. Firstly, the scope of the study is presented, and its methodology is discussed. Then follow three sections on findings regarding service sourcing. Subsequently, avenues for future research are discussed. Then, some conclusions and limitations are presented.

2 Scope of research

Whilst significant conceptual and theoretical advances have been made in the area of service sourcing, this article is concerned only with *empirical research*. By this we mean research where the conclusions are based, at least in part, on empirical findings. Consequently, case studies in which the case serves as an illustration of theoretically deduced conclusions are not in focus here. Furthermore, we are concerned with generally available research published in scholarly, peer-reviewed journals of good quality. We are also interested only in the buying activities of private firms. Public procurement, a research area in its own right, is governed by a different set of rules and regulations, and exhibits significant differences compared to procurement by privately held or publicly traded firms, i.e. *business* firms.

The empirical research on business service sourcing is incredibly varied. To generate an overview of this material, it is necessary to identify categories according to which it can be

classified. A search for other review articles provided a number of such categories, which were supplemented by additional categories specifically relevant to the area of purchasing.

First, we are concerned with the overall focus of the articles. To achieve a comprehensive categorisation of focus areas, we are concerned with four basic questions: (1) Why services are sourced, i.e. *antecedents* to service sourcing. Antecedents include organisational and environment-related motives for and triggers of service sourcing. (2) What the content of service sourcing is, i.e. service sourcing *strategy*. Gadde and Håkansson (1994) suggest that this includes make-or-buy issues, supply base structure and the nature of buyer-seller relationships. Additionally, it may concern the types of services sourced. (3) How services are sourced, i.e. the *process* of service sourcing. The process encompasses a number of phases or steps, such as evaluation of suppliers, service specification and methods for evaluation. (4) What the effects of service sourcing are, i.e. its *outcomes*. Outcomes may be measured in financial and non-financial terms, and may be relevant at the business unit, firm, national and global level. These four focus areas provide both a general and comprehensive way of approaching sourcing, including a broad spectrum issues related to its causes, substance and process. While not necessarily employing these terms, textbooks in the area of sourcing (e.g., Van Weele, 2004; Lysons and Farrington, 2006) tend to focus on these four issues.

Second, we focus on the empirical context of study. Sourcing of services is a very broad topic, not only in terms of differences between different services sourced. There are also significant differences in the relative *value* of services sourced externally between different industries, where the retailing and automotive industries spend much more money on external sourcing than do the service and pharmaceuticals industries (Van Weele, 2005, p. 17), for instance. Undoubtedly, differences in such contextual factors influence sourcing behaviour.

Similarly, cultural, demographical, economic, political and geographical differences are likely to influence sourcing behaviour, e.g., how and why services are sourced. Therefore, it is essential to address these and other contextual factors to progress our understanding of service sourcing and to identify gaps in the literature.

Although, of course, other contextual factors could be identified, this article, thus, focuses on six contextual dimensions particularly relevant here: (1) the industry of the buying firm (e.g., manufacturer, service provider, information-communications technology (ICT), energy producer, or retailer), (2) the geographic location of the buying firm (e.g., North America, Western Europe, Asia, or global), (3) the size of the buying firm (large, medium-sized or small), (4) the type of service sourced (logistics, IS/IT, other professional services, maintenance, repair and operating (MRO) services, or other; categorisation based on Axelsson & Wynstra, 2002, pp.30-32). An obvious difficulty here is to define what a service is and what it is not; an issue that has also been frequently discussed in the service management literature (that debate shall not be repeated here). Suffice it to say, that we focus on services where the delivery consists primarily or entirely of something *intangible*. Consequently, contracting of manufacturing is not considered a service. Other aspects of the empirical context in focus are (5) whether the service is indirect (used by a buyer to be able to provide a customer offering) or direct (used as part of a customer offering), and (6) the geographic location of the service provider.

Third, and finally, we are interested in the nature of the empirical study, here defined as statistical (ranging from basic descriptive statistics, to that of testing highly complex models), non-statistical (e.g., interview studies, case studies etc), or a mix of both (e.g., an interview study where quantification is made to provide descriptive statistics or a model developed based on

interviews, which is then statistically tested). These dimensions are often used in literature reviews (see, e.g, Sachan and Datta, 2005).

3 Method

The method employed in this study to identify key scientific contributions may be described as a systematic literature review (Tranfield *et al.*, 2003). To minimise bias and allow for replicability, a rigorous and transparent approach was adopted both in the search for literature and in the classification of research. More specifically, to identify relevant articles, we first searched computerised databases (Proquest, Emerald, and Business Source Premier) for articles published in the English language in academic journals. Among various avenues for communicating research results, such as books, journals, conference proceedings and monographs, we argue that journals are the most competitive and widely used for assessing knowledge in a field (Chandy and Williams, 1994). According to Morgan (1985), they also legitimise and control the nature of what *is* and should be counted as *valid* research. Moreover, Frost and Taylor (1985) argue that articles in academic journals strongly influence the direction of an academic field and provide comparatively accurate indications of the state of the knowledge disseminated.

