

# The Transition from outsourcing to R&D : the case of information technology (IT) Tunisian companies

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## Abstract

Nowadays, information technology (IT) accounts as one of the most powerful industries in the world. It played a major role in enhancing productivity in a plethora of industries by simplifying and fastening different organizational processes. Therefore, IT is a key driver of global economic growth (Vijayasri, 2013).

The recent emergence of some developing countries, such as India and China, as highest value-added activities providers of IT services, have attracted the interest of academics and practitioners. Initially, considered as a low-cost, low-skill and highly routinized services suppliers (software services), these emerging countries rapidly evolved by becoming low-cost knowledge providers in global value chains (Parthasarathy and Aoyama, 2006; Chaminade and Vang, 2008).

The appearance of this tendency is also noticed in Tunisia, especially after the revolution. Tunisia is among the emerging offshore services delivery locations that have in recent years significantly invested in growing their IT-BPO industries. This sector is also recognized as a key driver of economic growth. As in 2015, IT industry generated a turnover of 4,5 billion dinars (TND), representing 6% of the gross domestic product (GDP) - against 2,5% in 2002. The boom in this sector is tangible over the past fifteen years. The number of employees in IT sector has doubled between 2002 and 2014, exceeding 35,000 employee.

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Few studies addressed the development of the Tunisian software industry. Harbi et al. (2009) found that successful firms do not invest in R&D, accept high levels of demand and concentrate on traditional markets. However, they did not consider the outsourcing dimension in ICT sector. Sdiri and Ayadi (2016) found that, in terms of innovation, the outsourcing strategy is profitable for the Tunisian service firms and that quality and flexibility are the additional motivations for onshore outsourcing.

Our research explores the recent emergence of R&D services and their importance in the development of software industry in Tunisia. Undoubtedly, outsourcing standard and routine IT activities is no longer an efficient strategy, for firms, to persist on the market over the long run.

Both qualitative and quantitative studies were conducted to explain this phenomenon in the IT Tunisian firms. Our empirical results advocates that the Tunisian IT industry is on the path of reaching a new stage of progress.

**Keywords :** *IT software services, IT R&D upgrading, Tunisian IT companies, Offshore IT outsourcing.*

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