

Impact of R&D Outsourcing in Global Enterprises

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Abstract – A moment ago, global enterprise was considered as unimportant to global enterprise growth. This is mostly because global enterprises wave the impact of R&D outsourcing on global enterprise. It's really cleared that outsourcing has been seen as a contentious phenomenon, yet it remains the fundamental of most successful enterprise. R&D outsourcing gives a chance to exchange knowledge and best practices of valuable skills. Part of what global enterprise didn't notice about R&D outsourcing is that it develops new profitable and mutual relationship. Global enterprises deserves the right to have a strong knowledge behind the purpose of R&D outsourcing in order to avoid unwanted situation which could bring setback to the main goal of the enterprise. Most of this unwanted situation generate due to inexistence of R&D (Research and Development) outsourcing in most of the enterprises. Thus, upcoming enterprise needs a clear picture of the impact of R&D outsourcing on global market and having strongly built backup of maintaining the future of the business. This paper glanced on this issue and took a wide-ranging of appropriate journal review to haul out and expatiate on the impact of R&D outsourcing on global enterprise.

Keywords-Impact of R&D outsourcing; global enterprise

1. INTRODUCTION

In general, most successful global enterprise really works toward the usage of the elements of R&D outsourcing. This has really been the motivating impact of R&D outsourcing which help developed a new profitable and mutual relationship. Furthermore, some global enterprises embark on a business without concrete diagnose of mode of operation attached to such business. Success of every enterprise does not lie on the wall of capital invested on such business; thus, it's on the spinner cored of the business structure. The structure determines how knowledge in the organization is managed wisely. Most enterprise that lack this structures get fold up on the long run.

The structure of enterprise encourages R&D outsourcing to exist in the enterprise. In the contemporary global world, a change comes up in the global enterprises with presence recognition of outsourcing especially in the aspect of R&D. According to **Curt Deckert** (prime owner of Curt Deckert Associate Inc.), for R&D strategies to help blend organization to develop successful products will depends on the type and size of the organization, its products, and the size of markets [5]. Besides, great victorious organizations often face large difficulty in maintaining their center strengths, technological edge, and consumer demand over time.

Due to fast changes, factors that lead to early success can also play an important role in turning down. For instance, as drug makers keep introducing new products, maintaining high efficiency is the means. R&D outsourcing provides a means to attain this through low cost offshore outsourcing. Another instance is depending on a particular technology or a very slim focus may not be the best long term R&D approach. Aside from the above, hallucination, policies, management, tactical R&D focus, composition, and business culture are the major serious parts in the development of R&D approach. Also, one of the most globalized country in the world “Singapore” has really attain her high position in the world via an immense grant giving to R&D which has been the spinner cored of development to Singapore. Base on the report gathered by the World Bank in 2000 stated that Singapore’s small market has obligate many Singaporean enterprises to search for international markets for exporting their products. To maintain the competitiveness in the international markets, there will be a strong necessity for Singaporean enterprises to remain innovative through R&D [4]. In order to enjoy the impact of R&D outsourcing in the global enterprise, the next step will further explain the channels and ways needed to attain the goal. This will explain basic idea behind R&D outsourcing.

2. OUTSOURCING

Basically, according to Martin Grueber, outsourcing is negatively seen as the loss of jobs, R&D leadership, and competitiveness, or positively seen as “open innovation,” support for industry/university collaborative research, and global market reach [16]. Outsourcing is seen as a fraction of organization’s service been giving out to a set of bodies to help complete the task. According to Kate Vitasek, the author of the book named “Vested Outsourcing” makes it clear that outsourcing is controversial but mostly, it’s the fundamental of business activities. She also proceed by saying Peter Drucker used to say “Do what you do best and outsource the rest,” and the idea of finding people who can do something better, faster and cheaper than you goes all the way back to Adam Smith and beyond [2]. Outsourcing is also considered as helping organizations achieving the center of attention on other vested trades with easiness peace of mind confined on the outside experts’ base on the outsourced information. More so, huge quantity of resources and concentration that could become a huge problem to the management professionals can be of advantageous and become more imperative unwanted situation in the organization. Most organization’s which deals with outsourcing are mostly been efficient, and built with excellent capabilities and access to new technology which enterprises might not able to meet-up the expense of it personally. Basically, base on the publication of “Frost & Sullivan” research, prominent inclination in the R&D outsourcing organizations is the move in the direction of developing global networks for the main purpose of product development. All the way