To identify relevant articles, a list of keywords was devised. These keywords were selected to identify articles dealing with service sourcing, according to our understanding of the term services. Several variants and combinations of two main groups of keywords were used in the search (see Table 1).

Table 1: Key words searched

Key Words
<ul style="list-style-type: none">• Service, support, after-sales, MRO IT, IS, information, consulting, and logistics• Buy, sourcing, outsourcing, procurement purchasing, off-shoring, alliance, partnership, and supply chain management

This resulted in a list of more than 500 articles. After excluding those that focused on areas outside our field of interest (such as those concerned with consumer services, public sector procurement, horizontal alliances, contracting of manufacturing or otherwise not following our understanding of services) as well as articles published in journals of low quality or no ranking (based on journal ratings summarised in the Journal Quality List, see www.harzing.com), a list of 116 articles published between 1975 and 2005 remained. Of these, eighty were based on empirical research. The remaining thirty-six articles were conceptual in nature, literature reviews, viewpoints, or case studies where results and conclusions were not obviously based on the cases.

The two authors of this article and a third researcher were then involved in categorising the articles according to the dimensions presented above. To minimise researcher bias, ten articles were first classified by all three researchers independently and then discussed at a meeting where the coding was synchronised. After an additional round of ten independent classifications, it became clear that the articles were categorised similarly by all researchers. Remaining articles were then each classified by two researchers, who also coordinated their classifications.

Finally, the reference lists of the original 116 articles were scanned for additional references that had not been found through the initial key word search. These articles were then

categorised according to the same scheme, and their lists of references were in-turn scanned. This process continued until no further articles were identified, resulting in forty empirical articles and nineteen non-empirical being added to the 116 previously identified. Thus, there was a total of 175 articles of which 119 were empirical (68 per cent) and 56 non-empirical (32 per cent). Table 2a provides an overview of how many articles were found in different journals (see also Table 2b for a further breakdown of the most prolific journals per research area, service sourced, and research method).

The oldest article selected for inclusion in the study was published in 1981. The distribution of the 119 articles over time is illustrated in Figure 1. It appears that it was not until the early 1990s that empirically-based publications in the area of services sourcing began to emerge in significant quantity.

Figure 1: Number of empirical service sourcing articles published per year until 2005

Table 2: Journals and number of articles included in the literature review

Journal(s)	Number of articles
International Journal of Physical Distribution & Logistics Management	15
Journal of Business Logistics	9
Industrial Marketing Management Journal of Supply Chain Management (formerly International Journal of Purchasing and Materials Management)	8
Journal of Information Technology Information & Management	7
Journal of Management Information Systems MIT Sloan Management Review (formerly Sloan Management Review)	4
European Management Journal International Journal of Information Management International Journal of Logistics Management Journal of Professional Services Marketing Journal of Strategic Information Systems	3
California Management Review Information Systems Journal Information Systems Research Journal of Advertising Research Journal of Business Research Journal of Business-to-business Marketing MIS Quarterly Supply Chain Management Technovation	2
Academy of Marketing Science Business Horizon Business Process Management Journal Decision Sciences European Journal of Operational Research European Journal of Purchasing and Supply Management International Journal of Operations and Production Management International Journal of Physical Distribution and Materials Management International Journal of Research in Marketing International Journal of Service Industry Management International Marketing Review Journal of Business and Industrial Marketing Journal of International Business Studies Journal of International Marketing Journal of Marketing Journal of Services Marketing Journal of Strategic Marketing Journal of World Business Logistics Information Management Long Range Planning Organization Science Production and Operations Management Service Industry Journal Strategic Management Journal	1

Table 2b: A breakdown of the most prolific journals per research area, research method and service sourced

Journal	Research focus				Research Method			Service sourced						
	Antecedents	Strategy	Process	Outcomes	Qualitative	Quantitative	Mixed	Logistics	IS/IT	Professional	MRO	Other	Mixed	Unspecified
International Journal of Physical Distribution & Logistics Management (15 articles)	2	6	3	3	5	10	1	14	-	-	-	1	-	-
Journal of Business Logistics (9 articles)	-	4	3	1	-	7	2	9	-	-	-	-	-	-
Industrial Marketing Management (8 articles)	-	2	5	1	0	4	4	2	-	4	-	1	1	-
Journal of Supply Chain Management (formerly International Journal of Purchasing and Materials Management (8 articles)	-	2	5	1	4	3	1	2	1	1	2	-	1	1
Journal of Information Technology (7 articles)	2	2	1	1	6	1	-	-	7	-	-	-	-	-
Information & Management (7 articles)	1	2	2	2	-	-	-	-	7	-	-	-	-	-
Journal of Management Information Systems (4 articles)	2	-	-	2	-	-	-	-	4	-	-	-	-	-
MIT Sloan Management Review (formerly Sloan Management Review) (4 articles)	-	1	1	2	-	-	-	-	4	-	-	-	-	-

Note: Since some articles could not be categorised according to research focus, the number of articles per journal may exceed the total number of articles for all four categories of research focus.

