

## **INFO GB.3255: Global Sourcing and Open Innovation**

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*Spring 2012*

**Prof. Natalia Levina**

**Counts for Specializations:** Global Business, Strategy, Supply Chain Management and Global Sourcing, Management of Technology and Operations.

Scheduling: February 8<sup>th</sup>-May 2<sup>nd</sup>, 2012

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Exporting of white-collar jobs is receiving increasing attention both at business and political levels. Whether you are a proponent or an opponent of this trend, you need to know how to make sound decisions about your global sourcing strategy. While the drive for global sourcing started with the focus on costs, increasingly organizations are looking to globally distributed talent for its expertise and innovation potential. This course focuses on global sourcing of professional services including examples from IT outsourcing, business process outsourcing (BPO), and Knowledge Process Outsourcing (KPO). The course covers three broad areas: (1) global sourcing models; (2) the design and implementation of a sourcing strategy; and (3) open innovation and crowdsourcing. It draws on economics and management theories as well as real-world examples from managerial practice. The goal is to help identify the challenges of global sourcing as well as the costs, risks, rewards, and strategies involved in sourcing decisions.

Some of the topics covered are:

- Historical and economic perspectives on outsourcing and offshoring.
- Trade-offs among global sourcing models (Domestic Outsourcing, Offshore outsourcing, Domestic In-sourcing Captive Models).
- Types of global outsourcing services (IT, BPO, Infrastructure)
- Developing an outsourcing strategy
- Sourcing in different geographies
- The vendor landscape (local/multinational, niche players/generalists)
- Legal Issues: Contracts, Taxes, IP, Privacy, Compliance
- Critical success factors in managing outsourcing relationships
- Managing distributed work teams: overcoming distance, time, and culture
- Innovating through global sourcing

During the course we will analyze a number of case studies that highlight various issues that organizations deal with in developing a global sourcing strategy. The case studies will be based on real world examples and will illustrate the intersection of business rationale with human emotions. The course delivery format will be a mixture of instructor-led sessions and guest speakers from vendor, client, consulting, and legal firms. As their final project, student groups will be given an opportunity to investigate a topic of their choice pertaining to global sourcing.

## Global Sourcing and Open Innovation

### **The Class**

The format of the class will be 30% lecture and 70% class discussion.

### **Assignments and Grading**

Grading will be done on the basis of:

- Take Home Assignments (60%)
- Discussion Contributions (20%)
- Final Paper (20 %)

In a spirit of mutual feedback, I am actively looking for your feedback on this course. Please feel free to share your comments anonymously on the Discussion Board or just talk to me informally. I will also collect more feedback in class.

### **Participation/Attendance/Timeliness:**

This course is based on a model of active learning, with class discussions and exercises playing a central role. Students are expected to read the assigned material, and to carefully prepare for all cases and exercises, **before coming to class**.

Participation is measured by the ability of students to bring quality discussion in the class. You should attend every class. In evaluating your class participation, I will consider (a) whether you regularly contribute to class discussions and demonstrate that you are prepared for those discussions, and (b) the extent to which your in-class comments demonstrate both relevance and insight, help to move the discussion forward, and build upon the comments of others. *Absence and lateness will reduce your participation grade significantly.* If you are concerned that a difficulty with English or some other situation will interfere with your ability to participate, please discuss this with me during the first week of the course. I will keep track of your participation throughout the semester, and will be glad to provide you with feedback at any time. I recognize that expressing viewpoints in a group is difficult for some people, but it is an important skill for you to develop here at Stern. I will do what we can to make this as anxiety-free as possible.

### **Assignments**

The assignments are listed below and each session on Blackboard will further detail assignments. They should be typed. Each assignment specifies how it should be submitted (e.g., blackboard, email, vs. in-class) and whether it is individual or team-based. Late assignments will incur a heavy penalty. If you have to miss a class due to unforeseen circumstances, I need to receive your assignment before the due time electronically. You will also be asked to comment on case assignments and rate team projects submitted by others (in the spirit of mutual learning).

One of the assignments requires that you spent up to \$25.00 of your own money.

**Final Project:** In the final project you will be able to apply the learnings from this course to your own work situation (or to a case study I will provide if you do not have relevant work experience). The paper is due one week after the last class.

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**Stern Honor Code** should be followed in all assignments, projects, and exams.

### **Laptop/Electronic Devices Policy:**

Because the class is heavily based in discussion, laptops and all other electronic devices should be turned off and stowed away during the class. *Anyone emailing, texting, or using any such mobile technology during class will be asked to leave.*

### **Required Readings/Materials**

- **Course Pack** with cases and article
  
- **“The Handbook of Global Outsourcing and Offshoring”** by Oshri, Kotlarsky, and Willcocks, 2<sup>nd</sup> edition (abbreviated in the assignments as Handbook)
  
- Additional articles and cases available through **Blackboard** may be assigned for each class.

