

CURRENT ISSUES IN OUTSOURCING: MIS, AIS AND BEYOND*

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Abstract

In recent years, there has been a wave of outsourcing of by Private Equity firms in the U.S. and Europe. No skilled workers (MIS, AIS or others) are spared from this assault. To paraphrase the words of the Roman Emperor, who, in replying to criticism of his proposal to tax the toilets of Rome: "Money has no smell". So it is the case with the Emperors of Private Equity. When eyeing high any high-paid U.S / European jobs with a view of shipping them abroad, nothing is off the table. The great conceit of AIS and MIS intellectuals and practitioners is their belief that they are exempt from these outsourcing processes. Some believe that that they enjoy a charmed life; that the demand for their services has an Eternal (shelf) life. They take comfort if the thought that increasing their technical mastery will provides a sufficient bulwark against the onslaught of upheavals in labor and product markets. This act of hubris is reminiscent of King Canute hoping the tide will recede.

Keywords: *Outsourcing, Private equity, Craft, History, Labor process.*

PROBLEMAS CONTEMPORÁNEOS EN OUTSOURCING: LOS SISTEMAS DE INFORMACIÓN CONTABLE Y DE GESTIÓN

Resumen

En años recientes, el outsourcing se ha venido convirtiendo en una tendencia tanto en empresas de Europa y los Estados Unidos. Ni siquiera, trabajadores muy calificados se salvan de este asalto. La vanidad de los intelectuales y los profesionales que ejecutan tanto sistemas de información contable (AIS), como sistemas de información de gestión (MIS) es su creencia de que están exentos de estos procesos de outsourcing. Algunos creen que disfrutan de una vida de ensueño, que la demanda de sus servicios está asegurada. Se consuelan pensando que el aumento de su dominio técnico les ofrece una defensa suficiente contra los ataques provenientes del mercado laboral y de productos. Una interpretación desde los estudios críticos indicará que esta posición es un acto de arrogancia, siendo esto el eje de la discusión de este documento. Tal actitud de los profesionales contables es una reminiscencia del Rey Canuto esperando que la marea retroceda.

Palabras clave: *Outsourcing, Capital privado, Habilidad, Historia, Proceso laboral.*

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Resumo

Nos últimos anos, o outsourcing vem se tornando uma tendência tanto em empresas da Europa como dos Estados Unidos. Nem mesmo trabalhadores muito qualificados se salvam deste avanço. A vaidade dos intelectuais e dos profissionais que executam tanto sistemas de informação contábil (AIS), como sistemas de informação de gestão (MIS), se apoia na crença de que estão isentos destes processos de outsourcing. Alguns creem que desfrutam de uma vida de sonho e que a demanda de seus serviços está assegurada. Seu consolo é pensar que o aumento de seu domínio técnico lhes oferece uma defesa suficiente contra os ataques provenientes do mercado laboral e dos produtos. Uma interpretação a partir dos estudos críticos indicará que esta posição é um ato de arrogância, sendo isto o eixo da discussão deste documento. Tal atitude dos profissionais contábeis é uma reminiscência do Rei Canuto esperando que a maré retroceda.

Palavras chave: *Outsourcing, Capital privado, Habilidade, História, Processo trabalhista.*

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Introduction

Regarding the first transgression, the path of history is littered with the white bones of now dead occupations-- once prosperous – but are no longer with us. Some work-processes have successfully-reinvented themselves into a radically different (and often unrecognizably) form. The 17-18th Century Society of Coach-Makers (body-workers) are now the National Union of Transport Workers (UK) and the US Teamsters are now truck drivers. Less successful are accountants. Once masters of an entire transaction-cycle, they have been ‘re-skilled’ (deskilled) to single-entry laptop minders, who often have an audit / accounting ‘lite’ understanding of the underlying internal control process that have also been automated).

The history of crafts do not always end with a happy-ending -- craft extinction isn’t a pretty picture. Costermongers, rag-and-bone men, knife-sharpeners, rat-killers (once one quarter of the population of London) have been lost to posterity. AIS and MIS scholars and practitioners, who ignore their history and the history of crafts, do so at their peril.