4 Focus of research

With the exception of seven articles, the 119 empirically-based articles could be categorised into one of the four focus areas identified above. Of these, 14 articles were primarily concerned with antecedents to service sourcing, 28 focused mainly on service sourcing strategy,

48 were largely concerned with the process of services sourcing, and 22 were aimed at investigating service sourcing outcomes (see Table 3). The seven articles that could not be categorised according to these areas were relatively broad in scope and had no clear focus on any of the four focus areas employed in our literature review. The discussion below highlights some central research themes within each of these four focus areas.

Table 3: Distribution by research focus

Research Area	Number of articles	Percentage of articles
Antecedents	14	12%
Strategy	28	24%
Process	48	40%
Outcomes	22	18%
Mix, other or impossible to classify	7	6%
Total	119	100%

4.1 Antecedents to service sourcing

Antecedents to service sourcing was the main focus of 14 articles, these exploring or testing factors that influence service sourcing decisions. In particular, the reasons *why* firms outsource different kinds of services were studied. Ten articles were concerned with IS/IT sourcing, while the remaining four dealt with logistics.

Five articles were exploratory in nature. On the basis of empirical research, they identified factors influencing external sourcing of services. These ranged from the general growth of outsourcing (Johnson and Schneider, 1995), factors related to technology (e.g., an expanding portfolio of products and services being applied in organisations, see Clark Jr *et al.*, 1995), core competency considerations (Rao and Young, 1994), and changing organisational boundaries,

with outsourcing as a perceived facilitator of this change (McLellan *et al.*, 1995). Loh and Venkatraman (1992a, b) as well as Hu and colleagues in a follow-up study (1997), investigated whether internal or external factors best explained the diffusion of IT outsourcing, i.e. whether diffusion was influenced by internal channels of communication, external communications sources or a mix.

In contrast, nine of the articles *tested* models derived from previous theories or empirical research, aiming to explain how different factors influence sourcing decisions. While most models that were tested were *ad hoc* frameworks derived from previous empirical research without explicit connections to established theoretical perspectives, two articles employed frameworks at a higher level of abstraction. Both of these focused on IS/IT outsourcing. In one of the articles (Teng *et al.*, 1995) the theoretical model was based on strategic management theories, while the other (Watjatrakul, 2005) employed transaction cost theory and the resource-based view. Other potentially fruitful theoretical perspectives for explaining service sourcing, e.g., institutional theory (see, e.g., Scott, 1998) and organisational theory (see, e.g., Shafritz et al, 2007; Jackson and Carter, 2007), were absent in the studies reviewed here.

Overall, the most influential factors covered by these studies were cost considerations (Ang and Straub, 1998; Loh and Venkatraman, 1992a, b; Smith *et al.*, 1998), financial slack (i.e. excess resources), internal capability and quality of services provided internally (Smith *et al.*, 1998; Teng *et al.*, 1995), cash needs (Smith *et al.*, 1998), and core competency considerations (Smith *et al.*, 1998). Quite possibly, though, studies drawing on other frameworks might reach different conclusions concerning the relative importance of antecedents to service outsourcing.

4.2 *The service sourcing strategy*

A total of 28 articles had service sourcing strategy as their main focus. Most articles within this area studied what *was* or what *should* be sourced, as well as degree of sourcing. The nature of the buyer-seller relationship and the supply-base structure were, thus, normally not the main focus, even if these are important aspects of sourcing strategy (cf. Gadde and Håkansson, 1994). For example, current extent of usage and types of logistics service sourced (Bolumole, 2003; Lieb, 1992; Lieb and Randall, 1996; Maltz and Ellram, 2000; McGinnis *et al.*, 1995; Sohail and Sohal, 2003; Sohal *et al.*, 2002) were in focus, as were future logistics sourcing plans (Daugherty and Droge, 1991; Lieb, 1992; Lieb and Randall, 1996; Sohal *et al.*, 2002). Obstacles to, and benefits of, third party logistics outsourcing were also frequently raised in these articles. In the area of IS/IT sourcing similar topics were addressed, such as extent of outsourcing and influential factors (Ang and Cummings, 1997; Grover *et al.*, 1994; Sobol and Apte, 1995), as well as types of outsourcing strategies and how they came to be selected (Currie and Willcocks, 1998), for example single or multiple sourcing (Currie 1998).

There were also articles dealing with international issues in service sourcing. Lieb and colleagues (1993) compared logistics outsourcing practices in Europe and the US, while Murphy and Daley (1994) focused on logistics issues in global sourcing. Another study compared outsourcing strategies of European and US firms for various services (Kakabadse and Kakabadse 2002), while Kotabe and Murray (2004) studied differences in foreign sourcing strategies, depending on the nature of the firm's offerings.

Other aspects of sourcing strategy were also addressed. Nordin (2005) discussed make-or-buy issues for different types of purchasing processes for direct services, while Cox *et al.*, (2005) focused on strategies for procuring indirect services. Furthermore, Lynn (1987) studied

the structure of a buying-centre for financial services, while Martin and Daley (1988) and Maltz and Ellram (2000) stressed the role of purchasing personnel in services sourcing.

