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RE-EVALUATING OFF-SHORING – THE ROLE AND INFLUENCE OF STAKEHOLDERS

Brad Nash, Peter Holland & Amanda Pyman

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Abstract

The concept of outsourcing or 'off-shoring' has become a major topic of debate in countries including Australia, the UK and the USA, permeating political, economic and academic discussions. The focus has been on the export of skilled 'home country' jobs to more cost-effective regions on the one hand, versus the acceptance of a global market and an increase in skill and knowledge levels in developing markets on the other. This debate has been particularly evident in relation to the export of information technology and call centre operations to countries such as India, Mexico and China. Many commentators view such moves as representing a *fait accompli*, due to significant labour cost advantages and access to skilled labour and infrastructure in the global economy. However, there are a variety of issues associated with the process of outsourcing, including the more obvious issue of the loss of employment and the management (control) of the work, that permeate both the economic, social and moral decision making of management. In addition, organisational stakeholders can play an influential role in off-shoring decisions and their success or failure. Recent high profile cases in Australia and the US, illustrate not only the importance of involving stakeholders in decisions to outsource, but also their ability to reverse or reject the off-shoring route. This paper utilises stakeholder theory to explore the role and influence of stakeholders in organisational decisions to outsource.

RE-EVALUATING OFF-SHORING – THE ROLE AND INFLUENCE OF STAKEHOLDERS

INTRODUCTION: FROM OUTSOURCING TO OFF-SHORING

The underlying themes of cost reduction and increased flexibility have driven the outsourcing phenomenon (Hartmann & Patrickson, 2000). In the human resource management (Taylor & Bain, 2003; Betts, Meadows & Walley, 2000) and international business literature (Read, 2003), outsourcing is often portrayed as a means of enabling organisations to focus their resources on the core business, while facilitating new forms of work for other business areas. By matching organisational resources more closely with customer or product demand, organisations should reduce fixed costs and increase efficiency and competitiveness (Domberger, 1994; Zappala, 2000). The ability to change the structure and contractual relationship of the workforce has been described as a key to efficient and effective utilisation of human resources in this context (Emmott & Hutchinson, 1998). Outsourcing can also provide organisations with expertise not available in-house (Young, 2000).

The decision to outsource has thus become one of the key strategic decisions being considered by organisations, as part of a process of continually redesigning, redefining and reshaping operations in an increasingly competitive and global environment (Casale, 1996). By the mid-1990s, research conducted by the Outsourcing Institute found that on average, companies were realising a 9 per cent saving and a 15 per cent increase in capacity and quality as a result of outsourcing (Casale, 1996; Crane 1999). Drucker (2004) also points to the economic advantages of outsourcing, in the form of economic development overseas, lower domestic prices, mobile capital to invest in new jobs and increased customer purchasing power.

The advent of information and communication technologies (ICT) in the last decade has seen the continual development of outsourcing, or what is called off-shoring, on a global and virtual scale. This global phenomenon is typified by the emergence of call centres as a key business tool in providing frontline services to customers. As such, off-shoring has become an issue associated with quality, productivity, flexibility, speed and innovation, as infrastructure rapidly develops to facilitate more highly skilled (and reliable) work relationships (Wild, Wild and Han, 1999). It is estimated that the global business process outsourcing market will be worth more than $240 billion in 2005 (Aron 2004).

The increasing export of skilled (white collar) employment has become a major topic of debate in countries including Australia, the UK and the USA. This debate has been particularly evident in relation to the export of IT jobs such as call centre operations, to countries such as India, Mexico and China (Pollitt, 2004; Rance, 2004). Many commentators and academics assume that such moves represent a *fait accompli*, due to significant labour cost advantages and access to skilled labour and infrastructure in a global economy (Business Council of Australia, 2004; Pollitt, 2004; Rance, 2004). However, there are a variety of moral and social issues, as well as economic issues, associated with the decision to off-shore, which can be accentuated by the inappropriate management of influential organisational stakeholders such as shareholders, governments and trade unions.

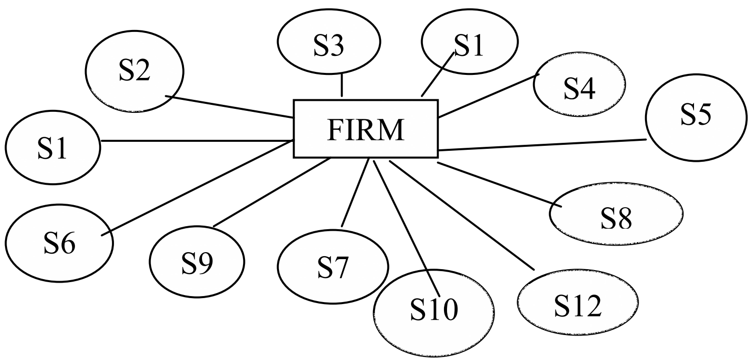
The impact of off-shoring decisions on organisational stakeholders is the focus of this paper. The paper is designed to address what appears to be missing from the research conducted to date. Whilst there has been some research examining the effect on employees (see for example Wilcocks, Fitzgerald and Feeny 1995; Purcell 1996), the effect and response of organisational stakeholders have been largely ignored. The emphasis on the economic benefits of outsourcing, in the form of lower costs and increased flexibility, can overshadow important factors related to the role, influence and management of stakeholders. Ultimately, these issues may be crucial in the long-term success of such decisions, yet, have been given little consideration by many organisations. Indeed, recent cases illustrate the importance of involving stakeholders in decisions to outsource, and the ability of stakeholders to influence decisions, even to the extent of reversing or rejecting the off-shoring route. This paper utilises stakeholder theory as a framework to explore the role and influence of stakeholders in organisational decisions to outsource.

