

## **Strategizing the Outsourcing Industry in an Emerging Knowledge Economy: A Critical Perspective**

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*Developing countries in Asia are in the process of transitioning from a production economy to a knowledge economy. Various new knowledge and information communications technologies mega-projects are being designed and executed to sustain competitiveness. The structures and processes underlying the development of knowledge economy projects are complex economic-social-political decisions. An in-depth understanding is illustrated and assessed using an interpretive case study concerned with formulating and implementing an outsourcing and contact centre industry programme to propel the knowledge economy. From the analysis based on the structural framework, implications are drawn for success strategies and implementation.*

Field of Research: Contact Centres, Outsourcing Industry, Knowledge Economy,  
Structuration Theory, Asian Developing Country

### **1. Introduction**

An increasing number of countries around the world are embracing the concept and practice of the knowledge economy (hereafter refer to as the k-economy). Just before the beginning of the new millennium, the US, UK, Canada, Ireland, Finland, France, Japan, South Korea, Australia, New Zealand and Singapore have already articulated national positions and strategies for their k-economies. Although each country defines its k-economy somewhat differently, all of these definitions revolved around the New Growth Theory of an economy based on the production, distribution and utilization of knowledge. Developing countries, not wanting to be left behind in these developments, are also formulating policies and strategies to transform their production economies. The strategy documents produced in developing countries, however, are fairly similar to those of the developed economies, giving the impression that k-economy strategies are readily transferable across different countries.

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But, the social-political-organizational dynamics that underpinned the decisions and processes embedded and reflected in strategy and action plan documents are not fully known to those outside the government policy making bodies. While I concur with the need for prescriptive tools based on a post-industrial analytical framework for designing policy and monitoring implementation of k-economy projects, I would suggest that better prescription have to be derived from a rich and thick description of the contexts and processes of specific countries. Hence, in this paper, I develop an account of the outsourcing industry pertaining to contact centres in an Asian country (hereafter refer to “MyCountry” as the pseudonym) using an interpretive critical approach and illustrate the interplay of structures and processes in shaping that industry.

## 2. Literature Review

In the past two decades, one stream of work draws on social theories and philosophies to analyze social, political, organizational and cultural issues in the design, development and implementation of information and communications technology (ICT), has been documented in Mingers’ and Willcocks (2004). I am drawing on the increasingly influential stream of work in the area of structuration theory as the theoretical basis. Structuration theory was principally developed by Lord Anthony Giddens (1984), and has become highly influential throughout the social sciences. It seeks to reinstate the importance of the concepts of time and space in social and political analysis. Central to structuration is the notion of the duality of structure. All social action consists of practices, located in time-space, which are the skilful, knowledgeable accomplishments of human agents. However, this ‘knowledgeability’ is always ‘bounded’ by unacknowledged conditions and unintended consequences of action. Phipps (2001) reviewed and classified fifty-three empirical applications of structuration theory in the social sciences and geography between 1982 and 2000. Structuration theory, in its original formulation, pays little attention to technology (Jones and Karsten 2008). However, various attempts have been made to extend Giddens’s ideas by including an explicit ICT dimension in social analysis. Pozzebon and Pinsonneault (2005) made an assessment of the increasingly use of structuration theory on management and information systems research and noted that structuration theory has often been appropriated as a broad framework or to complement and augment other approaches. In recent years, only several studies such as Nicholson and Sahay (2001), Orlikowski (2001), Stillman (2006), Walsham (2001) used structuration theory as the sole theoretical foundation in empirical inquiries.

## 3. Methodology: Interpretive Critical Research

The use of structuration theory as the guidance and first-order sensitizing device in this research is subjected to the usual limitations of employing and thereby emotionally fixating on a particular way of thinking and a particular way of seeing and perceiving the world, as we generally tend to see what we want to see and the empirical material largely confirming the theory. In reporting on my research, I attempt to circumvent this somewhat by emphasizing on reflexivity, creative and being critical rather than mechanistic interaction between the theoretical framework and empirical research.

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Reflexivity is particularly significant because as researchers we are carried our own implicit social-political-ideological assumptions, and far from being detached observer (Alvesson et al 2000, 2008). I will draw on a case example in an Asian country's k-economy experiences during the past decade. In MyCountry, the methodological difficulty of breaking-in and getting access as a researcher has been tremendous, as government meetings and minutes were classified as confidential and secrets. I was engaged in a researcher cum practitioner role where I did the research through interviews and interactions with key players and as the industry association leader providing advisory services to the government and industry. The case focused on the contact centre and shared services industry in MyCountry which was being shaped into an outsourcing industry. As the leader of the industry association for more than four years during 1999-2004, I was riding the storm in that period as government officials, key industry players and contact centre managers attempted to design a national strategy to position MyCountry as an outsourcing hub.

