

International service tradability: understanding the service offshoring

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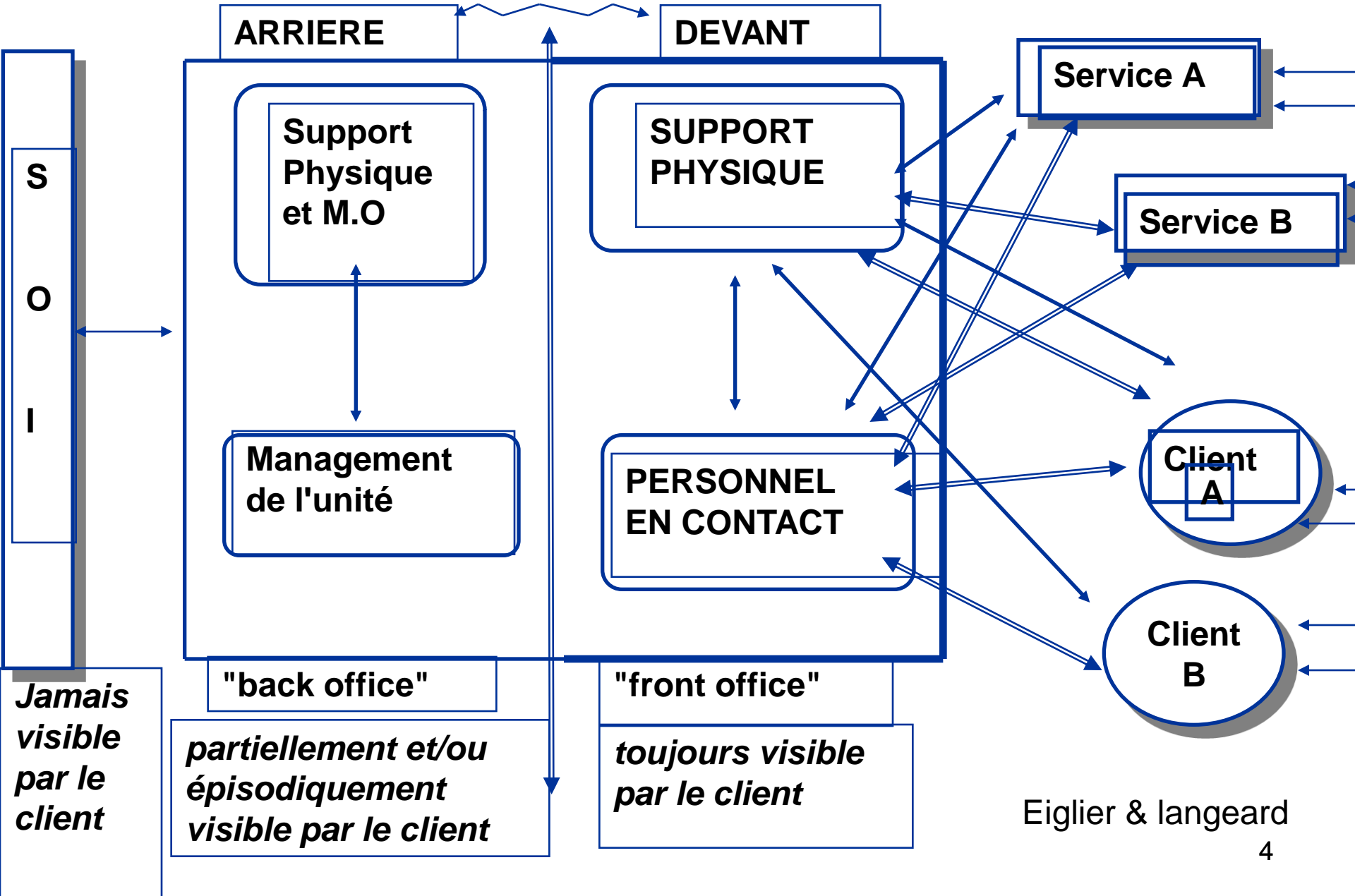
The context