STAKEHOLDER THEORY

Stakeholder theory, in its broadest form, is an integrative framework for understanding the dynamic nature in which society interacts, but can be translated as a theory of the firm (Donaldson and Preston, 1995; Evan and Freeman, 1988; Freeman, 1984; Jones 1995). Stakeholder theory was first introduced in 1984 by Freeman, and since then, has been the subject of different interpretations, primarily around the issue of who constitutes organisational stakeholders and their relationship to the organisation. Freeman (1984:46) defined organisational stakeholders as any group or individual who can affect, or is affected, by the achievement of organisational objectives. Whilst this definition is broad, it does enable the management of an organisation to take an all encompassing perspective as to whom their stakeholders are, and, forces them to consider the impact stakeholders may have on business decisions.

The definition of stakeholders is one element of stakeholder theory that varies significantly. Alkhafaji (1989:36) defined stakeholders as groups to whom the corporation is responsible. Similarly, Thompson, Wartick and Smith (1991:209) defined stakeholders as groups in relationships with an organisation. A narrow definition was put forward by Clarkson (1994:5) who referred to voluntary and involuntary risk bearers. Voluntary stakeholders bear some form of risk, as a result of having invested some form of capital (human or financial), or something of value in a firm. Involuntary stakeholders are at risk as a result of a firm' activities, yet, without the element of risk, there is no vested interest in the organisation. Despite these varied definitions, it is Freeman's (1984) work that attempted to articulate the stakeholder concept as actors impacting on the organisation, and, on whom the organisation impacts. This was done via a graphical representation, as shown in Figure 1. Figure 1 illustrates an organisation surrounded by groups of stakeholders whom are clearly identifiable and separable. This provides a mechanism for management to assess, and strategically map, the effects of its external environment via stakeholder identification (Freeman 1984:55).

Figure 1: A Stakeholder Map



Source: Freeman (1984: 55)

Despite a lack of universal acceptance concerning the definition of stakeholders, the evolution of stakeholder theory has seen the inclusion of a variety of different perspectives that aim to more closely relate the theory to 'real' world interpretations of organisational behaviour. Critical research that has refined and developed the theory has included characteristics such as power, legitimacy and urgency, which all affect the way organisations choose to manage their relationship with stakeholders.

Power, Legitimacy and Urgency

Weber (1947) defined power as the probability that one actor within a social relationship would be in a position to carry out his own wishes despite resistance. Pfeffer (1981:3) rephrased Dahl's (1957) definition of power as:

> A relationship among social actors, in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done.

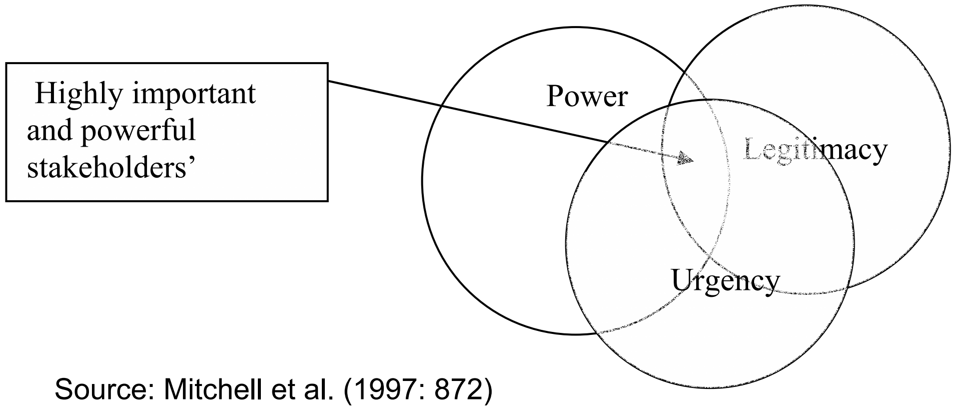
These two definitions present the difficulty in assessing or articulating what is meant by power. However, the real issue for organisations is the ability to recognise power. Identifying and categorising power has been facilitated by the work of Etzioni (1964: 59), who suggested organisations could categorise power according to the types of resources used: *coercive power*, based on the physical resources of force, violence, or restraint; *utilitarian power*, based on material or financial resources; and, *normative power*, based on symbolic resources.

When an organisation identifies its stakeholders and their level of power, it is also important to establish the legitimacy of the stakeholders' power. Suchman (1995: 574) defined legitimacy as a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate, within some socially constructed system of norms, values, beliefs, and definitions. Mitchell, Agle and Wood (1997: 866) reinforced Suchman's definition, arguing, legitimacy is a desirable social good that is larger and more shared than a mere self-perception, and may be defined and negotiated differently at various levels of social organisation. A key point here is the inclusion of social issues in the context of organisational decision making. After considering the variables of stakeholder management, Mitchell et al. (1997: 967) argued that a consideration of the power and legitimacy dimensions only, did not capture the dynamics of stakeholder management. They proposed that adding the stakeholder attribute of urgency helped move the model from static to dynamic.

Urgency was defined as the degree to which stakeholder claims call for immediate attention (Mitchell et al. 1997). Urgency however, is not only the identification of a pressing stakeholder. In addition, urgency necessitates that the stakeholders themselves view the claim as highly important or critical. Thus, urgency is based on two attributes: time sensitivity, which is the degree to which there is a managerial delay in attending to the claim, or the relationship is unacceptable to the stakeholder; and, the importance of the claim or the relationship to the stakeholder. In this instance, the relationship between the organisation and the stakeholder is also a factor and one that requires serious consideration.

Figure 2 illustrates the relationship between power, legitimacy and urgency. Highly important and powerful stakeholders are located where the three variables intersect. When the three variables are present simultaneously, stakeholder theory becomes a dynamic model.

