

WEEK 6 – FOLLOW UP POSTS

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Question One: Merits and Limits of Offshoring

Offshoring refers to the process of accomplishing work in another nation. Simply, a company or an individual offshoring responsibilities takes an activity and moves to an offshore location; however, the responsibilities are completely managed with the company (Ellram, Tate, & Petersen, 2013). In essence, the individual only controls the results. As a business model, offshoring is not new as exemplified with the case in the majority of globalized companies around the world. Nonetheless, because of the proliferation of the internet in communication technology, the model of offshoring has become more suitable for organizations, especially in the small and medium-size enterprises (SMEs) (Kinkel & Maloca, 2009). Similar to several business strategies, offshoring has both drawbacks and limitations as presented below.

Merits of Offshoring

The first merit of offshoring is that it allows a company to decrease the cost of labor which is one of the most expensive elements of running a business as argued by Kinkel & Maloca (2009). According to Ellram, Tate, and Petersen (2013), freeing the companies labor resources by performing tasks in another country essentially allows the firm to reinvest finances into other operations. Moreover, on the same note, offshoring offers the business the opportunity to expand its product portfolio and service. In future, this benefit makes offshoring a sustainable business model. According to ROOOO, the current competitive environment demands unique approaches of increasing profitability, and decreasing labor cost is undoubtedly long-term strategy to achieving this goal even in future.

The second benefit of offshoring is access to a large pool of staff in a foreign country. According to Ellram, Tate, & Petersen (2013), this business model offers an organization access to young and large pool of talent that offer competitive advantage. To be specific, with the present pressure to find highly skilled and experienced workers in developed nations, offshoring is the best alternative that companies can pursue to address labor shortages. The availability of skill, particularly for knowledge-based processes, via offshoring is becoming not only an advantage but also an option for any company seeking to fulfill labor requirements. In terms of labor sustainability in future, offshoring can guarantee an organization access unique talents that are a source of competitive advantage.

The third merit of offshoring can be linked to labor availability, especially in an economy that is running on a 24 hour basis (Ellram, Tate, & Petersen, 2013). In this respect, having employees located in different time zones offers an impeccable opportunity to support customers anytime they need products. With such a workforce, it is possible to improve service and product delivery to enhance customer experience with quicker as well as direct contact with the business.

Without forgetting, offshoring can also decrease some potential risks, particularly those linked to the provision of labor (Ellram, Tate, & Petersen, 2013). Establishing multiple teams of workers located in different nations results in the spreading of risks over a wide geographical area. Consequently, when one region fails to deliver services, the organization can rely on other areas to offset decrease in production.

Drawbacks of Offshoring

The first disadvantage and common criticism against offshoring is unemployment in the host country. According to Ellram, Tate, & Petersen (2013), the business model of offshoring has

been linked to increases in the level of unemployment, especially in the local economy. For instance, Nike and Caterpillar, some of the largest companies associated with offshoring, have been largely accused of moving jobs from the U.S. to other nationalities. However, most of the companies participating in offshoring have argued that their business model improves profitability by reducing costs and surging profits (Ellram, Tate, & Petersen, 2013). Consequently, the upsurge in profits and revenue can be utilized to enhance programs as well as facilities of the principle firm.

The second drawback of offshoring is loss of organizational knowledge. A company seeking to pursue offshoring as a business strategy will have to engage in a new organizational environment that is typified with new requirements and culture. Consequently, such an organization will have to abandon its culture and adhere to these requirements. Overall, the company will have lost its corporate knowledge (Kinkel & Maloca, 2009).

Offshoring has also been linked to poor working conditions in overseas countries. For instance, in some countries, the labor laws are weak and ineffective. Consequently, the offshoring organization might be compelled to participate in such a labor environment. Nike was accused of employing underage workers in its plants in Asia due to the poor labor environment in those countries.

Decreasing returns due to overheating in specific locations is also another limitation for offshoring which makes an unsustainable business model. Not all regions have the same business environment that can guarantee uniformity in production. When an organization offshores its production activities to areas that overheat, it is likely to suffer losses and decline in profitability.

Worth mentioning is that offshoring makes a company to continuously search for a spatial fix. While offshoring can decrease risks, it can also lead a scenario where the organization is constantly seeking to find a geographical solution to its production problems. Apparently, geographical challenges are natural and they are not easy to address.