- **International outsourcing of service activities fuels fears of globalization**
 - Low skilled jobs and skilled workers are both concerned
 - Concentration on software, tech-consulting business, marketing surveys, call centers, pharmaceutical testing services
- **But**
 - a small % of the total service workforce can be performed in foreign locations
 - Few truly multinational service companies
 - Outsourced Job loss are less than job loss by service productivity gains in home countries

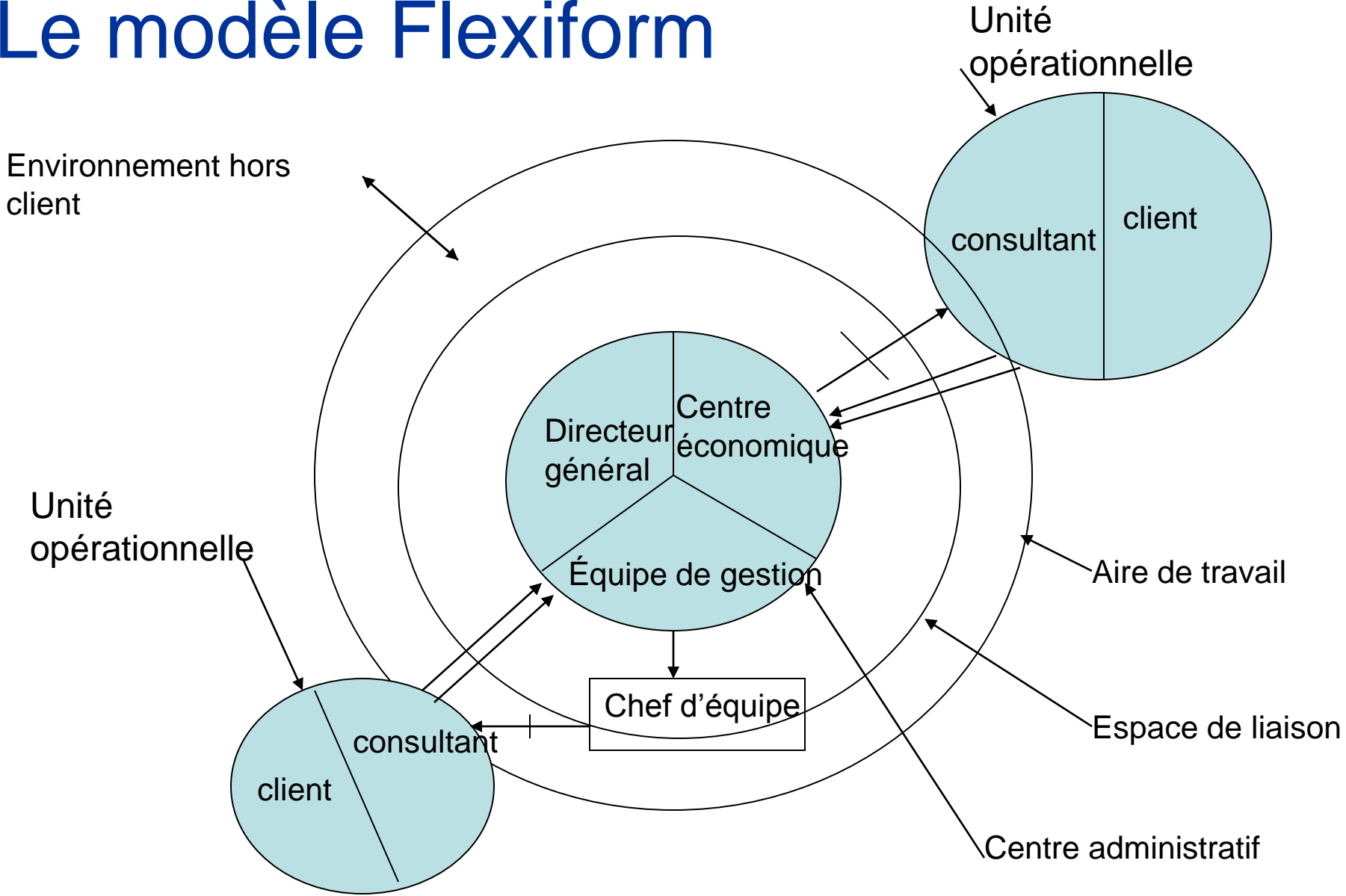
Types of service firms

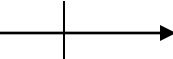
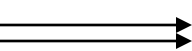
- Traditional service firms
 - Face to face in firm premises
 - Dichotomy between back and front office
- Professional service firms
 - Face to face in client premises
 - Administrative back office
- Internet service firms
 - No face to face, firm location in cyber space