Figure 2: Stakeholder Power, Legitimacy and Urgency



Source: Mitchell et al. (1997: 872)

Mitchell et al. (1997: 869-70) stated that the exercise of stakeholder power is triggered by conditions that are manifest in the other two attributes of the relationship: legitimacy and urgency. The premise of this statement is also highlighted in Figure 2. Power, as a single attribute, does not generate high salience in a stakeholder relationship. Rather, it gains importance when it is legitimate and it is exercised through a sense of urgency. Legitimacy also requires intersection with the other two attributes of stakeholder theory; power and urgency, to result in high salience. If a stakeholder is legitimate, then it will gain access to rights through power and be heard via urgency. The difference lies in the fact that the urgency characteristic only requires interaction with one of the other variables, either power or legitimacy, but not both. Urgency, on its own, is sufficient to create pressure on the relationship and to induce a reaction from an organisation, which may then lead to an increase in salience.

The Evolution of Stakeholder Theory

In developing the concept of stakeholder theory in organisations, Hill and Jones (1992:134) linked the stakeholder model to the concept of agency theory. Agency theory, or the principal-agent model, focuses on aligning the goals of two groups; in this case, management and stakeholders (Eisenhardt, 1989; Gomez-Mejia & Balkin, 1992). The basis of agency theory is that management is employed on behalf of stakeholders to manage the organisation, and therefore, should act in their stakeholders' best interests rather than according to their own self-interest (Milgrom & Roberts, 1992; Milkovich & Newman, 1996). As such, management will be rewarded for results that are deemed to be in the interests of the stakeholders (Gomez-Mejia & Balkin, 1992).

The identification of key stakeholders and an understanding of how these stakeholders can, and do, influence the management of the organisation, become central to the agency relationship. Rowley (1997:887-88) extended stakeholder theory by utilising concepts from social network analysis to examine the characteristics of entire stakeholder structures and their impact on organisational behaviours, rather than individual stakeholder influences. This concept is derived from earlier research by Oliver (1991:155) who focussed on how the construction of an organisation's stakeholder relationships affected its response to stakeholder pressures.

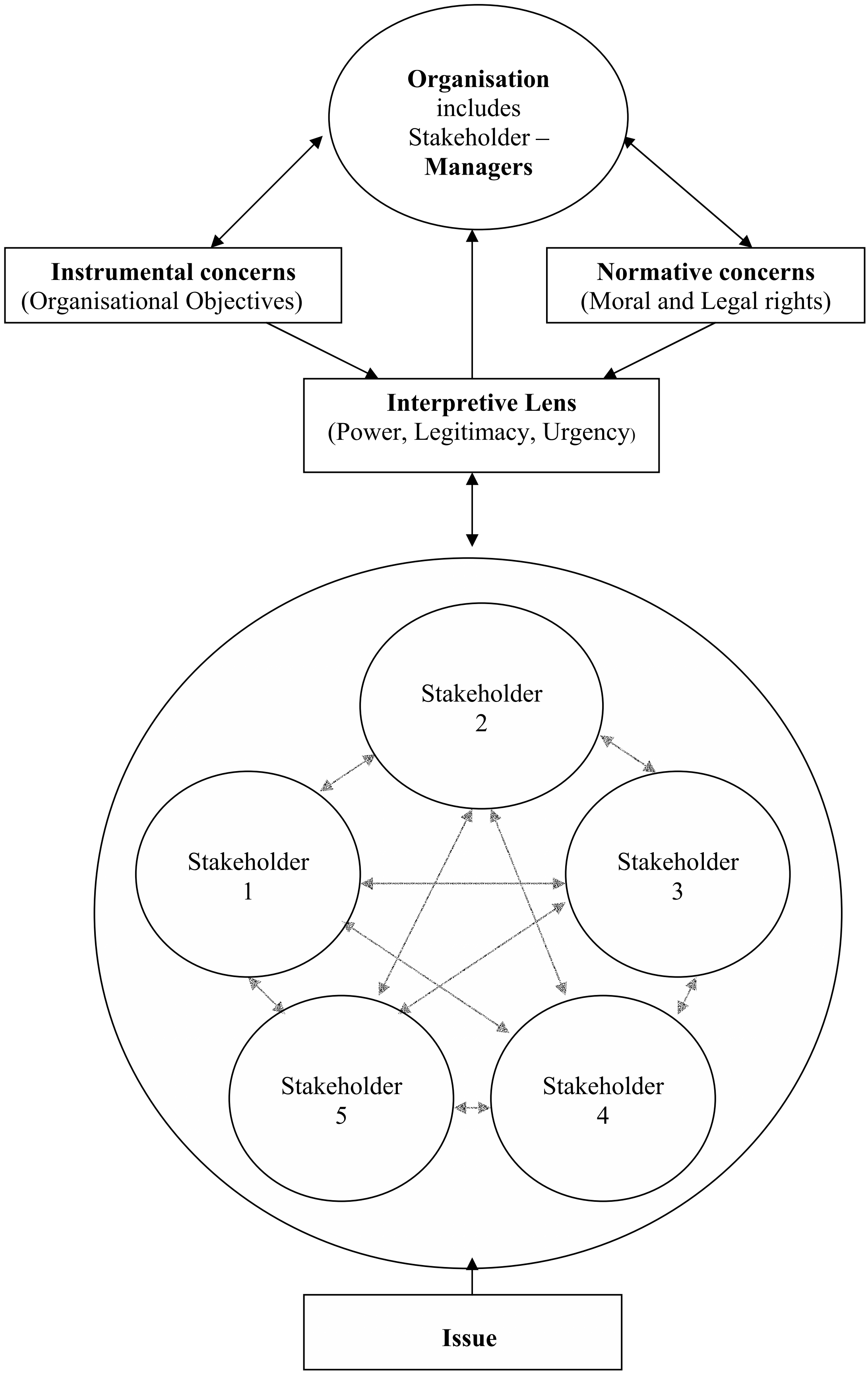
Scott (1991) points out that both institutional and resource dependence theories, emphasise the variety of external pressures (social, moral and/or economic) that organisations face, and, that these demands must be managed for organisational survival. It is these external pressures that result from an organisation's identified stakeholders. Although stakeholders place pressure on an organisation, the response generated by an organisation is not usually limited to a single stakeholder. Rather, an organisation responds to the legitimate claims of multiple stakeholders. Stakeholder pressure is not always applied by groups who have a direct relationship with the organisation, yet, can potentially affect the behaviour and decisions of an organisation. This highlights what appears to be a relatively simple theory, but it is difficult and complex to model and analyse. Despite this, it still remains important for management to understand, identify and respond to each of their stakeholders, and to manage their power and legitimacy. Thus, stakeholder theory is an important framework for understanding managerial decision-making. To place this complex framework into a workable context, Donaldson and Preston (1995:70) attempted to structure the complex relationship in terms of three identifiable categories, to analyse the application of stakeholder theory: descriptive/empirical, instrumental and normative.