Third-party logistics strategies were, thus, the most frequently studied type of service, addressed in 15 articles (i.e., more than half of the articles on sourcing strategy), although IS/IT outsourcing strategies, in focus in eight articles, were also relatively well explored. A general observation is that normative aspects of sourcing strategy were commonly in focus in these articles, as well as in the few other articles on sourcing strategies for other types of services.

It is worth noting that the theoretical basis of much of the work on sourcing strategy is weak. While there are exceptions (such as Aubert *et al.*, 1996), frameworks like transaction cost analysis (Williamson, 1981) and network theory (Håkansson and Snehota, 1995) were largely absent from the studies we reviewed. At best, the service sourcing literature seems to draw on discussions of service characteristics for their frameworks.

4.3 *The service sourcing process*

The third area of focus concerns articles investigating the sourcing process. A total of 48 articles had this as their main focus, making this the largest category. These articles looked at *how* services are sourced, i.e. “[t]he decision-making process by which formal organisations establish the need for purchased products and services and identify evaluate and choose among alternative brands and suppliers” (Webster and Wind 1972, p. 2). For example, several articles provided managerial frameworks. These included different sourcing process steps such as identifying needs, evaluating and selecting suppliers, and contracting (e.g., Barragan *et al.*, 2003; Fink and Shoeib, 2003; Geisler and Hoang, 1992; Sink and Langley Jr, 1997). Alternatively, some articles focused primarily on one of these steps, such as the criteria used for selecting

suppliers (e.g., Beulen *et al.*, 2005; Day and Barksdale, 2003; Ferguson, 1983; Menon *et al.*, 1998; Raghunathan *et al.*, 1988).

Interestingly, among those articles focusing on selection criteria many were concerned with *how* to select management consultants (Dawes *et al.*, 1992; Dawes *et al.*, 1993; Stock and Zinszer, 1987) and advertising services (Cagley, 1986; Cagley and Roberts, 1984; Farrell and Schroder, 1996; Money *et al.*, 1998; West, 1997). In fact, out of twenty articles focusing on professional services, no less than seventeen were concerned with the sourcing process. It is possible that this bias in the literature is the result of the relatively high degree of intangibility of such services, making it particularly interesting to investigate how such services are sourced. Professional services could be argued to represent an extreme case from which more general conclusions may be inferred (cf. Yin, 1994). However, even though the knowledge generated by studies focusing on professional services could potentially be generalised to other service categories, there appear to be few attempts to do so.

Articles focusing on professional services, thus, made up one-third of the articles in this area. A similar number of articles were concerned with the process of sourcing IS/IT services (e.g., Barthélemy, 2003; Kern and Willcocks, 2000; Michell and Fitzgerald, 1997; Willcocks *et al.*, 1995), and yet another third with the process of buying logistics (e.g., Bhatnagar *et al.*, 1999; Daugherty *et al.*, 1996; Sankaran *et al.*, 2002; Sink and Langley Jr, 1997).

Most of the process-oriented articles focused on one specific kind of service (i.e. professional, IC/IT or logistics) rather than services in general or comparisons between different kinds of services. This may be seen as a deficiency, in particular since few attempts are made to generalise findings to services on the whole. If theory of broader interest and applicability is to be generated, research should address similarities across different services. At least, researchers

should more clearly try to explain the domain to which their findings may be applicable and/or the reasons why they cannot be generalised. The narrow focus of extant research may also reflect the difficulty of generalising knowledge about different service categories, and perhaps the difficulty of using “services” as a category at all. After all, different services vary greatly in nature. Possibly, it makes more sense to focus on the degree of intangibility or complexity of what is sourced, e.g. in terms of degree of service vs. physical content, rather than simply defining products as services or goods. This important discussion is largely absent from the empirical studies encountered, though, and would seem to imply a low level of maturity in research in this area.

Only a limited number of articles looked at cultural or national variations in purchasing processes, for example in the US and Europe (Bowman *et al.*, 2000; Bowman, 1997; Willcocks *et al.*, 1995) or the US and Japan (Money *et al.*, 1998; Roth *et al.*, 2004). Arguably, this is an important issue that warrants increasing research efforts.

4.4 Outcomes of service sourcing

There were 22 articles that focused primarily on outcomes of services sourcing, emphasising different types of outcomes. These range from logistical and technical aspects of the service delivery and overall satisfaction with the supplier to success of the firm that supplied the services. Many of these studies were based on *perceived* outcomes (e.g., Palvia, 1995) or even *expected* benefits (Laarhoven *et al.*, 2000) stated by respondents, though. Few articles (Kotabe and Murray, 2004; Kotabe *et al.*, 1998) drew their conclusions from an analysis of *real* financial data, such as market share and sales growth. Arguably, this is a serious deficiency in the literature, although likely it reflects difficulties in measuring service sourcing outcomes.

Mainly, the following aspects of (perceived) sourcing outcomes were studied: First, several authors examined efficiency-related effects of outsourcing. In particular, they investigated if this lead to reduced costs (Bechtel and Patterson 1997; Lacity and Willcocks 1998; Sohail and Al-Abdali 2005), and how effects on cost were influenced by different sourcing decisions. For example, Lacity and Willcocks (1998) investigated how several different sourcing practices were linked to cost savings. Among other issues they investigated whether total outsourcing versus selective outsourcing, and short-term versus long-term contracts, were more likely to lead to cost savings. Other researchers were concerned with the risks involved in outsourcing services and how outsourcing was influenced by different management choices (Willcocks and Lacity, 1999). Yet others were concerned with more specific consequences for the outsourcing firm, such as supply chain disruptions (Svensson, 2001; Svensson, 2003).