Most importantly, security challenges might also creep in when offshoring, as a strategy, is being pursued. During offshoring, the host company will be compelled to share critical information across its branches in different nations (Ellram, Tate, & Petersen, 2013). In essence, when sharing and transmitting data, the company is always at risk of compromised data integrity and breach of security policies. For instance, there will always be transfer challenges insofar as data is being transmitted despite the absence of shared space collaboration (Ellram, Tate, & Petersen, 2013). The choice of whether the organization ought to offshore its activities largely depends on the complexity and size of operations, the scope of work which should be transferred, and resources.

Having assessed the benefits and limitations of offshoring, from a general point of view, it is worth noting that it is a sustainable approach to conducting business especially in large organizations. An organization is likely to benefit in respect to cost and the management of operations (Ellram, Tate, & Petersen, 2013). For instance, the organization can realize great productivity on either outsourcing or offshoring. However, one thing that is for sure is that both outsourcing and offshoring will remain as popular approaches to business development in future.

Question Two: The Contribution of Consultants to the Process of Generating Management

Fads and Fashions

During the 1980s when the Japanese companies first invested in the U.S., providing high quality goods, everyone thought that quality circles would enable to compete (Benders, van den Berg, & van Bijsterveld, 1998). Later, the Japanese Total Quality Management (TQM), which was a business strategy, faded, paving way for the Business Process Reengineering. As the new norm in the field of management, Business Process reengineering did not last long enough (Scarbrough & Swan, 2001). Since then the Six Sigma and linear production have taken the center-stage as the new trend in the management of organizations.

Management fad is a concept used for characterizing a transformation in philosophy or operations. Essentially, the term seems subjective and seems to be utilized in a pejorative sense because it means that such a transformation is being implemented solely since it is popular in the managerial circles (Benders, van den Berg, & van Bijsterveld, 1998). In the U.S., since the World War II, management fads and fashions have absorbed the executives, managers, board members, and other individuals occupying leadership positions. Whereas some fads were short-lives, some have stood the test of time. Some of these fads, such as ISO-9000 and MBTI, have maintained a following (Benders, van den Berg, & van Bijsterveld, 1998). Some of them, such as the PERT and Quality Circles, were popular in their early years but have been largely replaced. Undoubtedly, any executive who has practiced for many years is familiar with some fads on the list.

According to Benders, van den Berg, & van Bijsterveld (1998), the majority of management fads are driven over eager consultants who try to ride waves as early as possible to earn consulting fees. Since many of the consultants are marginally qualified, the final outcomes are easy to forecast. In this regard, within a few years, companies become disgruntled with the outcomes bringing in all the high priced talent and move on to the next big idea (Benders, van den

Berg, & van Bijsterveld, 1998). Whereas the consultant problem might be true, as argued by Scarbrough & Swan (2001), it does not entirely elucidate why several management ideas explode on the scene.

For management consultancy to be a partner in management fashion and transformation, certain aspects are needed. According to Benders, van den Berg, & van Bijsterveld (1998), these characteristics include: that the consultancy is large enough; that it has a universal resource pool, and that it has common history with client (Benders, van den Berg, & van Bijsterveld, 1998). Consequently, it is justified to argue that these characteristics represent the role of consultancy in management fads.

Firstly, the management or business consultancy ought to be big enough to support the fad and fashion transformation with the correct resources. Consequently, the consultancy requires a crucial mass with respect to the number of employees. Since a consultant team might comprise essentially 5-7 individuals, the consultancy ought to have a large resource pool from which to draw (Benders, van den Berg, & van Bijsterveld, 1998). Additionally, the consultancy should have created its own collection of management fads and fashion that are related to tool and methodologies.

The second role of consultancy in management fads and fashion resides in its universal nature. According to Benders, van den Berg, & van Bijsterveld (1998), for a consultancy to affect management fads and fashions, it must be an international player. To be capable of offering the process and industry the competence needed in a business transformation, an international resource pool is essentially needed. Worldwide staffing is particularly common in the evaluation and design stage where content expertise is highlighted.

Thirdly, consultancy has a strong tie with the history of the client. For instance, before a change program can be sold to the customers, the consultancy ought to become a trusted partner (Abrahamson & Eisenman 2008). Per se, becoming a trusted partner takes place via a series of smaller involvements which the consultancy executes effectively Scarbrough & Swan (2001). Characteristically, a fad or change management program is a natural continuation of an individual assessment design engagement or strategy project.