After reviewing the descriptive/empirical application, Donaldson and Preston (1995: 70) illustrated how stakeholder theory has been used to: describe the nature of a firm (Brenner & Cochran 1991); the way managers think about managing (Brenner & Molander, 1977); how board members think about the interests of corporate constituencies (Wang & Dewhirst, 1992); and, how some corporations are actually managed in practice (Clarkson, 1991; Halal, 1990; Kreiner & Bhambri, 1991). The descriptive view of stakeholder theory reflects and explains past, present and future states of an organisation's affairs and their stakeholders. However, in taking such an approach, the ability to shed critical insight into the relationships between power, legitimacy and urgency is limited. In addition, the opportunity to access all aspects of the decision making process is difficult.

The instrumental approach to stakeholder theory has been used to identify the connections (or lack of connections), between organisational objectives (growth and profitability), and stakeholder management. Kotter and Heskett (1992:59) studied successful companies such as Hewlett-Packard and Wal-Mart, and found that they held similar perspectives on stakeholders. They went on to state that almost all of their managers cared strongly about people who had a stake in the business – for example, customers, employees, stockholders and suppliers. Whilst instrumental stakeholder theory attempts to make the connection between organisational objectives and stakeholder management, it is focused primarily around economic indicators. Consequently, it fails to address the underlying social and moral values in the management of stakeholders and organisational performance.

Donaldson and Preston (1995: 71) described normative stakeholder theory as being used to interpret the function of a corporation, including the identification of moral or philosophical guidelines governing the operation and management of corporations. Carroll (1989), Kuhn and Shriver (1991) and Marcus (1993), all demonstrated normative concerns when exploring stakeholder theory. Normative stakeholder theory therefore, not only takes into account the issue of managing a variety of interests, but also attempts to understand the moral and philosophical principles of various management decisions, which are largely influenced by power, legitimacy and urgency. As such, this approach provides significant insight into stakeholder management, from a non-economic perspective. Drawing on these key linkages, a more sophisticated framework for analysis can be developed, as shown in Figure 3.

Figure 3: Modelling Stakeholder Theory: A Framework for Analysis



METHODOLOGY

Because of the nature of stakeholder theory, a qualitative approach was taken for this research. Semi-structured interviews were undertaken with what were deemed as key institutional stakeholders in one of Australia's largest private sector organisations, specifically shareholders and trade union representatives. Federal government (and opposition) representatives where also interviewed as stakeholders, in light of their multiple roles: as a policy maker; an employer; and, as representatives of the public interest. These groups were selected because of their ongoing relationship with the organisation being studied. As primary stakeholders, management should accept an obligation and responsibility to these stakeholders and recognise their claims and legitimacy (Clarkson, 1995).

The inclusion of these stakeholders was central to understanding how, as individuals, and in combination, these groups have approached the issue 'off-shoring' in the case study organisation. The nature of the questions allowed the stakeholder representatives to discuss issues relating to off-shoring within the organisational setting, yet, also permitted expansion on any other issues stakeholders felt were important in the organisation's decision to off-shore. Thematic analysis was used to explore the dominant issues that emerged from the study.

OFF-SHORING: A CONTEMPORARY ISSUE

The increasing emphasis on efficiency and effectiveness in organisational processes has been the initial catalyst for outsourcing non-core and increasingly core activities. The development of ICTs in parallel with globalisation, have taken this process to an international and virtual level, particularly in the area of customer service interaction. This phenomenon is epitomised by the rapid development of call centres; technology-based operations requiring employees to accept inbound, and make outbound telephone calls, to customers around the world (Taylor and Bain 1999). Call centres are one aspect of organisational operations that are being outsourced internationally, often at significantly reduced costs. India is one country that has established a significant niche for the off-shoring of call centres from countries such as the USA, UK and Australia (Bean, 2003). Research conducted by Global Insight has predicted off-shoring will lower inflation, create jobs and boost productivity, particularly in the USA (Crowe, 2004). Similarly, Australian executives have been encouraged to consider sending jobs overseas to low-cost countries, under the rubric of maintaining cost competitiveness with rivals (Crowe 2004). For example, the Business Council of Australia (2004:13) state that:

> Off-shoring is a mechanism that has been used by Australian businesses to boost competitiveness…enabling them to cut costs and lower prices and/or sustain profits and earn for investors.