### **Recommended Follow-up Readings for After the Class:**

- *General Reading about Globalization:* “The World Is Flat: A Brief History of the Twenty-first Century” by **Thomas Friedman**, 2005.
- *Offshoring Stories and Best Practices:* “Globalization Wisdom” by **Vashistha**, 2009
- *A hands-on guide on how to set up an outsourcing and vendor strategy and decide what is in and what is out* “Multisourcing: Moving Beyond Outsourcing to Achieve Growth And Agility”, **Cohen and Young**, 2006
- *One of the few books on captives:* “Offshoring Strategies: Evolving Captive Center Models,” **Oshri**, 2011.
- *On open innovation* “Open Innovation: The New Imperative for Creating and Profiting from Technology,” **Henry Chesbrough**, 2003
- *On crowdsourcing,* “*The Open Innovation Marketplace,*” by **Dwayne Spradlin**, 2011

### **Blackboard Site:**

This course is hosted on the Stern Blackboard site. Online discussion board would be used on occasion for discussions outside the classroom. Students are expected to check Blackboard site regularly (at least once a week).

## Global Sourcing and Open Innovation

### Schedule:

<i>No</i>	<i>Date</i>	<i>Session Title</i>	<i>Readings/Speakers</i>	<i>Assignments</i>
<b>Big picture</b>				
1	2/8	Globalization of Service Delivery: -Historical & Theoretical Views - Economics & Politics of Offshoring	- Handbk: Ch1 - W. Baumol and R. Gomory	<b>IND:</b> On Blackboard: Respond to questions describing your background and views on global sourcing (Due 1/5)
2	2/8	The brave new world of open innovation and crowdsourcing	- Chesbrough and Garman, HBR	
<b>Before you sign the contract</b>				
3	2/15	Sourcing Models: Insource vs. Outsource	- P&G Case (HBS) - SMR, W. McFarlan and R. Nolan	<b>IND:</b> Prepare the “Procter & Gamble” Case
4	2/15	Multisourcing	- Levina and Su on Multisourcing	
5	2/22	Vendors and Geographies	- EXL Services Case (Stanford) - Handbk	<b>IND:</b> Prepare “EXL Services” Case
6	2/22	Vendor Panel	<u>Speaker: Vendor Panel</u>	
7	2/29	Developing an Off-shoring Strategy: Theory	- Aaron & Singh, HBR - Handbk	<b>IND:</b> Offshore Strategy Exercise
8	2/29	Developing an Off-shoring Strategy: Practice		<b>TEAM: Geography Project Part I Due</b>
9	3/7	Contracting out the Innovation	- Feed R&D Case - Chesbrough & Teece, HBR - Chesbrough & Appleyard, CMR	<b>IND:</b> Prepare “Feed R&D or Farm It Out” Case
10	3/7	Innovation Consultancies	<u>Speaker: Innovation Consultancy</u>	
<b>Now you are really doing it</b>				
11	3/21	Implementing Outsourcing: Contracting, Change Management, and Governance	- Handbk	<b>TEAM: Geography Project Part II (Elance Results) Due</b>
12	3/21	Implementing Outsourcing in Practice	- <u>Speaker: Client’s Perspective</u>	
13	3/28	Legal Issues in Outsourcing	- <u>Speaker: Legal Expert</u>	
14	3/28	Managing Globally Distributed Teams across Time, Space	- Handbk	<b>TEAM: Geography Project Part III (Rate Others) Due</b>

## Global Sourcing and Open Innovation

<b>Trends in Global Sourcing</b>				
15	4/4	KPO Landscape: Part I		<b>TEAM:</b> Prepare in-class presentations on different types of Knowledge Process Offshoring (Legal, Financial Analysis, Radiology Services, Pharma/BioTech Research, KPO)
16	4/4	KPO Landscape: Part II		
17	4/11	Managing Across Cultures	- Levina, FSO	
18	4/11	Open Innovation & Crowdsourcing	- Innocentive Case, HBS - Lakhani and Boudreau, SMR	<b>IND (write-up):</b> Innocentive Case Study
19	4/18	Example platforms	- <a href="#">Speaker: Open Innovation Provider</a>	
20	4/18	“Internal” Crowdsourcing	- Dell IDEASstorm Paper	
21	4/25	Cloud Computing	- <a href="#">Guest Speaker: Sourcing Consultancy</a>	
22	4/25	Crowdsourcing Presentations	- Malone et al, SMR - Malone et al, HBR	<b>TEAM:</b> Prepare Crowdsourcing Platform Presentation
23	5/02	Future Trends	- TPI Trends	
24	5/02	Jobs and the Economy		