### 4. Case Study

Since the beginning of the new millennium, interest in the contact centres and the outsourcing industry has been increasingly rapidly in the Asia Pacific as a number of Asian countries, notably India and the Philippines, were becoming the choice locations for American and European companies. Given an estimated sizeable market and a cumulative growth rate of some 38% over period from 2003 to 2007, various Asian governments were strategizing their countries as an outsourcing hub for customer contact centers. MyCountry first recognized the potential of the contact centre industry when it launched the Knowledge Super Corridor (terminology used in MyCountry for the national and government initiated mega-projects for k-economy) in 1997, with an e-commerce flagship with telemarketing and contact centre services as a core component. The Call Centre Association of MyCountry (CC@M) was initiated in 1999. Since then the CC@M has been at the forefront of the contact centre industry championing for industry recognition through its annual awards programmes, accreditation and standards programmes, regional linkages, and directly involved in government policy formulation. Industry players estimated that there were about 500 contact centers in MyCountry. Companies with large contact centers were mainly the multinational corporations and domestic companies with huge financial assets.

There was no formal policy at the national level specifically on contact centers and the contact centre industry. Various discrete decisions and actions over time made by government agencies on matters pertaining to contact centers, which would collectively constituted the pattern in the stream of decisions on strategy. As early as 2002, an international consulting company reported that MyCountry was seen as having:

“...tremendous potential to be a regional outsourcing centre due to the large pool of skilled agents who are able to converse in many languages/dialects ranging from English, Cantonese, Mandarin, Malay, and Tamil, which can appeal when wanting to serve certain segments of the market. The move by the government

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giving tax incentives and holidays will provide the necessary boost for this country to emerge as a global outsourcing player”

The 2004, 2005, 2006 and 2007 editions of the A.T. Kearney Global Services Location Index ranked MyCountry as one of the five best in the world, for companies to perform outsourcing. Measures were being put in place both by the federal government and industry players in order to position MyCountry as “a customer-centric hub for shared services and outsourcing”. The processes for developing contact centers in MyCountry were first ignited in 1997 with the launch of Knowledge Super Corridor (KSC). Businesspersons and investors from Europe, the USA and Australia were showing promotional materials and incentives for contact centers in their home countries, hoping that a better package of incentives could be developed and offered in the KSC, and thereby attract relocation of contact centers to a cheaper location in MyCountry. However, the then KSC management corporation (KITDec) was emphasizing the creation of an e-commerce hub, rather than contact centers per se. Contact centers were conceived as front-end of an e-commerce value chain model. Driven by industry pressures, the KITDec e-commerce manager shifted the matter into industry hands, by supporting the establishment of the CC@M, which for five years, continued to have the KITDec address as its registered place of business. The CC@M management team comprised of contact centre managers. For the next one and half year, the activities were largely social in nature. The turning point came when the CC@M organized a dialogue session with the Ministry of Telecommunications (MinTel). At that session, the idea of a national blueprint was first mooted. Its genesis was an unintended consequence. For months, the CC@M management team attempted to solicit from its membership what they wanted from the government. The result was several scattered vague ideas such as “relaxing of immigration rules”, “incentives for training”, incentives for setting up call centers” and “government support”. But these were inadequate for the MinTel to convert into policy statements, other than the acknowledgement that a blueprint would be desirable. The inability of the CC@M to articulate policy issues could be largely attributed to the characteristics of its membership. With a management team of contact centre managers who were in the main not university graduates, the pressing issue of the day was concerned with routine operations rather than high-level policy matters. The industry players of the CC@M membership were generally of the “sales person” category, competent in hard selling solutions but hardly knowledgeable on macro-level industry issues. The focus of this category of the membership was issues directly affecting the bottom-line – a short-term perspective.

Discontents among key industry players led to a call for war. myOutsource was a major local company, who CEO was the initially an advisor to the CC@M. He capitalized on that role and used the CC@M as platform to network with government officials and a channel for publicity. Having his hands in every activity of the CC@M and basking in the limelight as de-facto leader, he was soon removed. myOutsource next attempted to organize a high-level “think-tank” to advise the government, claiming that:

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“I want to contribute to national policy on call centers...I want to do something important in my life...how often in a lifetime does one have the opportunity to shape the fate of an entire industry ?”