Companies such as British Airways, GE Capital, and American Express have either established their own centres, or contracted the services of a third party to operate call centres from India (Bean, 2003). The cost savings are a driving factor. As Martin Conboy, chief executive officer of callcentres.net Australia, points out: in the US, call centre costs are $US25 per hour per agent. In Australia, the cost is $US21 and in India $US10 (Nancarrow, 2004:8).

There are other conditions that also make India an attractive proposition for potential businesses. These include a longer working week (6 days) and the quality of the labour force; call centres attract large amounts of university graduates and there are 700,000 new graduates each year (Nancarrow, 2004:8). The influence of British settlement has also provided India with English as its language of business, furthering its attractiveness to countries such as the UK, Australia and the USA. In addition, the accident of geography means that normal working hours in India coincide with appropriate times for outbound calls (often evening) to the UK and US, and, allow for the processing of data overnight which is then available for the following days business in these countries.

What is not clear however, from research into the development of call centres off-shore, is the manner in which stakeholders are consulted about decisions to outsource parts of an organisation's operations. Issues of service, communication, culture and the loss of local jobs are significant issues that emerge as a result of off-shoring, creating moral, social and economic issues. This paper attempts to address the gap in the literature by exploring these issues utilising stakeholder theory as a framework (see Figure 2). Using this framework, we explore the role and influence of stakeholders in one private sector organisation's decision to off-shore.

CASE STUDY ORGANISATION - COLES MYER LIMITED - MYER CARD OPERATIONS

Background

Coles-Myer Limited has a history dating back over 100 years. The group was formed as a result of a merger in 1985 between the Coles supermarket group and The Myer retail group. The organisation operates over 1900 stores in Australia and New Zealand and includes the brand names of Target, Coles supermarkets, Bi-Lo, Myer, Officeworks and Grace Bros. They are Australia's largest non-government employer with over 165,000 staff (Annual Review 2003: 24).

After significant financial and managerial problems, and depressed profit and growth in the late 1990s, Coles Myer appointed a new Chief Executive Officer, John Fletcher in 2001. A key part of the revitalisation strategy adopted was a low cost operations strategy (Annual Review, 2001). One aspect of this strategy was the minimisation of duplication, and one obvious area for consolidation was the range of credit card brands. In 2001, management merged all the individual brands into one corporate card - The Coles Myer Card. The outsourcing of this operation followed, to a specialist call centre operator, GE Capital. The Coles Myer Card was subsequently managed by GE Capital through their call centres, with 50 per cent of customer queries directed to operations in Dehli, India from 2002. As a response to pressure from a variety of stakeholders, the Call centre was relocated back to Australia in 2003. This case study explores the role and impact of stakeholders in influencing management's position on this issue.

The Issue - Off-shoring the Coles Myer Card

During 2002, GE Capital decided to off-shore part of the Coles Myer call centre operations to India. It is unclear how much input Coles Myer had into this decision. It would be reasonable to expect however, that the organisation was aware it was occurring.

The 2002 Annual Review outlined two significant strategies for the year. The first was to grow shareholder value and the second was to deliver significant cost savings of $300 million by the end of 2004 (Annual Review 2002: 12). It is the second strategy that was probably the catalyst in the development of the Coles Myer - GE Capital relationship. While it is not clear from the Annual Review how Coles Myer sought to reduce their costs, it was during this year that GE Capital off-shored part of the call centre operations. This decision would have been expected to deliver substantial cost savings. It appears that there was little, if any, communication of this decision to stakeholders of the organisation, and a review of Coles-Myer Ethics and Polices (prominently displayed on the web-site), does not provide coverage of this issue. However, there is a clear policy on the prevention of exploitation of workers in the apparel manufacturing industry. This is related to the '*Fair Wear*' campaign launched by the Textile, Clothing and Footwear Union (TCFUA) in Melbourne in 1996. This campaign addresses the exploitation of clothing/retail workers in the Australian community. Coles-Myer is one of a large group of companies who have signed the TCFUA 'Homeworkers Code of Practice'. It is interesting to note that in the 2002 Annual Review, the year the off-shoring occurred, the report contained the following statement, appearing for the first time in relation to communication with shareholders:

> Coles Myer Limited is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its activities (Annual Review 2002).

The Stakeholders

This section analyses the issue of off-shoring from the perspective of each of the major stakeholders in Coles Myer Limited. These include: the customers, shareholders, trade unions and the federal government.

The Customers

In early 2003, it was publicly revealed that some of the Myer Card call centre staff were based in India. As Nancarrow (2004: 9) highlighted:

> Callers to talkback radio complained about poor service and communication and bemoaned the loss of Australian jobs.

The shareholders

This initial adverse publicity was followed by an ABC television documentary, titled 'Diverted to Delhi'. This documentary highlighted the outsourcing of call centre and IT jobs to India. GE Capital and Coles Myer featured predominantly in this production, and an interview conducted with a shareholder of Coles Myer indicated that he was unhappy that part of the call centre operations had been outsourced to India, because of the loss of Australian jobs overseas. This documentary generated substantial publicity, not only relating to off-shoring (Nancarrow, 2004), but also in relation to the manner in which organisational decisions were made within Coles Myer; without discussion or hesitation. It is worth noting that both GE Capital and Cole-Myer did not take part in the documentary.

The Trade Unions

The trade union movement has been at the forefront of the off-shoring debate, particularly in relation to the export of jobs and the exploitation of workers in less regulated countries. In the documentary, they were also prominent. Belinda Tkalcevic from the Australian Council of Trade Unions (ACTU) and Martin Foley from the Australian Services Union (ASU) both discussed a range of themes, but the export of skilled Australian jobs was clearly their major concern. Both Foley and Tkalcevic attacked the Federal government's position, particularly in light of their role as a key stakeholder in Australian organisations:

> ..it's great for big multinationals who can get cheaper wages from India, but what about Australian workers….. isn't the Australian government there for us and not for companies to try and save a few bucks (Tkalcevic, 2003).
>
> For Australian jobs to stay in Australia we have to get better and smarter on how we do it, but for the Australian government to join the cheer squad of off-shoring jobs to India is just appalling (Foley, 2003).