According to Benders, van den Berg, & van Bijsterveld (1998), consultancy plays a key role in the management fads by acting as a media communication. For instance, the Cultural Circuit of Capital, which is a discursive apparatus comprising business schools, management consultants, management gurus, and related media, function to constantly communicate and critique business approaches in accounting and economy. Benders, van den Berg, & van Bijsterveld (1998) pointed out that whether management concept turns into a fashion or not is largely dependent on the rhetoric that the consultancy as well as creators and intermediators apply in propagating it. The core of management is identified as a vision

Question Three: Robots Versus Human Labor

Current research indicates that more people are losing their jobs as artificial intelligence and programmed devices become the norm. A study done by (Acemoglu & Restrepo, 2017), suggests that employment to population ratio reduces by 0.18-0.34 percent for one additional robot per a thousand employees while wages decline by 0.25-0.5%. The chances of artificial intelligence and robotics to create and destroy jobs stand at 48% and 52% respectively based on the findings of the Pew Research Center (Smith & Anderson, 2014). The survey highlights that robotics will impact various segments of our daily lives and sectors such as customer service, transport, and health care. The study highlights several conclusions that are critical including;

technology may take over certain types of jobs, new types of works may be invented to keep up with the changes, technology will redefine the human definition of our works and that people control the choice to use or not use technology. The impact of AI on the economy and employment, however, remains a highly debated topic.

Machines may not necessarily translate to jobs losses in particular lines. In fact, previous studies show that their use has increased employment in some cases. Also, the number of robots may increase only because of an increase in their demand and not as replacements. Even where they replace, the jobs in the area do not end as they are used hand in hand with other occupations in the area. A case in point is the implementation of bar-codes in the USA which enabled creation of jobs in such as promotion executives and retention of cashiers leading to growth in employment in of about 2% in that line between 1983 and 2012

Automation is expected to phase out some jobs by the next decade and affect other jobs to some level depending on the nature of the work. McKinsey predicts that 45% of the paid jobs will be automated shortly and 60% of all professions could experience 30% or more activities related to automation (Chui, Manyika, & Miremadi, 2016). In the past, blue collar jobs were the most affected by the technological invention. Today, white collar jobs are equally threatened by the changes. Manufacturing is the sector that is most affected by AI and robotics even though predictions show that other areas such as finance and healthcare are slowly incorporating AI and robotics.

Factors that affect automation include technical feasibility, labor and developing costs, supply and demand factors, regulatory issues, social acceptance and other input substitution benefits such as output and quality. If the supplied labor is higher and cheaper compared to that of using technology automation may not be as popular. If technology improves efficiency and effec-

tiveness, then it becomes more feasible. Social acceptance plays a crucial role in some sectors such as health care; it might not be “right” to replace a nurse with a robot.

The most likely jobs to be replaced by robots are those that involve operating a machine or a lot of physical activities. The most affected jobs are in retail, manufacturing, and food and hospitality. In the manufacturing industry, a worker spends up to a third of his time operating machines for activities such as packaging, production, welding, and loading. The technical experts are the most vulnerable while their colleagues who work in customer service are least likely to be affected. Food and hospitality business encompasses physical activities such as serving, cleaning and food preparation. Some of these activities are already being replaced and automated. Self-service is a common practice presently. Robot servers and automated food will make physical labor redundant. While the possibilities are high in this business, factors such as the cost and demand and supply factors may derail automation. Labour rates for food and accommodation enterprises are the lowest and hence reducing the costs cannot be a cause for automation. The retail industry just like manufacturing will experience occupation related automation. Technology affects stock management, logistics, research and development and book keeping. Customer service still requires a human touch. Data processing and collecting are typical in the financial and insurance sectors. Unlike other areas, the extent of the effects of automation may not be as intense. Technology will help increase efficiency and create value over cutting jobs. The least likely areas to be affected are those that deal with people management and development or need creative thinking, planning and decision making.

To succeed in these times, one has to be highly skilled. Advances in technology allow humans and robots to work together even in unpredictable environments. AI and robots may indeed be the future face of the labor force, but the overarching issue is how prepared we are for

the future. Nevertheless, analysts question the current education system's ability to prepare the next generation for the future.

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