But the response was luke-warm and he was soon disheartened and went away “promoting MyCountry as a contact centre hub on his own private basis”. myVendor was a MNC which provided financial support for CC@M activities and backed its clients for key positions on CC@M management team. The CEO tried to gather a group of vendors together with a government-owned company with a national ICT interest to draft the contact centre blueprint, as the group felt that the infighting in CC@M incapacitated the blueprint initiative. The CEO explained his interests:

“...as the country manager of a major MNC, my performance is assessed not only by sale targets, but also the role I play in shaping the future of the industry in this country. I want to contribute to government policy...”

However, the response to his altruist’s motivation was not forthcoming. myVendor’s attempt at initiating an alternative platform came in the wake of an impending control of the CC@M by a competitor industry player myServiceProvider, which brought two busloads of voters to the third annual general meeting of the CC@M. But, with the re-election of the incumbent president, the threat from myServiceProvider was nullified and myVendor abandoned the attempted alternative platform for then. The new CC@M team reviewed the competitive scenario and adopted a defensive strategy by expanding the scope of the CC@M to cover both the managers and industry players from customer relationship management to contact centers, and reprioritizing to focus on providing industry and thought leadership. A key leg of the defensive strategy was the formation of the CC@M Advisory Council, chaired by the permanent secretary of MinTel and whose membership included senior industry players. The chairmanship of the CC@M Advisory Council by permanent secretary of MinTel, which was the lead agency for contact centers, effectively made the CC@M a government-backed institution and the direct channel from industry to government. New attacks on the CC@M would constitute an attack on the government, which industry players looking for government endorsement were unlikely to risk not being in the good books.

## 5. Structural Analysis

The process of policy formation for the contact centre industry has been largely private sector driven, with a focus on positioning MyCountry as an international outsourcing hub, with its concomitant battery of incentives for a conducive environment for businesses to flourish. The emergence of a potentially lucrative contact centre business with the relocation from the developed countries to cheaper sites in India, China and the Philippines posed a significant situation for MyCountry businesses. If MyCountry did not develop its own contact centre industry, what was the likelihood of even domestic demand would one day need to be outsourced to other countries? In day one, key industry players such as myVendor, a major MNC and myOutsource, a major local company did not have direct access to the Government. The CC@M became the de

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facto platform, or the structure of domination, for industry players to move along the corridor of power, although it was initially organized as a social club managed by contact centre managers. The call for the regional hub played on the prevalent norm of creating regional hubs in various economic sectors of MyCountry, exemplified by the Knowledge Super Corridor, the biotechnology hub and the education hub. In terms of actions, the knowledgeability of the key actors, MinTel, KITDeC, industry associations such as the ICT Industry Organization and CC@M, and key industry players, was a major factor in the process of formulating and implementing the contact centre and outsourcing programmes. The business of contact centers and outsourcing was new to the MinTel and KITDeC, and confronted with a new industry, officials typically went through a learning curve in understanding the different players and their business domains, elements of a conducive environment and the relevant policy issues. The view of the KITDeC, with its emphasis on k-workers, was that the appropriate contact centre strategy was one on “high-end” contact centers rather than low-wage, labor-intensive formula. Marketing brochures for promoting MyCountry as a contact centre and outsourcing site were designed under a new MyCountry Outsourcing initiative. The contact centre managers running the CC@M in the early days were concerned primarily with tactical issues of contact centre operations and largely uninterested in broader policy matters. Industry players, currently spearheading CC@M, have been motivated by their bottom lines and raised particular policy issues such as immigration, training and tax incentives as they affected individual player at different points in time.

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**Table 1. Structuration Analytics of Contact Centres and Outsourcing**

