



FACULTY OF EDUCATION AND BUSINESS STUDIES
Department of Business and Economics Studies

Motives and Challenges of OFFSHORING

Faysal Alam
Mansoor UI Hasan Butt

Student Thesis, Master Degree (One Year), 15 Credits
Business Administration
Master Programme in Business Administration (MBA): Business Management 60 Credits
Master Thesis in Business Administration 15 Credits

Supervisor: Maria Fregidou -Malama
Examiner: Akmal Hyder

Abstract

Aim: The aim of this study is to explore offshoring in terms of different motives, challenges, advantages and disadvantages a company face.

Method: Qualitative research method is adopted to conduct the study. The data was collected from interview questions from 11 personnel of M&F Associates with relative offshoring experience. Theories from peer-reviewed journal articles and relevant books were consulted throughout the study.

Results and Conclusion: The findings suggest that major motives and advantages of offshoring strategy are cost efficiency. Contingency plan and development of consultants and services in home country also emerged as a major motive for companies to choose offshoring strategy. Further, the findings suggest challenges faced by the organization while implementing offshoring strategy like ‘language barrier’, ‘cultural differences’, ‘competency’ and setting deadlines.

There are different challenges identified which are faced by an organization on continuous bases while implementing the offshoring strategy like ‘language barrier’, ‘cultural differences’, ‘competency’ and setting deadlines. Further, the finding suggests better margin is key for an organization and considered as a major advantage. As far as disadvantages go, the findings from the study reveal weak control and knowledge could be regarded as a disadvantage.

This study also concludes that one of the evolving motives for organizations to adopt offshoring to make capacity for customer relations as well as organization face difficulty to communicate their offshoring strategy with its customers.

Limitations: The study is based on the perspective of only one organization and with a limited number of interviews. Results of this study cannot be generalised.

Suggestions for further research: Our recommendation for future study is to consider customer’s perspective on the issue. Both managerial perspective, as well as the customer's perspective should be taken into consideration for better result. Another suggestion, is to look into the relationship

between offshoring and customer relation. Since, lack of studies been found in this area, further research can be explored for the benefit of organizations. A quantitative study with a wider selection of samples gathered from different parts of the world with specific industries could enrich the study even more.

The contribution of the study: This study contributes to the general knowledge and understanding of why companies use offshoring strategy to expand business while discussing its motives, challenges, advantages, and disadvantages.

Keywords: Offshoring, outsourcing, Uppsala model, customer relations.

Table of Contents

Abstract	i
List of Figures	v
List of Tables	v
1. Introduction.....	1
1.1 Background and motivation of the study	1
1.2 Concepts.....	2
1.3 Problem statement.....	3
1.4 Aim of study	4
1.5 Delimitation	4
1.6 Structure of study	4
2. Literature review	5
2.1 Review of offshoring literature	5
2.1.1 Outsourcing vs offshoring.....	6
2.2 Motives and challenges of offshoring	8
2.2.1 The Economics of offshoring.....	8
2.2.2 Quality and competencies related to offshoring	9
2.2.3 Offshoring strategies	10
2.2.4 The cultural aspect of offshoring	11
2.3 Advantages of offshoring.....	12
2.3.1 Cost savings	13
2.3.2 Increased quality and competency	13
2.4 Disadvantages of offshoring	14
2.4.1 Loss of market performance	14
2.4.2 Increased costs	14
2.5 Theoretical conceptual framework	15
2.6 Theoretical framework.....	16
3. Methodology	18
3.1 Research approach	18

3.1.1 Quantitative and qualitative approach	18
3.2 Data collection	19
3.2.1 Primary data	20
3.2.2 Secondary data	21
3.2.3 Interviews.....	21
3.2.4 Interview questions	22
3.3 Information about the respondents.....	24
3.4 Analysis approach.....	25
3.5 Ethical issue	25
3.6 Validity and reliability	26
4. Empirical findings.....	28
4.1 Company M&F Associates	28
4.2 Operations in Romania and percentage	28
4.3 Motives of offshoring	29
4.4 Challenges of offshoring.....	31
4.5 Advantages of offshoring.....	33
4.6 Disadvantages of offshoring	34
4.7 Other important issues	36
4.8 Summary of findings.....	37
5. Analysis.....	39
5.1 Operations in Romania	39
5.2 Motives of offshoring	40
5.3 Challenges of offshoring.....	41
5.4 Advantages of offshoring.....	44
5.5 Disadvantages of Ooffshoring	45
5.6 Remarks/Other important issues	46
6. Conclusion	47
6.1 Accomplishment of research aim and questions.....	47
6.2 Theoretical & Managerial contributions	49
6.3 Critical reflection and limitation.....	49

6.4 Suggestion for future research	50
Reference	51
Appendix.....	56

List of Figures

Figure 1: Offshoring and outsourcing (adapted from Sako, 2005)	7
Figure 2: Culture distance: Sweden vs Romania (Hofstede et al., 2010)	12
Figure 3: Theoretical framework. (own)	16
Figure 4: Operations in Romania in contrast with table 4.	40
Figure 5: Motives of offshoring in contrast with table 5.	41
Figure 6: Challenges of offshoring in contrast with table 7.	43
Figure 7: Advantages of Offshoring in contrast with table 9.	44
Figure 8: Disadvantages of Offshoring in contrast with table 11.	46