A number of articles were concerned with the effectiveness of service sourcing and with the effects of service outsourcing on service performance. Accordingly, the impact of outsourcing on service quality was investigated by several authors (Homburg and Garbe, 1999; Park and Kim, 2005), with service quality used as a surrogate for client satisfaction (which was investigated more directly by others, such as Andrus *et al.*, 1990). In addition, Knemeyer (2003) investigated how the relationship between different levels of partnership development influenced relationship marketing elements, such as customer retention, referrals and recovery. Thus, we found articles focusing on both positive and negative effects of outsourcing.

Nine of the 22 articles focused on IS/IT services, while logistics was in focus in seven articles. Other services were not particularly well represented in studies of sourcing outcomes. Thus, the literature focuses on services “traditionally” deemed suitable for outsourcing. Little is known concerning outcomes of outsourcing of more knowledge-intensive and complex services

such as financial services and product development, i.e. what is sometimes referred to as the “new wave of outsourcing” (Bardhan and Kroll, 2003).

5 Empirical context

It is evident that a variety of empirical context have been studied. It is equally clear that certain contexts dominate the literature. In the case of geographic location and industry of the buying firm, several observations can be made (see Table 4). The region receiving the greatest attention in terms of buyer location is North America, with 47 articles focusing solely on that area. Additionally, 11 of the 16 articles that look at two regions have the US or Canada as one of the countries, as do other articles that look at firms globally or at born-global firms.

In many instances there was no mention in the article where the purchaser-firm was located. When categorising these articles, no inferences were drawn from the location of the authors of these articles. It is reasonable to assume, however, that a significant number of those articles that did not mention the geographic location of the buyer-firm actually studied North American firms. Consequently, well over half the articles identified, focused on US and Canadian firms - with an obvious dominance of the former. Decidedly fewer articles focused specifically on Western European firms; only 20 articles dealt solely with Western European buyer-firms, and another ten simultaneously with Western European and North American or East Asian firms. Australian/New Zealand and Asian buyer-firms were studied in seven and six articles respectively, unless in combination with buyer-firms from other countries. It is also worth noting that large parts of the world have received almost no attention, such as Latin America, the Middle East and Africa. These patterns, of course, reflect the dominance of American authors and journals. They hardly match the amount of services sourced in different countries and the economic value these represent, though.

Table 4: Geographic location of buyer firm and buyer industry

		Geographic location of buyer firm							Total
		US and Canada	Western Europe	Australia and NZ	Asia	Global firm	Unspec.	Mix of countries	
Buyer industry	Manufact.	12	6	0	1	1	1	4	25
	Services	8	2	0	0	0	1	0	11
	ICT	1	1	0	1	0	0	0	3
	Energy	0	0	0	0	0	2	0	2
	Retail	0	2	0	0	0	0	0	2
	Unspec.	11	4	3	2	0	6	0	26
	Mix	15	5	4	2	1	11	12	50
	Total	47	20	7	6	2	21	16	119

Regarding buyer-firm industries, manufacturing dominated followed by service industries, with 25 and 11 articles respectively. Industries such as information and communication technology (ICT), retailing and energy received only very limited attention. This bias is somewhat surprising given the relatively high value of purchased goods and services for retailers and the relatively low value for service industries (Van Weele, 2005, p. 17). Retailers, however, probably focus much more on goods than services, while for service industries it is the other way around. This may partly explain the bias in the literature.

Most articles did not focus on buyer-firms from a single industry, however. No less than 50 articles, i.e. more than four in every ten, focused on multiple industries, although rarely for reasons of inter-industry comparisons. It is also worth noting that one article in every five neglected mentioning the buyer-firm industry.

As far as the size of the buying-firm is concerned, it is interesting to note that a great number of articles neglected to mention this aspect. In fact, no less than 45 articles, or 38 per cent of all articles, did not indicate the size of the firms studied. Again, we were cautious not to infer anything regarding the empirical context, but it can safely be assumed that 41 articles dealt solely with large firms, while only five articles concerned small buyer-firms. Buyer firms of mixed sizes

(i.e., small and medium-sized, medium-sized and large, or all size classes) were dealt with in 28 articles. Naturally, these observations must be interpreted with some caution, since definitions of size classes vary between countries and researchers. Nonetheless, it can be observed that the literature obviously fails to reflect real life practices and purchased value.

Several observations can also be made in regard to the types of services sourced and the geographic location of the service provider. Also here we were strict about not making inference about the service providing firm loosely based on the context studied. For instance, we did not assume the service-provider to be located in the same country as the service-buyer unless so stated or because the nature of the service would mean that an international service delivery would be unlikely (as, e.g., in the case of accounting services).