Regarding the second act of hubris – that a ‘technocratic consciousness’ would serve to protect against the revolution in work processes -- signifies obstinacy and resistance-to-change that is also a dangerous posture. Reasons for this technocratic stubbornness are often complex. Practitioners (including academic practitioners) are understandably proud of their trade. In ancient times, “craft-mystery” was frequently protected by rituals, initiation ceremonies, special handshakes, and other restrictions on rights-of-access. Today, academic fields deploy comparable restrictions. Paid access to data-bases excludes university faculty who lack the ability to pay. Barriers to access are also maintained by esoteric training in statistical methods: regression analysis, spectral analysis, probit analysis and factor analysis (with the corollary of inhibiting necessary changes in ‘technique’). These exclusive and celebrated craft traditions enshrine extant work methods (Taylor, 1967; Shaw, 1975; Allen, 1973; Braverman, 1968). The desire to preserve the status quo is an understandable natural instinct, but ‘forgiveness’ is not a quality that figures in the vocabulary of the competitive market place that history tells us, is merciless in punishing obduracy¹. Frederick Taylor—a well-trained craftsman was

a potent mole-insider, who destroyed the control of the work processes of his fellow craftsmen (sic) on behalf of incipient management and the emergent market forces that they embodied (Shaw, 1975). This collective sin of hubris by MIS and AIS academics and practitioners puts their future, and that of their field, in jeopardy.

It is a popular academic fable that the best ideas are distilled by a blind-review process. There is a counter-thesis: that paradigmatic change is instigated, not by 'fresh thoughts', but changes in material circumstances (Tinker, 2001).

The counter-argument is well-put by Vic Allen (1975, 72)²:

"... the ideas of Edmond Burke came in response to the challenge for forces for democratization; Adam Smith's thought constituted an important theoretical justification of laissez-faire; Marxism was an attempt to provide an explanation of the more disturbing consequences of capitalism; marginal analysis in economics was a counterblast to Marxism; Weber's bureaucratic theory was a rationalization and therefore a theoretical justification of the contradictions of large-scale German monopolies operating within an environment of laissez-faire ideology; Keynesian economics was an intellectual and pragmatic response to the crisis of mass unemployment and the inability of classical economics to locate the cause".

However, fresh ideas – of the form instanced by Allen, are not always received with unqualified acceptance. There are often the centres of serious ideological and institutional struggles. For this reason, Thomas Kuhn argued that "history" (not philosophical argument) determines which ideas will triumph (Kuhn, 1962, 1970). Paradigmatic revolution is more the exception rather than the rule; paradigmatic 'shift' is the more likely case for the course of intellectual history (Tinker, 1977).

So Galileo's theory of planetary motion (where the Earth was not the center of the Universe, but revolved around the Sun) was successfully repressed by Catholic ideologues throughout his life. House imprisonment also served as a salutary reminder that 'change' was not welcome. The Copernican Revolution suffered a similar fate: delayed acceptance for some 50 years, notwithstanding its more exact empirical predictions relative to the Ptolemaic system. Socrates was allowed the honorable way-out (poison by suicide) for insisting on teaching using what the Greeks then considered to be the socially-subversive 'Socratic Method' (Stone, 1989). Social truth is "material" or historical, not logical or "philosophical"³.

These grand theoretical debates speak directly to the efficacy of AIS and MIS literature and ideas. This literature stands at a crossroads. The most important research question facing the field is, "Is its literature, pedagogy, and research adequate to the field's extant problems?" The starting point for determining what research and education is adequate are the current problems facing AIS and MIS. That "Problem-

¹ In the 1970's, the Harvard business Review published several articles cautioning (usually American automobile manufacturers) against their 'production fixation' and the problem of a customer / marketing myopia. We know how that ended.

² The modern-day echo of Allen's thesis is offered by Daniel Gross: "The financial meltdown has sent the literary-minded scurrying back to the classics for insight and succor. The dastardly exploits of the Ponzi artist Bernie Madoff call to mind THE GREAT GATSBY (F. Scott Fitzgerald, 1950) or THE WAY WE LIVE NOW [Anthony Trollope, 1941] At a time when hard-core free-marketeers like Richard Posner (2009) are questioning the efficacy of capitalism, the works of Karl Marx are being fished out of the dustbin of history. Most classic critiques of capitalism are much-mentioned but little read, the sort of books people routinely cite without really knowing what's in them." (Daniel Gross, The New York Times International Edition, July 2009).

³ Perhaps the most dramatic example of the power of material circumstance is the way in which a Today's capitalist-friendly American Administration was compelled to embark on an unprecedented program of nationalization. That many banks and GM have bought-off their independence is not the end of the story. Neither the Basle III nor the U.S Congressional financial reform legislation provide adequate protection against the next crisis. Bank resistance to reform was marshaled by arguing that onerous regulatory impositions of minimum equity balances and leverage ratios would 'kill the golden goose'.

solving” should be the starting point for directing research and education is a well-honed argument offered by MIT scholars decades ago (Gorry & Scott Morton, 1971; Scott Morton, 1974; Keen & Morton, 1979). A parallel argument is provided by Marxist analysis, where “crises” are the basis for orienting research and study (Gamble & Walton, 1976).