through this, companies are leveraging the capabilities of different regions to build an efficient R&D chain [10]. The rise in reputation of outsourcing business functions in the last several years has increasingly included R&D [6]. According to Staff Writer, The need for structuring virtualized business models is motivating and will continue to motivate the need for outsourcing among enterprises. In the next 20-30 years, we will see companies focus only on 20-30 percent of their value chain and look for an ecosystem of partners that will deliver the rest [13]. Outsourcing always stands as a better choice for an enterprise which really intends to grow faster and meet-up the global demands from every organization.

3. R&D OUTSOURCING

Research and development outsourcing has been a fast growing easy way of most companies remedy to attain the global demands and remain active in the global enterprise. Changes can be harsh and deep. But a more enlightened, strategic view of global sourcing is starting to emerge as managers get a better fix on its potential and the new catchphrase is "transformational outsourcing [1]. According to April Joyner, the purpose of research and development (R&D) in a small or mid-sized business was to attain new knowledge, appropriate to the business' needs, which could ultimately result in new or enhanced products, processes, systems, or services that can increase business' sales and profits [6]. Basically, R&D could be subject to internal, base on agreement with others. More so, the tactics merit in the business is the sole owner of the knowledge formed and can be protected from unofficial use. R&D outsourcing comes with a lot of benefits which place a yield motivation in the nearest future for the global enterprises. With the help of R&D outsourcing, organizations are able to expand in knowledge management and lay a better legacy for the years to come. Mostly, everything that has merit also attached with demerit. The demerit of R&D outsourcing includes delayed in communication within the company and its client. Also, inappropriate power control of every section of company's system. This is why many enterprise keep falling into same mistake of ignoring outsourcing in the name of privacy and been total control of the business activities and most of this unwanted situation were generated due to inexistence of R&D outsourcing in most of the enterprises. Thus, upcoming enterprise needs a clear picture of modus operandi in the global market and having burly spinner cored of maintaining the future of the business. Base on the observation from James Glover, Many companies with large R&D budgets increasingly require their laboratories to justify their existence by selling their services to product/process business units within the company/group or even to other, non-affiliated firms [7]. Some companies now conduct less than 10% of their R&D at corporate R&D centres. At the extreme, companies may outsource their entire R&D, retaining only the ability to specify and buy in what they need [7]. Most companies or organization choose to ignore the presence of R&D outsourcing which has drastically cause failure to their business activities. Such unwanted situation actually occurs to United State of America by tagging offshore outsourcing with different meaning that result to their recent economy crises. Basically, the capacity of the offshore R&D focus in supporting co-located manufacturing activities that have formerly moved offshore contributes to product development efforts which boost up product cost, quality, performance and availability. Base on the evaluation of Thomas A Hemphill, firms that preserve R&D technical centers globally automatically contribute to the local economies of those countries, typically by leveraging such centers of R&D to arouse their own economies. Those R&D centers eventually become part

of those nations' economic development strategies which result in developing consumer income levels that allow for the obtaining of higher value-add business and consumer products [14]. According to a research leader "Martin Grueber" As we complete our second combined U.S. and Global R&D report, however, one fact that the economic crises of the past two years has made clear is that the issues are beyond the often confusing definitions of outsourcing. We are in a global economy, and the performance of R&D is intertwined with that global economy [8]. What has been, and indeed still is, missing, is good, concrete data on the subject to shed light on the true extent and impact of the globalization of R&D, and whether policy initiatives could (or should) do anything to address it. It is hoped that the recent revisions to the NSF industry R&D survey (now referred to as the Business R&D and Innovation Survey) will provide a much more robust and quantifiable picture of U.S. R&D performance both domestically and worldwide. The first revised survey is collecting data on 2008 R&D performance and will likely produce limited 2008 statistics in mid-2010 and produce full sets of 2008 and 2009 statistics in mid-2011 [8]. Outsourcing R&D requires a substantiated choice of the sourcing mode, as well as close alignment of the business models with Suppliers & Partners and many companies source the majority of their revenues from suppliers and Partners [15]. The next step will emphasize on position of global enterprises to the influence of R&D outsourcing.