In regard to geographic location of supplier, the most obvious finding is that there is little concern among scholars to inquire as to, or at least report on, where services are sourced. In fact, in 94 of the 119 articles there was no mention of where services were sourced - or at least this could not be safely assumed from the context studied (see Table 5). This, of course, means that there is little point in commenting on the extent to which certain geographical regions are in focus. Nevertheless, the same observation made regarding service-buyers can be made concerning service providers: some geographic contexts appear to be un-researched.

Another important issue is the extent to which geographic location of the service-buyer and service-provider is not the same, i.e. when international service purchases are made. Interestingly, hardly any articles presented empirical data where the specified country of the buying-firm and the specified country of the selling-firms were not the same. This is remarkable given the ever increasing degree of sourcing cross international borders. It may, however, reflect the dominance of articles originating in North America, where the degree of international

sourcing is still relatively low in comparison to that of many other regions (World Development Indicators, 2007). In one instance though, Western European firms bought airline services from the US (Degraeve *et al.*, 2004) and in one instance “global firms” bought IS/IT services in Poland and India (Beulen *et al.*, 2005), while in another instance US firms bought logistics globally (Daugherty *et al.*, 1996). Interestingly, though, unlike the very sizeable body of studies on international sales of service, there seems to be little concern for cross-cultural issues, such as differences in language and customs. If sellers perceive cultural differences to impact on exchange, there is reason to assume that buyers also consider this to be the case.

Table 5: Geographic location of supplier and service sourced

		Geographic location of service providing firm							
		US and Canada	Europe	Australia and NZ	Asia	Global firm	Unspec.	Mix of countries	Total
Service sourced	Logistics	2	2	2	3	1	26	1	37
	IS/IT	0	3	0	1	0	37	2	43
	Profess.	2	2	0	0	0	16	0	20
	MRO	0	0	0	0	0	3	0	3
	Other	0	2	0	0	0	2	1	5
	Unspec.	0	0	0	0	0	1	0	1
	Mix	0	0	0	0	0	9	1	10
	Total	4	9	2	4	1	94	5	119

As far as types of services sourced were concerned, IS/IT services and logistics clearly dominated (see Table 5), with 43 and 37 articles, or 36 per cent and 31 per cent, respectively. Of the remaining one-third, half focused on professional services (21 articles or 17 per cent). These included accounting, architectural, engineering, general and management consulting, advertising, banking and finance, insurance, legal, health (for business buyers) and marketing services. Other services in focus included primarily MRO services and maintenance services. Unlike the industry of buyer-firm, the type of service sourced was, thus, nearly always specified. Again we note,

though, that there is very little discussion about differences and/or similarities between different service categories and service categorisations. One complexity involved in categorising services, however, is that different classification schemes are used by different scholars, meaning that here (Table 5) the category 'mix' (of services) was employed when types of services sourced were indeed mentioned, although according to a classification scheme that could not be matched to ours.

It is remarkable that hardly any research explicitly focused on direct services, i.e. services in-turn offered to the buying-firm's customers (as part of a customer offering). Certainly, many of the studies that did focus on, for example, logistics and IS/IT may, in fact, have been concerned with direct services, even if this could not be assumed from the article as such. Nonetheless, only three articles were identified as dealing specifically with direct services (Bhatnagar and Viswanathan, 2000; Nordin, 2005; Watjatrakul, 2005).

A comparison of the service sourced with date of publication, failed to yield any particular changes over time. Obviously, empirical studies of IS/IT service sourcing increased in number in the early to mid-1990s since, at that time, the phenomenon was increasingly relevant in practice. However, at that time the number of service sourcing articles also expanded (partly as a consequence of the number of IS/IT-related publications) and the proportion of articles focusing on different types of services remained largely unchanged.

6 Research Methodologies Identified

There are different methods employed in *empirical* service sourcing research. Statistical (primarily based on surveys) as well as non-statistical (primarily based on case studies) empirical studies are performed, with a small majority of studies being statistical in nature. Among the 119

articles, 65 were statistical and 40 were non-statistical in their approach to data analysis. The remaining 14 articles employed both statistical and non-statistical methods.

While not all articles clearly described the method employed, a vast majority of the statistical articles were based on primary survey data, largely collected through mail questionnaires. Only very few statistical articles were based on secondary data, such as Smith et al. (1998) who drew on a financial database. Two statistical articles (Loh and Venkataraman, 1992b; Smith *et al.*, 1998) collected data from newspaper articles.

The non-statistical articles primarily constituted case studies, while 11 articles were interview studies that did not focus on specific cases such as firms (e.g., Currie and Willcocks, 1998; Smith and Kumar, 2004; West, 1997).

The mixed method articles mainly either constituted combinations between case studies and surveys (e.g., Laing and Lian, 2005; Maltz and Ellram, 2000; Svensson, 2001) or combinations between interview studies and surveys (e.g., Day and Barksdale, 2003; Farrell and Schroeder, 1996; Stremersch, 2001). One article (Sink and Langley, 1997) used a combination of survey, case study and a focus group. Smeltzer and Ogden (2002) combined a focus group study with a survey.