Obviously the technical components of AIS and MIS problems will never disappear entirely from the agenda, but it is a precarious adventure to allow them to dictate the entire curriculum. There are new challenges facing the field, and these require new literatures to address these circumstances. Below is a list of five problematics, organized within an annotated bibliography. A brief description motivating the choice is provided below.

2. The changing nature of the content of the AIS and MIS work

Work is not a static phenomenon. There is a dynamic of deskilling and re-skilling that changes the nature of work. These changes cannot be properly apprehended by conventional (technocratically-oriented) literature. This requires a sociological and historical analysis if the phenomenon is to be correctly apprehended.

Even mainstream writers acknowledge the sea change that is underway in outsourcing and deskilling. The destruction of the conventional ‘silos’ of finance, human resources, marketing, accounting etc, and their reconstruction into internet based facilities (cloud technology for instance) renders absolute traditional crafts and skills.

3. The Geographical reconstruction of the labor process

Outsourcing of work, within and beyond the borders of the West, provides an incessant market pressure, not just on wages, but also in transforming international work processes (deskilling and reskilling). Postmodernism is an ideology that is regarded critically by authors such as Harvey (1989) and Jameson (1991), is a social belief system that seeks to erase history and points reference / location in time and geographical space.

4. The Historical reconstruction of the labor process

The forces impacting AIS and MIS work and pedagogy are not new. A cognizance of ‘what went before’ is prerequisite to an intelligent engagement with the future. Researchers of history and social analysis restores to public and academic consciousness content that is essential if we are to political engage the present and the future.

5. Pedagogical Issues

Education is the long-term investment for preparing for New Worlds. All items in this annotated bibliography are relevant to properly preparing new generations of scholars, teachers and practitioner. Aronowitz, Bowles and Gintis, Karier, Tinker, and Fekous provided a spectrum of political interventions in the educational field.

6. Philosophical and Social Analysis

The analysis presented in this paper draws heavily on the literature cited in this section. These are perhaps the most important sources in cultivating a collective self-awareness. Over several decades, academic researchers have contributed to the struggle – intellectual (including but not limited to epistemic) and political.

7. Conclusion or new debates

Outsourcing of work has taken on special meaning in the U.S. Presidential Campaign, where skilled workers in Illinois (for instance) were required to train their Chinese replacements before being fired. However this isn’t just a case of replacing \$17 per hour U.S. skilled workers with \$1 per day non-union coolly workers: redundancies have serious second order effects on the local communities – local shops, suppliers, fireman, teachers and others affiliated are blighted by outsourcing. The economic blight is extensive and permanent.

The irony is that many of the enterprises that are outsourced are highly profitably; and yet the majority are bankrupted with a few short years. This is the

Table 1. Synthesis of the authors that help understand changes in accounting work (MIS/AIS)⁴

Interest subjects	Representative works
The changing nature of the content of the AIS and MIS work	Allen (1975), Arnold & Sutton (1993), Arnold & Sutton (2002), Braverman (1988), Burawoy (1985), Burawoy, (1979), Edwards (1979), Hammond & Champy (1993), Kraft (1979), Shaw (1975).
The Geographical reconstruction of the labor process	Harvey (1989), Jameson (1991), Goldstein (2008), Cato Institute ⁵ , Citizen.org ⁶
The Historical reconstruction of the labor process	Baritz (1960), Aronowitz & Difazio (1994), Dobb (1937), Dobb (1973), Krugman (2009), Pollard (1965), Taylor (1967)
Pedagogical Issues	Aronowitz (2000), Bowles (1972), Gintis (1972), Karier (1977), Tinker (2001), Tinker & Feknos (2003).
Philosophical and Social Analysis	Mason (1986), Sutton (1995), Taylor (1967), Cleaver (1979), Marcuse (1964), Galbraith (2000), Galbraith (2009), Gamble & Walton (1976), Gorry & Scott (1971), Keen & Scott (1978), Kuhn (1962), Kuhn (1970), Scott (1974), Stone (1989), Tinker (1977).

record of Bain Capital (for instance). The collapses were instigated by loading the firms with debt – that was unsustainable. At the same time ‘insiders’ and executives of the Private Equity firms loot the firm with millions of dollars of exorbitant charges and fees.

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⁴ The author.

⁵ Cato Institute: <http://www.cato.org/current/outsourcing/>

⁶ Citizen.org, Offshoring: <http://www.citizen.org/documents/FactSheetonOutsourcing2007.pdf>

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