

**Externalizing the core: Firms' use of
employment intermediaries in the
information and communication technology
industries**

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Externals in the core

- **Do** firms use external work arrangements in the core activities?
- **Why** do firms use consulting firms and temporary help firms in the core activities?
- What are the **strategic correlates and perceived benefits** that organizations receive from using external work arrangements in their core?

Perspectives

- Monolithic studies
- Nonstandard work arrangements should be used in peripheral area, internalization of core competencies
- Use external work arrangements in the core combined with internal resources – increase knowledge, innovation and product development capabilities

Mechanisms

- Internal rigidities
- Learning costs
- "Protected" from ideas from the outside
- Vital sources of information are external to the firm

In dynamic environments, the firm should focus on its ability to upgrade its stock of private and public knowledge – use "externals" in combination with internal resources

Dual model of employment intermediaries

- Consultancy firms vs temporary help firms
- Flexibility: Qualitative vs numerical
- Strategy: Innovation vs cost leadership
- Benefit from intermediaries: Special competence vs extra capacity

Dual model of intermediaries in the core

	Consulting firms	Temporary help firms
Dimension		
Strategy	Innovation (H1)	Cost leadership (H2)
Type of flexibility	Qualitative	Numerical
Perceived benefit	Special competence (H3)	Extra capacity (H4)

Data and methods

- ICT-sector in Norway
- Dynamic environment
- 2003
- 501 firms

Findings

- Innovation strategy (+) use of consultancy firms
- Cost leadership (+) use of temporary help agencies
- Special competence (+) use of consultancy firms
- Extra capacity (0) use of temporary help agencies

Summary

- Firms use both types of intermediaries in the core activities
- Different reasons: Innovation, special competencies (consultancy firms) – cost (THA)
- Empirical support for the perspective that states that externals are used in the core, in a conscious manner

Research questions etc

- Other business sectors
- Compare core and support activities
- Instrumental vs incrementalistic use of external contracts/consultants
- Mechanisms that stimulate learning and knowledge dissemination inside the firm
- Governance of external contracts
- Guard against dependency