While statistical articles were in majority for all four focus areas, their dominance was somewhat smaller for articles focusing on process (54 per cent). Almost all statistical articles looked at US or Canada-based buyer firms. Non-statistical or mixed method articles, on the other hand, focused evenly on buyer firms in North America, Western Europe, or a mix of the two regions. Obviously, this reflects different research traditions.

Moreover, in-depth longitudinal research seems to be almost non-existent (Loh and Venkatraman, 1992b, being a notable exception), which is interesting to note since many of the phenomena studied, such as the purchasing process, are inherently longitudinal.

7 Discussion and suggestions for future research

One of our starting points was the lack of systematic overviews of service sourcing studies. This paper provides such an overview of the empirical literature and shows that a wide variety of geographic contexts, services, methods, theories and aspects of the sourcing phenomenon are in focus within our specified parameters. Despite the growing body of research in the area, however, more knowledge is clearly needed.

Based on our findings regarding the extant literature, below we highlight some specific topics and approaches we believe would enhance and contribute to consolidating the knowledge of how and why firms source services and what outcomes this yields. The suggestions are grouped into three broad research avenues: empirical expansion, methodological advancement and theoretical development.

7.1 *Empirical expansion*

A potentially productive research avenue is to expand studies into other empirical contexts. One such opportunity is the *expansion into services other than IS/IT and logistics*, which so far have attracted most of the attention from scholars. Although some other services are indeed covered by the literature - in particular different kinds of professional services - recent developments in service sourcing practices justify a shift in focus towards more complex and knowledge-intensive services. These are not only increasingly being sourced externally and overseas; there is also great uncertainty regarding the impact of this development. For instance,

there are authors (such as, Grossman and Rossi-Hansberg, 2006; Bardhan and Kroll, 2003) who argue that the long-term effects of outsourcing complex and knowledge-intensive services cannot fully be compared to outsourcing of less complex activities. It is difficult to replace knowledge-intensive tasks with even more knowledge-intensive tasks, it is argued. The impact on employment may thus be more severe. In spite of the attention that this issue receives in media, we found no examples of empirically-based studies of linkages between service outsourcing and employment. We, therefore, suggest that studies be undertaken to provide hard evidence concerning the actual impact of service outsourcing, both domestically and internationally, with a specific focus on knowledge-intensive services. In effect, researchers should ask themselves, “what is the scope of complex service sourcing and what are its effects?” Large scale surveys as well as in-depth case studies are needed to address this issue.

The sourcing of *direct services*, such as training and other professional services used as part of a customer offering, is also an important avenue for future research, not least because of the increasing importance of direct service as a source of differentiation and competitive advantage for industrial firms. Currently, research focusing on direct services is limited and its causes and effects are largely unknown. Also here, surveys as well as case studies are needed.

Likewise, it could be fruitful to *expand research geographically*. Our overview shows that some geographical areas are better represented than others, extant research almost entirely focusing on service sourcing practices of North American and Western European firms. Obviously, this reflects the geographical location of scholars. We would like to see future research extended to other areas, though, especially those whose economic importance has increased greatly in the last decade, such as Eastern Europe and East Asia. This relates not only to the sourcing practices of firms in these regions, but also to the sourcing of services from these

regions. There are frequent reports in media concerning the burgeoning importance of Eastern European and East Asian as service suppliers, although research into western firms' service sourcing practices in these developing economies remains scarce.

Much of the research reviewed here tends to treat sourcing as a relatively isolated phenomenon, ignoring how it impacts on, or is impacted by, other functions in the organisation. Therefore, an important empirical extension could be to study the *impact of service outsourcing on organisational capabilities*. In effect, researchers should ask themselves, "If functions previously performed in-house are outsourced, how does this impact on firms' abilities to carry out these as well as other activities in the future?" For example, if the IT function is outsourced, does that drain on IT competence negatively impact the firm's ability to be innovative in areas of sales and marketing? To address this crucial issue, multiple case studies should be carried out to distinguish general patterns from idiosyncratic behaviours. We suggest that a sampling logic be employed entailing selecting firms from different industries that source different types of services. This also acknowledges the complex interplay between process and outcome characteristics.

7.2 Methodological advancement

Our study indicates that within the service sourcing area longitudinal research is scarce. As a consequence, some of the empirical results of previous research are superficial and may be questioned. We, therefore, suggest that the *longitudinal nature of processes be taken into account* when future research projects on service sourcing are designed. Studies focusing on the entire purchasing process, also considering antecedents such as triggers, motives and need-recognition, will likely yield greater insights into the phenomenon than research focusing on only one phase of the process. Interdependencies between important parts of the purchasing process, such as

service specification, the supplier evaluation and selection process, service delivery, and evaluation (to the extent that these phases are relevant in the given context) should be established. Here, we propose that inspiration be drawn from the area of strategy which for a long time has been concerned with longitudinal change processes.