The union officials interviewed overwhelmingly agreed that they are significant stakeholders within organisations, in this case Coles Myer, as representatives of employee voice. As one official noted, the focus of the union as a stakeholder in relation to off-shoring, is on: preserving jobs, the economic longevity of an organisation and the relationship between the organisation and the community (Union interviewee C, 2004). A representative of the Shareholder's Association also identified themselves as a primary stakeholder in Coles Myer, due to the financial investment made by shareholders, and, their ability to vote for Board representatives (Shareholders Association interviewee, 2004).

Despite recognising themselves as a majority stakeholder, the representative of the shareholders association drew boundaries around managerial decision making, in the case off-shoring, and the involvement of the association. He expressed the view that the association would regard such decisions as being the 'business of management'; that they recognise 'management's right to manage' and therefore, it would be very rare for the association to seek an opinion on such an issue (Shareholders Association interviewee, 2004). This attitude suggests that the shareholders association regard various aspects of managerial decision making as falling within the domain of managerial prerogative, and therefore, beyond their direct involvement, unless they are not adequately managed (Shareholders Association interviewee, 2004).

Cost reduction issues also featured prominently in the interviews with unions. As one interviewee stated: the focus is always on cost – it is always on the lowest common denominator. The focus is not on quality (Union interviewee A, 2004). This preoccupation with cost reduction and associated job losses has led to increased levels of job insecurity among union members. As one union official pointed out: in recent workplace surveys job security is the number one factor identified, with employees expressing fear as to the possibility of losing their jobs (Union interviewee B, 2004). According to union officials, cost reduction is also being used by organisations as a 'stick': a fear factor when negotiating workplace agreements. Consequently, employees adopt an approach of 'not rocking the boat', which translates into seeking minimal enhancements to terms and conditions of employment for fear of loss of jobs (Union interviewee A, 2004). As one official elaborated:

> this tactic ensures that the employees' focus is on keeping their jobs and not on improving conditions of employment. If they save their jobs then that is a win and this removes the focus on improving their entitlements (Union interviewee A, 2004).

Two officials agreed that the threat of job loss by employers is a successful tactic, particularly during agreement negotiations, where employers use job insecurity as a bargaining ploy. Nevertheless, both unions also pointed to the advantages of increased job security. Agreeing that the threat is 'real', three officials pointed to a more hardened attitude among members to employer threats, and the fact that job security is a 'hot' issue that 'pushes people's buttons' (Union interviewees A & B, 2004). As a result, the off-shoring debate has generated dissatisfaction and mobilisation among members, and lead to increased awareness in the community about the insecurity of professional work, particularly among IT workers and call centre workers (Union interviewee C, 2004).

The loss (or potential loss) of Australian jobs has not seen any significant response or action from the Federal Government, although the Federal Treasurer, Peter Costello, made an off the cuff remark cautioning Telstra. The government has since gone very quiet on the issue (Crowe 2004: 22). This is in marked contrast to the USA where off-shoring is one of the top three political issues in the 2004 presidential elections. The high profile nature of off-shoring in the USA is illustrated by the activism and effectiveness of unions on this issue. For example, as one union official highlighted, fifty US states, led by the unions, are currently lobbying governments to introduce a right for consumers to know information pertaining to the location and performance of work (Union interviewee C, 2004). This lobbying at a community and political level appears to be an effective and strategic tactic for unions to adopt, and may provide lessons for Australian unions campaigning around off-shoring. Community and political mobilisation in the US around a 'right for consumers' represents an attempt to use public perception to attack the reputation and image of organisations seeking to use international labour to capitalise on low-cost labour expenses and a flexible workforce.

The issue of exporting jobs however was not the only concern of the union officials interviewed. These officials were also fundamentally concerned about the *types* of jobs that were being outsourced overseas. As one official explained, the off-shoring of 'skilled' local jobs raises significant questions about the types and skill levels of those jobs that are left for local people to apply for (Union Interviewee A, 2004). Three related factors that have inhibited the strategic response and effectiveness of Australian unions to the off-shoring of skilled local jobs are: the limited representation of IT workers by unions; the non-existence of a primary award in the industry; and, the absence of a single union representing IT workers (Union Interviewee C, 2004).

The issue of quality also emerged as a major theme. This was certainly an issue in the Coles Myer case. Adverse feedback was received by Coles Myer in relation to poor quality of service and difficulties in communicating with Indian employees. As one union official pointed out: Australia will never be able to compete with countries like India and China on price, so the debate needs to look at the area of quality (Union Interviewee C, 2004). A related concern of the union officials was the nature and extent of regulation in those countries to which the work was being outsourced. India, for example, is less regulated, and some states are not subject to international laws. Therefore, in these areas workers lack basic rights including the right to organise and the right to minimum wages (Union Interviewee C, 2004). This absence of regulation raises questions concerning the exploitation of workers by the organisation that seeks to outsource the work in the first instance.

