

# Offshore: Exploring the Worlds of Global Outsourcing

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## BOOK REVIEW

*Offshore: Exploring the Worlds of Global Outsourcing*, Jamie Peck, Oxford University Press, Oxford, 231 pp. 2019, £37.49 (hardback), (ISBN: 9780198727408); £22.99 (paperback) (ISBN: 9780198841722).

Writing a review of a book on offshoring during the COVID-19 pandemic is an interesting experience. Offshoring has been promoted by international businesses and consultancy companies as an important operational strategy with many academics considering offshoring outsourcing to be one of the defining features of globalization.

The key question is the contribution Peck's book makes to the very large literature on offshoring including the plethora of books (see for example, Milberg and Winkler, 2013; Urry, 2014). John Urry's book, for example, begins by highlighting that offshoring reflects class warfare in which high net worth individuals and families are winning and this includes offshoring to tax havens, "multiple layers of concealment" (2014: 2), and the offshoring of waste. To Urry, offshoring implies processes that are out of sight and represents the dark side of globalisation. This dark side includes processes that exploit people as well as polluting the environment contributing to climate change. An alternative account of offshoring is provided by Milberg and Winkler (2013) as they develop an interdisciplinary and institutionally grounded theory of offshoring. This analysis also identifies political implications that are necessary for promoting economic growth and for a fairer distribution of the gains from globalisation. These implications include expanding domestic demand in developing countries and "of the volume of South-South trade, to reduce reliance on GVCs [Global Value Chains]" (2013: 287). This last point is important given the risks related to over-reliance on GVCs that have emerged with the COVID-19 pandemic and the temporary blockage of the Suez Canal in March 2021.

The approach developed by Peck is different as this book assembles a picture of the character of the outsourcing complex as "a rapidly evolving transnational industry-cum-market, as a capacity-making "infrastructure", and a maturing domain of managerial practice" (p.18). A key question concerns the characteristics of this "transnational industry-cum-market". The danger is that a social scientist exploring outsourcing offshoring might perceive this to be an industry when, in fact, the reality is much more complex. Every corporate outsourcing decision is different with each reflecting a different combination of motivations and factors placed within an existing company's portfolio. These decisions reflect managerial perceptions, product characteristics and a balance between accessing production-related assets, or capacity, and markets. Peck does fall into the trap of assuming that "outsourcing, fundamentally, has always been about the search for cheaper labor, and therefore cheaper locations" (p.20). There are multiple drivers behind outsourcing decisions including accessing highly skilled labour, tax advantages, and proximity to sources of energy, water, and raw materials. Going offshore may also be about accessing new markets and the relocation of tasks that have already being offshored may be driven by alterations in tariffs.

My primary concern with the outsourcing and offshoring literature is that much of this has been written by academics located in the Global North rather than the Global South. What is required is an appreciation of outsourcing offshoring written by academics located in countries like China, India, and Vietnam rather than from the UK, US, and Singapore. We need a more balanced account. Companies located in the Global South - in emerging

economies, also outsource and offshore and these operational decisions are difficult to explain using approaches developed in the Global North.

There is an interesting omission in the geographical literature on globalization that is also reflected in Peck's analysis of outsourcing. Geographers avoid engaging with the operational management literature as well as the procurement literature. Outsourcing is both an operational and procurement process. The operational literature includes a focus on automation and the substitution of people with machines. There is a chapter in this book entitled 'Noshore, or the Road to Robotistan' with a focus on services. The argument is that outsourcing was always based on the search for a lower-cost location and ultimately the least-cost location might be replaced by automation. The focus on services in this chapter needs to be balanced by an analysis of automation and manufacturing. Here it is important to appreciate that automation is applied in low-cost as well as high-cost labour locations, and that well-managed firms apply a total manufacturing costs analysis to inform operational decisions (Vanchan, et al., 2018). An excellent example is the highly automated Malaysian rubber gloves industry which relies on low-paid labour for quality control and packing. Automation is behind some reshoring decisions, but these decisions may be complicated by concerns with flexibility, risk reduction and speed of access to core markets.

As I read this book, one of the key questions that kept coming to mind revolved around the activities or tasks involved in outsourcing and offshoring. Too many assumptions are made regarding what constitutes offshoring. Outsourcing is much easier to define, but offshoring is too often assumed to have occurred when, in fact, the processes involved may be much more complex. Thus, many tasks that have been assumed to have been offshored may never have been undertaken onshore. If a task has been offshored, then never assume that there is a simple transfer of operational tasks from one location to another. The actual product or service outcome that is produced offshore might also be different as might be the production process and these differences matter and are too often overlooked. The same complexity applies to reshoring. Thus, major operational and product changes might occur with the reshoring of a process/product/service which would undermine any attempt to classify this as a simple return onshore or even nearshore (Vanchan, et al., 2018). Peck's more macroeconomic approach needs to be balanced with a microeconomic analysis that explores some of the firm-level operational characteristics of outsourcing/offshoring procurement processes.

There are omissions in Peck's analysis. The analysis ignores value with no mention of the word 'value' in the index, and yet discussions over different types of value are central to outsourcing/offshoring decisions (Bryson and Vanchan, 2020). There is also no mention of 'risk', climate change and the carbon footprints associated with complex global value chains. A surprising omission is that the important question of outsourcing and modern-day slavery is overlooked.

Peck's analysis concludes with a discussion of offshore outsourcing strategies and the new generation of automation techniques. Times have changed and globalisation has moved on. In 2021 any account of outsourcing and offshoring would need to conclude with a discussion of the decarbonisation of GVCs combined with continuity of supply. The latter reflects a more recent concern with economic sovereignty and strategies being applied by individual governments to reduce dependency on GVCs for products and services that are deemed to be of critical importance for everyday living and national security.

Outsourcing and offshoring come with advantages as well as risks. These risks include labour exploitation and modern-day slavery, but they also include configuring carbon intensive GVCs. The new generation of automation techniques will result in a new geography of economic activities that will be increasingly determined by data geopolitics. All this suggests that social scientists must accept that COVID-19, combined with an increase in the data-intensity of production systems, is transforming the existing configuration of globalisation. The implication is that existing theories developed to explain different aspects of globalisation will need to be reviewed and new more inclusive theories developed that reflect a dialogue between social scientists located in the Global South and North.

Reviewed by John R. Bryson

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