<i>Analytic Devices</i>	<b>Key Aspects</b>
Duality of Structure	<ul style="list-style-type: none"> <li>• Signification: emergence of a lucrative contact center business with relocation from developed countries opens new opportunities for businesspersons, who wanted to position MyCountry as a international hub with a set of attractive incentives</li> <li>• Industry players required a platform to garner governmental support for a regional hub, and the industry association CC@M became the de-facto forum. CC@M provided a structure of power relations for key industry players to articulate strategies and requirements for a regional hub</li> <li>• The hub call and the national blueprint played on the general norm of creating regional hubs in various economic sectors. The hub strategy and a formal blueprint formed the new structure of legitimization</li> </ul>
Knowledge and Information Communications Technologies	<ul style="list-style-type: none"> <li>• As a rapidly developing sector of the k-economy, contact centers were a significant component of shared services and customer-centric organizations. Contact centers embodied a new system of meaning for public and private sector organizations, encapsulating the norm of establishing a customer responsive organization, and providing a new source of economic growth</li> </ul>
Contradiction and Conflict	<ul style="list-style-type: none"> <li>• The proposed national blueprint, a strategy for developing the contact centre industry, was yet to materialize owing to different perspectives and interests of key players</li> <li>• The KITDeC promoted the setting up of high-end contact centers with agents classified as knowledge workers. Some 300 contact centers outside the KICT Super Corridor were mainly of the low-end category. The CC@M membership comprised about one-third of the contact centers but CC@M lacked the resources to participate in developing the blueprint. The contact centre business was new to government policy makers, and pulling together a policy and incentive package needed inter-agency and industry cooperation</li> </ul>
Dialectic of Control	<ul style="list-style-type: none"> <li>• Industrial policy for a k-based sector could not be prescribed in a top-down fashion.</li> <li>• Knowledgeability of key players became a critical determinant of the design and diffusion of policy.</li> </ul>
Reproduction and Change	<ul style="list-style-type: none"> <li>• Business as usual: Players were going about their everyday businesses as usual. The MinTel responded to issues as they arose and resolved them through consultations with relevant parties. The KITDeC awarded Knowledge Super Corridor-status to companies with large-scale data and call centre operations. A state government was looking at strategies for promoting the development of a contact center hub. Companies setting up new contact centers approached the relevant agencies to tap on existing incentives. Businesspersons were going overseas to promote MyCountry as a site for contact centers for their own companies.</li> </ul>

However, although the key players through a series of interactions over time like the various dialogues of CC@M, Mintel and KICTDec and informal meetings became familiar with the issues and needs of one another, a formal blueprint was yet to be produced. The blueprint would constitute a significant structure of signification for both government and industry. The explanation for the non-production of the blueprint could be found in the asymmetrical relationship of power and resources. The CC@M was widely expected to produce the blueprint. But as an industry association, it lacked the financial resources to do the blueprint. Neither did it have internal drive to draft the blueprint as the dissenting view was that policy was a government matter and CC@M

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could only provide inputs to policy deliberations. This was compounded by the fact that CC@M was a voluntary organization and it was heavily embroiled in internal organizational politics all its history, and focusing on a shared value was difficult. On the side of the federal government, the response has been piecemeal, according to crises as they came. The lack of concerted and coordinated action in MyCountry might well have narrowed the window of opportunity as other Asian countries became awakened to the potential of the contact centre and outsourcing business.

## 6. Conclusion

The case study highlighted a more sophisticated lens of seeing the difficulties of developing and implementing the outsourcing industry in developing countries. In MyCountry the ICT sector was widely perceived by the government and local industry as an engine of economic growth. Hence, its national development programme was allocated a huge proportion of funding for ICT-related programmes. Various assessments of the performance of the ICT sector, however, have been mixed. Previous assessments of selected aspects international consulting corporations were not positive. Over the years, the press has reported specific cases of successes and failures on ICT, resulting in a general public perception of the non-performance of government spending on ICT. Internationally, rankings conveyed different messages. The United Nations' Global E-Government Readiness Report 2005 ranked MyCountry as beyond the number 40<sup>th</sup>, in spite of the Knowledge Super Corridor. Yet A.T. Kearney Global Services Location Index of 2004, 2005, 2006 and 2007 rated MyCountry as one of the best for outsourcing in the world.

By using an approach such as structuration theory, a systematic critical analysis was done and brought to light to both the players and policy makers the underlying structures and processes of decision making. An enlightened understanding and knowledge for action were developed. As Ghoshal (Birkinshaw & Piramal 2005) stated, bad theories are destroying good practices. In order to develop good theories that can capture the complexity of real world decisions, a more sophisticated theoretical framework is required to guide data collection. In the context of developing countries, researchers doing critical research with the higher aim of providing constructive change to decision making is necessary. Practitioners are characterized by their wealth of practical hand-on experiences. However, when asked to share the wisdom of their experiences, a general tendency is that they retreat to an "academic" mode so that their self-presentations appear intellectual and hence respectable. I reproduce below a piece of written prescription from a practicing technopreneur:

"So, MyCountry policy makers, take heed. Efforts of leapfrogging to a knowledge-based economy does not involve tinkering with only a few parts of the national development system, derived from a short-sighted emulation of American technological hubs and funding systems. It involves tinkering with all of the system, removing the unnecessary impediments to the transition. It involves creating the same strong basic foundation they have built upon, gradually, and



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remedying any indigenous weaknesses or shortcomings. It entails that Asian governments must be able to handle all these issues simultaneously”.

The above prescription was doubtlessly naïve but it has been based on presumptions of a world where diverse interpretive schemes, asymmetrical relations of power, divergent values, contradictions and conflicts in human relations were non-significant and non-correlations. The above case on contact centres and outsourcing on the interplay of structure and action by competent players generated empirical evidence to the contrary.

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