The final concern pinpointed in interviews with the unions was related to the cultural assimilation training utilised to train the 'host' country employees performing the work. As highlighted in the 'Diverted to Dehli' documentary, organisations typically inform workers in India for example, that they should not tell the customers where they are located, unless asked (Nancarrow, 2004). In addition, many organisations utilise induction programs whereby workers are taught the local culture and heritage, for example through watching television and listening to the radio, so as to try and prevent customer's asking and knowing that the service is being performed overseas (Nancarrow, 2004). As one official argued in relation to the Coles-Myer case: there is an issue about Indian workers losing there cultural heritage. This is undesirable. In addition to losing jobs, Coles-Myer is trying to trick people' (Union Interviewee A, 2004). This point was also reinforced by an ACTU spokesperson in the 'Diverted to Dehli' documentary:

> If you are going to do it, do it and be upfront about it, but don't think we are idiots and we can't tell that in fact there is not an Australian person at the end of the phone …and then there are the cultural implications for the Indian people …what is it like to be told you get to pretend you are not in fact who you say you are (Tkalcevic, 2003).

The Federal Government

Whilst not directly involved in the Coles-Myer debate, the federal government had given tacit approval to the off-shoring process (Conners, 2004: 56). However, it is worth noting that at the end of November 2003 (and within 12 months of a Federal election), when the issue was prominent, in relation to the off-shoring of Telstra[1] jobs to India through IBM, the Federal Treasurer cautioned Telstra as a representative of the majority shareholder regarding the export of Australian jobs.

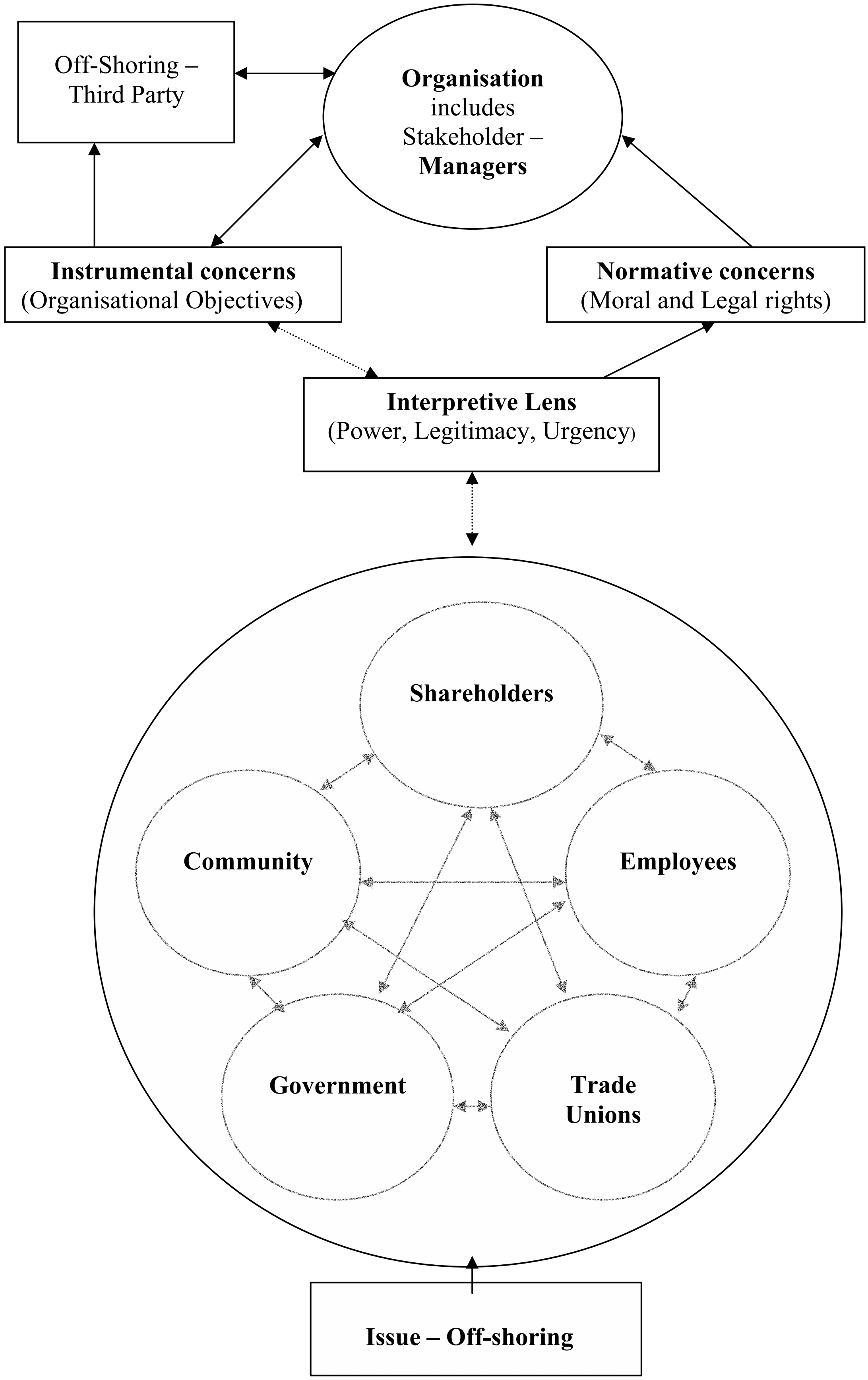
The response of the federal government and the opposition are likely to be influenced, in some way, by unions. Interestingly, one union official pointed out that at the most recent Australian Labor Party (ALP) Conference, Australian unions' have been successful in encouraging the opposition to pass a motion that, if elected; they will not offshore any call centre jobs that are performed by government agencies. This is an important commitment by the ALP. The Community and Public Sector Union (CPSU) has also made a formal demand on the ALP and the government to: increase investment and research into IT jobs by committing to increased research and development. Neither the ALP, nor the government, has responded to these demands as yet.

Interpretive Lens: The 'off-shoring' of Australian jobs

A thematic analysis of interviews and primary documents reveals that the core issue uniting the stakeholders of Coles Myer was the export of Australian jobs. It is from this perspective that Coles Myer had to respond to their stakeholders. Using stakeholder theory as a framework for analysis, this sequence of events is illustrated in Figure 4.

