The strategic nexus of offshoring and outsourcing decisions

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Abstract  
One important effect of the increasing integration of the world economy is the rising importance of possibilities to offshore and outsource value-creating activities. In many industries, firms are able to disaggregate their value chains into smaller parts. This process allows for a less path-dependent approach to the firm’s ideal location profile (through offshoring and relocation) and control strategies (through outsourcing). This article argues that optimal decisions regarding individual processes recognize the linkages of these processes with the firm’s entire value chain. The article explores the magnitude, sequence and dynamics of interdependent decisions regarding the location and control of various parts of the value chain. By using case illustrations from the mobile handset and financial services industries, this article provides a novel perspective on the disintegration, mobility and re-integration of value chain activities in a global context.