4. GLOBAL ENTERPRISES

The world of global enterprise is growing very fast as global market expands rapidly. This has been with a great influence from the R&D outsourcing which many enterprises endorsed. Base on the evaluation from Mark Selden, Global enterprises are giant capitalist firms whose business prospect and modus operandi are truly global [12]. Many organizations who engaged in business transactions view the world in a perspective of organizing the directorial and fiscal power to execute their visions by which they progressively cuddle the socialist

nations as probable markets and areas of steady investment. According to William Amelio, Lenovo's CEO, on "world-sourcing." An ever-greater commitment to world sourcing will indeed be one of the defining features of tomorrow's global corporation [9]. Base on the analysis of Rhinesmith, Stephen H, Williamson, John N.; Ehlen, David M.; Maxwell, Denise S, Global Enterprise is rapidly coming to dominate competitive behavior in many industries around the world. It operates basically without the constraints or traditions of national boundaries and seeks to compete in any high-potential marketplace on earth [11]. GE, IBM, Cisco, P&G and McKinsey are some of the leading examples of how a global enterprise that is ready for tomorrow ought to be run. Every one of these companies has a very strong culture that defines who they are and what makes them different and superior to their competitors [9]. The culture referred to is mindset which means a properly structured R&D outsourcing. R&D outsourcing has been one of the spinner-cored that has really kept these companies stronger and fitting from the global enterprises challenges. According to Frost & Sullivan research, with the major outsourcing destinations in the world, China has been rated as the most gorgeous country in the world for foreign direct investigation in the R&D segment. China spends more on R&D to boost its gross domestic product in order to supersede the European Union in the next five years [10]. Global enterprises take not less than 50% of the growth of global market. Anil K. Gupta and Haiyan Wang make it clear from their report that in recent years, over 50 percent of the growth in world GDP has come

from emerging markets. By the end of 2008, China is expected to better Germany to become the third largest economy in the world. China's GDP is expected to become the world's largest by around 2030 and India's the world's second largest by around 2045 [9]. Global companies, which first joined with local investors in the R&D sector in China, are now establishing their entirely owned centers and in the last decade, the number of patents filed by these global companies increased at an average rate of 30.0 percent every year [10]. This report came up to show the impact of global enterprise on the growth of global economy. China was able to attain such achievement via the embracement of R&D outsourcing across the country. The following step elaborates more on the discussion ironed above.

5. DISCUSSION

As discussed earlier, impact of R&D outsourcing on global enterprise is vividly helpful for the better growth of every enterprise goals. R&D outsourcing remains the heart of every successful business around the globe. R&D outsourcing has really prove itself to be very important in every organization around the globe as it gives a chance to exchange knowledge and best practices of valuable skills. Truly, outsourcing has vibrantly become contentious, yet it remains the fundamental of most successful enterprise. Some enterprises emerged with negative impression of outsourcing which lead to their defeat after decades of operation. Many enterprise keep falling into same mistake of ignoring outsourcing in the name of privacy and been total control of the business activities. Most of this unwanted situation generate due to inexistence of R&D (Research and Development) outsourcing in most of the enterprises. Thus, upcoming enterprise needs a clear picture of mode of operation in the global market and having burly spinner cored of maintaining the future of the business. Most enterprises emerged with a business without concrete diagnose of modus operandi attached to such business. Success of every enterprise does not lie on the wall of capital invested on such business; it's on the spinner cored of the business structure. The structure determines how knowledge in the organization is managed wisely.

6. CONCLUSION

This paper focuses on the impact of R&D outsourcing on global enterprises. The future of the upcoming entrepreneurs is unclear without a full support and vivid involvement of the global enterprises' modus operandi. The world of global enterprise grows very fast as global market expands rapidly. This great achievement was successful with the influence of R&D outsourcing which many enterprises endorsed. R&D outsourcing comes with a lot of benefits which place a yield motivation in the nearest future for the global enterprises. With the help of R&D outsourcing, organizations are able to expand in knowledge management and lay a better legacy for the years to come. The world of R&D outsource is build for the better shape of the nearest future of global enterprises.

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