L'entreprise de service traditionnelle

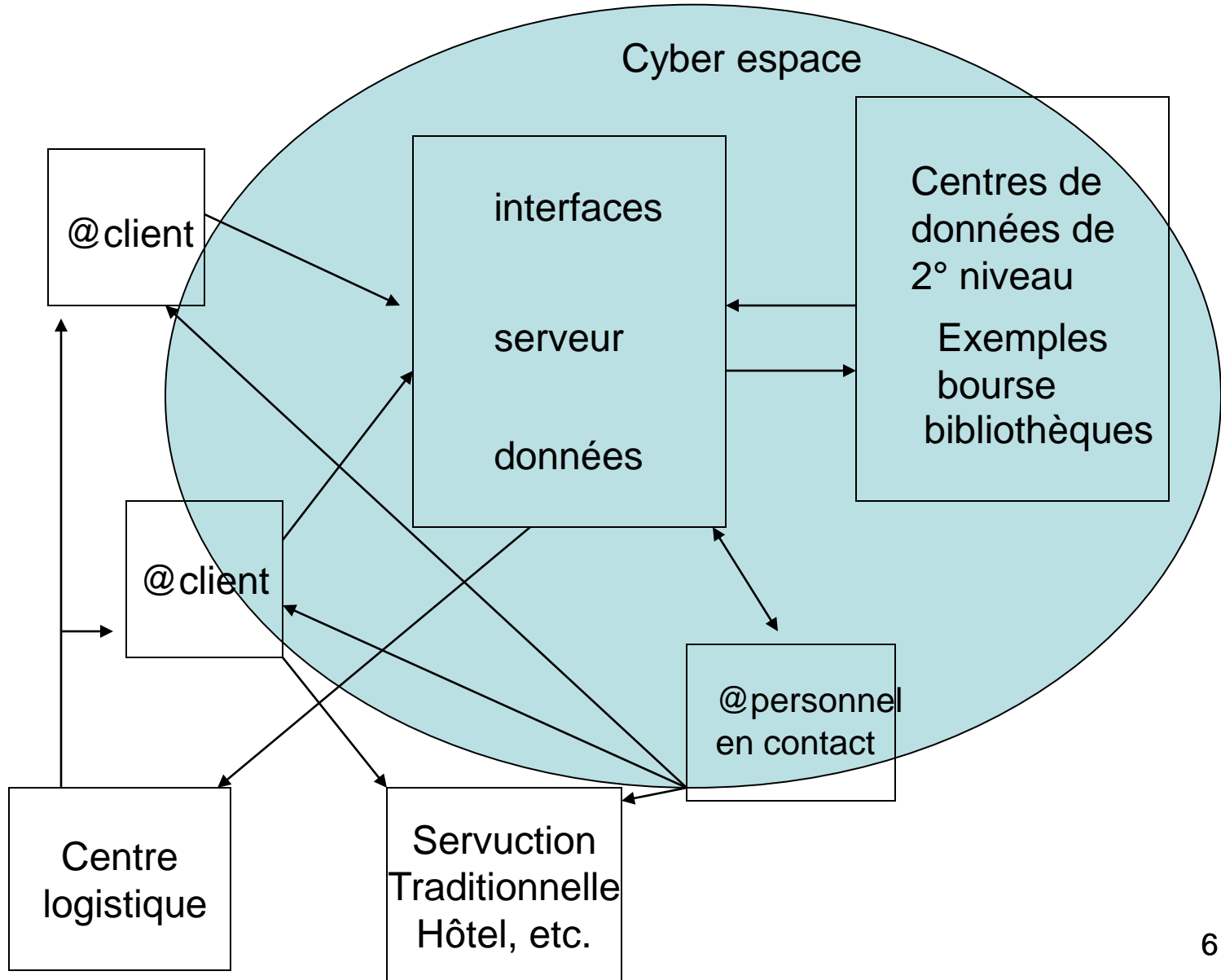


Le modèle Flexiform



Flux de pouvoir : 
Flux d'autorité : 