Antecedents and outcomes of service sourcing are clearly interrelated. For example, expected outcomes of service outsourcing may function as an antecedent to actually making the decision to outsource a certain service. In the literature reviewed here, though, there is little focus on *actual* outcomes of different service sourcing decisions and significant work clearly remains to substantiate the fragmented empirical evidence concerning efficiency and effectiveness of outsourcing strategies. In particular, there is a need for *research that goes beyond measuring managers' perceived benefits or expected results*. Thus, before purchasing science can develop further, a broad approach should be taken to identify factors influencing outcomes, for example within the frame of longitudinal panel surveys. In particular, real outcomes should be related to motives and triggers of service outsourcing. Similarly, firm characteristics (e.g., industry, size, resources, outsourcing experience), the type of service outsourced and characteristics of the service supplier should be related to real outcomes. Arguably, this requires the development of new methods for studying service sourcing.

7.3 *Theoretical development*

Current empirical work on service sourcing clearly suffers from theoretical immaturity. This frequently results in the oversimplification of complex phenomena. Thus, there are significant opportunities for increasing the theoretical sophistication in the area.

For instance, *general knowledge* of how and why services are sourced, including the results of different strategies and processes as well as *influences of differences in contextual factors* (e.g., type of service, industry, and culture), is needed. The focus of extant research is often narrow or vague and there is a lack of comparative research regarding different types of services. For example, business services are often bundled together with little regard to their importance to the buying firm. The same observation can be made virtually regardless of the dimensions along which services are categorised (such as simple *versus* complex or hard *versus* soft services). This applies also to comparative research; arguably, comparing practices across industry, geographic and cultural context can provide valuable theoretical insights into service sourcing behaviours. The field of service firm internationalisation may serve as a source of inspiration for such undertakings. Likewise, recent theoretical developments concerning the service-dominant logic (Vargo and Lusch, 2004) may shed new light on similarities and differences between various services and products.

We believe that the lack of theoretical sophistication characteristic of service sourcing research may be partly remedied by *drawing on literature outside the sourcing area*. For instance, the main purpose of many of the articles focusing on the sourcing process was to provide a framework for *how* to purchase certain services rather than to explore and explain variations in, or developments of, different processes. Thus, the aim of such articles was primarily to make normative rather than theoretical contributions. Since extant studies tend to be inconsistent as to what constitutes a purchasing (outsourcing) process, though, it is difficult to draw any general conclusions from this body of research. Drawing on the area of strategic change, with its definitions of what constitutes a process (see, e.g., Axelsson et al., 2005), would seem to offer possibilities to improve theoretical depth and generalisation across studies.

Normative contributions are, thus, common in articles focusing on sourcing strategy. Issues such as degree of sourcing and services selected for outsourcing were typically in focus in the articles reviewed here. Again we make the observation that the generalisability and trustworthiness of findings would improve if studies employed more theoretically-based frameworks. Then, contributions with greater applicability across contexts might be made. In particular, we suggest that *conceptual models be developed where antecedents, sourcing strategies, contextual factors and outcomes are connected*. In doing so, drawing on classical and more recent works in strategy and organisation theory (see, e.g., Shafritz et al, 2007; Jackson and Carter, 2007) would likely be useful.

In addition to the more specific areas suggested above, we argue that a *thorough literature review focusing on previous research findings* should be undertaken, aiming to establishing the state-of-the-art of the field. Many empirically-based studies apparently exist and our study implies that the collected insights of this body of research offer some opportunities for integration, even if the atheoretical focus of much of the research makes direct comparisons across studies difficult.

8 Conclusion

A great deal of empirical research can be found in the area of service sourcing. Much of this research is focused on narrow, specific issues studied in particular geographical contexts, though, and service sourcing research is highly fragmented. Therefore, a great deal of research remains to be undertaken, both to broaden the scope of current knowledge and to integrate extant research.

An important observation is that the area of service sourcing appears not to be especially theoretically driven. Rather, it is typically inclined towards descriptions of practices without any explicit linkages to theoretical perspectives at a higher level of abstraction (e.g., grand theories and middle range theories, cf. Creswell, 1994). This is something the area shares with sourcing research in general (cf. Cox, 1996; Mol and Wynstra, 2003). Those relatively few articles that do employ more widely acknowledged theoretical frameworks appear to focus on transaction cost analysis, resource-related theories and theories of business and social exchange. Not only is the theoretical foundation of most of the research tenuous, the contributions of service sourcing studies in terms of theory generation are typically also limited. While practical suggestions to managers and context-specific decision-making models abound in the field, there is little in the way of generalised knowledge produced.

Some important limitations of this study must be recognised. It has focused only on research published in journals that have been recognised as being of a good standing, which means that articles in some journals, e.g., relatively new ones, as well as other types of publications have not been considered. We have also employed a highly structured method when identifying articles. It is conceivable that our keyword searches have missed some articles that focus on service sourcing but use different terminology. Our searches through lists of references may also have missed some more recent publications that have not yet been referred to. Thus, there may be aspects of service sourcing that have indeed been studied, even if we conclude that they appear as yet largely unexplored. Furthermore, this study has largely avoided addressing the current trend of *servitisation* of goods (cf. Vargo and Lusch, 2004). That is, what were previously considered goods, are increasingly recognised as services, leading to a more complex distinction between goods and services. This study may, thus, have ignored some works that might have

been (or might in the future be) considered relevant for services purchasing because we chose to define them as dealing primarily with goods.

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