[1] Telstra Corporation is the Australian premier Telecommunication organisation and the Federal government is a majority shareholder, which wants to privatise it completely.

Figure 4: Analysing Off-shoring



Management's Response

The focus of the stakeholders on the export of Australian jobs meant Coles-Myer had to re-evaluate its decision to off-shore from an instrumental perspective. The efficiency of off-shoring, underpinned by a low-cost strategy designed to increase competitive advantage, needed to be reassessed against the moral and/or social concerns of stakeholders; namely the perception that an Australian 'icon' company which accounts for 40 cents of every retail dollar, was exporting home grown, skilled local jobs. As one shareholder on the Diverted to Dehli documentary surmised:

> I think the part that annoyed me most… I see this like exporting jobs. Myer does not have any stores in India, not that I know of ….so their customers are not in New Dehli….The customers are here and I think that kind of employment should be here [in Australia] (Aspinall, 2003).

In late 2003, the call centre operations for Coles-Myer were relocated back to Australia (Nancarrow, 2004: 9). The 2003 Annual Review makes no mention of the relationship between Coles Myer and GE Capital, and more significantly, no reference is made to the changes at the call centre during that year[2].

CASE ANALYSIS

The framework developed in this paper (see Figure 4), helps draw together the literature on stakeholder theory, with a view to illustrating the complex interrelationships and interactions between stakeholders, and their impact, or potential impact, on managerial decision making. The interpretive lens acts as a tool for determining the power, legitimacy and urgency of the key stakeholders in an organisation.

In the Coles Myer case study, it was clear that the unifying issue was the export of home country jobs. This was magnified by the clear lack of consultation with these stakeholder groups on such a significant and potentially emotive issue. An analysis of the findings suggests that there was no link between the identification and management of stakeholders in relation to the issue of off-shoring, from either a moral or social perspective. The sole focus of Coles Myer on instrumental concerns, namely cost reduction and enhanced profits, is linked to a motive of increased competitive advantage. In hindsight however, it appears that the instrumental concerns of management outweighed their normative concerns. Arguably, increased growth, reduced costs, and a competitive advantage, will only result when management carefully balance instrumental and normative concerns.

From a union strategy perspective, the focus of the unions' campaign was solely on the primary organisation – Coles Myer. The unions did not directly target the other organisation involved in the off-shoring process, that is, GE Capital, to whom the work was outsourced. The core tactic utilised by unions was 'corporate campaigning' in a bid to attack the Coles Myer brand and their reputation, and by doing this, expose links between the primary organisation and the organisation to which the work was outsourced (Union interviewees A & C, 2004). Public opinion is a corporate pressure point for Coles-Myer, often seen in the public domain as an Australian 'icon'. Therefore, from a strategic viewpoint, the creation of unfavourable public opinion by the union, via publicly expressed member dissatisfaction, can damage the Coles Myer brand name, and, therefore, may elicit a favourable response from the organisation. Indeed, union activism and campaigning on this issue, negative customer feedback, perceptions of poor quality of service and adverse media publicity, together, placed significant pressure on Coles Myer. The uniting of the key stakeholders on

[2] Note the statement in the 2002 Annual Review that 'Coles Myer Limited is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its activities'.

'sensitive' issues associated with the off-shoring of Australian jobs, gave them legitimacy and power. In addition, the stakeholders created a sense of urgency in their claims, and as a result, managed to successfully implement change. The ascendancy of social and moral issues, led by the key stakeholders, was fundamental in Coles Myer reversing their decision and relocating the call centre in Australia.

Managing Stakeholders - Post Off-Shoring at Coles Myer

What appears to be a significant initiative introduced by Coles Myer management in 2003 is a Continuous Disclosure Committee. This Committee is:

> Responsible for monitoring the continuous disclosure practices of the Company, assessing the information provided by the Company's businesses and considering the appropriate response to any market rumours concerning the Company (Annual Review 2003).

Once again, the motivation behind the introduction of this Committee is of interest in this case study. The timing of the introduction appears to be linked to the negative publicity Coles Myer received in relation to the off-shoring experiment, and, the perceived lack of communication and consultation with key stakeholders, in particular shareholders. A second and related point of interest is the absence of any mention of a relationship between Coles Myer and GE Capital in the 2003 Annual Review. Whilst this research is limited by a reliance on primary documents as a means to analyse the management position within Coles Myer, it is important to recognise that Coles Myer denied an invitation to participate in this research. This seems to reinforce the sensitivity of the issue and may or may not be, a reflection of the perceived lack of communication with stakeholders relating to the issue of off-shoring.

CONCLUSION

The global phenomenon of off-shoring is likely to continue unabated, as more and more organisations pursue this strategy as a means of securing competitive advantage. An analysis of the Coles Myer case study reveals that it is critically important for organisations to fully consider the pros and cons of such a decision, before committing to implementation. Even more critical is an appreciation of the role and influence of core stakeholders in the management decision making process. If organisations involve and consult core stakeholders in decision making, it is more likely that instrumental and normative concerns can be balanced to ensure that the majority of stakeholders' needs are addressed. It is however, important to note, that whilst this paper highlights the important role and influence stakeholders can have in decisions to off-shore, stakeholders will not always be successful in influencing management decision making in the way they intend or desire. In the case of Coles Myer, the interaction of the core stakeholders, and their proactive approach, combined to ensure they held power, legitimacy and urgency, and therefore, exercised a significant influence over the post implementation decisions of management. Ultimately, it was the combination of the actions of the primary stakeholders that were influential in brining about change, after the decision to off-shore had been made and actioned by Coles Myer management.

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