Le modèle Internet



Conditions of ITC use

- Service immateriality
- Propensity to be digitalized
- Simple service offer
- Accuracy of information given by clients
- Length of customer contact
- Foreseeable service result

Impact of ITC on service tradability

- Use of cross border relations instead of movements of person either the client or the contact personnel
- Wiring of the foreign agencies to multinational networks
- Production of services through network (Intranet, Extranet, Internet) on a fragmented mode by added value collected in different locations similar to industrial mode of production

Impact of ITC on firms

- Spatial dissociation of back and front office
 - Exportation of cross borders services
 - Service of domestic clients by outsourced front offices (call centers)
 - Outsourcing of back offices working for various domestic front offices
 - Network of foreign front offices to share elements of back office (client data, firm data)
- Grouping of back offices agencies of multinational firm in central regional location

Determinants of outsourcing - costs

- Low-wage work force, flexibility and skills
- Cultural and linguistic proximity
- International IT connections
- Fiscal and administrative attractiveness
- Metropolitan location in order to benefit of customers concentration, quality of infrastructures, skilled work force

Determinants of outsourcing – demand

- Markets dynamics for customers services
 - Level and growth of revenue per capita
 - Urban concentration
- Markets dynamics for producers services
 - Level of externalization in the economy
 - % of tertiary jobs in manufacturing firms
 - Rate of structural sector change

Variables Type of internationalization	Geography	Fiscal and administrative environment	Economy	Culture
Foreign agency serving local market	<ul style="list-style-type: none"> - Metropolitan population - Transport & Telecom infrastructures - Climate 	<ul style="list-style-type: none"> - Settlement laws - Profit Transfer regulation - Profession regulation 	<ul style="list-style-type: none"> - Market size & growth rate - Importance of the population (consumer services) - Consumer Revenue (personal services) - Tertiairization of the economy (Business Serv.) 	<ul style="list-style-type: none"> - Religious & social norms - Cultural proximity

Variables Type of internationalization	Geography	Fiscal and administrative environment	Economy	Culture
Foreign agency serving home market	<ul style="list-style-type: none"> -Transport & telecom infrastructures -Compatibility of time zones -Distance 	<ul style="list-style-type: none"> - Settlement law - Profit Transfer regulation -Job flexibility -Fiscal competitiveness -Bureaucratic style 	<ul style="list-style-type: none"> -Skilled workers with low wages -Importance of man power turn over 	<ul style="list-style-type: none"> - Common language - Cultural proximity

Variables Type of internationalization	Geography	Fiscal and administrative environment	Economy	Culture
Outsourced back office	<ul style="list-style-type: none"> -Telecom infrastructures -Compatibility of time zones -Distance 	<p style="text-align: center;">-</p> <ul style="list-style-type: none"> Administrative system -Job flexibility -Fiscal exemption -Light bureaucratic style 	<ul style="list-style-type: none"> -Skilled workers with low wages -Importance of man power turnover -Efficient laws and judiciary system against digital piracy & counterfeit 	<ul style="list-style-type: none"> - Common language - Religious neutrality

Variables Type of internationalization	Geography	Fiscal and administrative environment	Economy	Culture
Regional outsourced back office of multinational Firms	<ul style="list-style-type: none"> -central regional position - international metropolis - Transport & Telecom infrastructures - Infrastructures position (hub) 	<ul style="list-style-type: none"> Administrative system -Job flexibility -Fiscal exemption - bureaucratic style 	<ul style="list-style-type: none"> -Skilled workers with low wages -Importance of man power turn over -Efficient laws and judiciary system against digital piracy & counterfeit 	<ul style="list-style-type: none"> - Common language - Religious neutrality

Conclusion

- Several outsourcing trends:
 - East to western Europe
 - North to south
- No more shelter for service jobs
- But still most services can only be consumed and performed locally