List of Tables

Table 1: Theoretical overview (Own)	15
Table 2: Overview of the interview questions (own)	24
Table 3: Introduction of the respondents (Own)	25
Table 4: Operations in Romania.	29
Table 5: Motives of offshoring.	30
Table 6: Most important motive for offshoring.	31
Table 7: Challenges in implementation.	32
Table 8: Most important challenge.	33
Table 9: Advantages of offshoring.	33
Table 10: Most important advantage.	34
Table 11: Disadvantages of offshoring.	35
Table 12: Most important disadvantage of offshoring.	36
Table 13. Summary of findings (Own)	38

1. Introduction

This part contains the main concept of thesis and why authors chose this topic to research on. It holds main definitions of topic on hand, problem statement, aim of study, research questions, delimitation note, and structure for rest of the study.

1.1 Background and motivation of the study

With the rise of global development, offshoring and outsourcing is a comparatively new phenomenon that has changed the foundation of competitive business for companies (Gottfredson, Puryear & Phillips, 2005). In the era of techno-economic paradigm, the internet has revolutionized the competitive advantage for companies geographically. Offshoring and outsourcing have become gradually important in last few decades and companies consider offshoring as a competitive strategy for business operations especially from a cost perspective (Kakabadse et.al, 2002). According to Ramingwong & Ramingwong (2009) cost cutting, management flexibility, and access to high-quality professional skills are key motives why global companies pursue offshoring.

According to Gupta (2008), outsourcing refers to the phenomenon of having someone else do the work for you whereas offshoring refers to the situation when such work is performed in a different country. If you go out to a restaurant that is outsourcing; somebody else spent the time and energy to provide the meal to you. If you call a company for a loan and get connected to an operator in a call center located in another country, then this is a case of offshoring (Gupta, 2008). Further Schaffhauser (2005), defined offshoring as having the outsourced business functions done in another country in order to reduce labor expenses which enable companies to enter new markets, to tap talent currently unavailable domestically or to overcome regulations that prevent specific activities domestically.

The globalization affects everyone in the world in some way or another but it also creates a huge marketplace which forces companies around the world to compete in a global market. Companies in Sweden, as well as the rest of the world, need to state their position to be able to stand strong in this competitive world. This affects how and where companies do their business. In early 1990's cost cutting were considered as an effective tool to sustain but after the economic downturn in

2000's cost cutting had evolved as a surviving necessity for companies and effectively labeled as offshoring and offshore outsourcing (Robinson & Kalakota, 2005, p. 4).

According to Kakabadse and Kakabadse (2000) in both US and European countries, outsourcing and offshoring play a main role in the organizational strategy. According to Mclvor (2005) and Feeny et al., (2005) offshoring strategy can give a competitive advantage to improve the overall performance of an organization.

Many organizations today concentrate on their core activity and offshore non-core processes to a third-party vendor. This happens due to the fact, the vendor is more focused or equipped and has that particular process as a core competence, such as IT, finance, and accounting. Furthermore, there are companies that offshore projects and parts of processes, like software development and support, service to an offshore location (Mclvor,2005). Since Swedish companies have realized the cost savings that could be made by offshoring to low-cost locations in Eastern Europe and Asia, the trend is becoming a part of modern management (Robinson & Kalakota, 2005, p. 3). Hence offshoring strategy gives companies a competitive advantage (Davies, 2004, p. 22).

1.2 Concepts

In this study, some concepts are used frequently and could have different meanings depending on the situation and who is reading. To avoid this misunderstanding and to make the writing easier we have chosen to define some of the concepts that are important to this study. These concepts will be listed below.

The term outsourcing is a combination of the terms “outside”, “resource”, “using”, which means going outside the firm to use the resources of other companies. McCarthy and Anagnostou (2004) defined outsourcing as purchasing products or services from external sources and transfers the responsibility for business functions and often the associated knowledge (tacit and codified) to the external organization. Rothery and Roberson (1996) further defined outsourcing as the act of turning to an external organization to perform a function previously performed in-house. It entails the transfer of the planning, administration and development of the activity to an independent third party.

Hätönen (2008, p. 26) defines offshoring as transferring business location and ownership as part of the same company. This is in contrast to outsourcing where a business function is contracted to a third party and here activities or process would be conducted internally (Ellram and Billington, 2001). Pyndt and Pedersen (2006) also define offshoring as synonymous with productive activity taking place outside the home country (internationalization) and outsourcing with the productive activity taking place outside the firm (externalization). To diminish cost a growing number of companies are opting to perform increasing types of professional services to foreign countries (Gupta,2008)

1.3 Problem statement

Companies in Sweden and other western countries are forced by the customers to offer low prices for products and services. This has affected the situation in a way that has to lead to offshoring of many processes to reduce costs (Robinson & Kalakota, 2005). Manufacturing industries were the first to take advantage of the concept of outsourcing or offshoring and service industries have been lacking behind.

Now, with the advent of technology and information system, the concept seems to be predominant in all aspects of businesses and services industries have also taken up the initiatives (Kakabadse et.al, 2002). Both industries also suffer and take on some risks which are associated with outsourcing and offshoring but the global nature of market forces them to take different initiatives to stay competitive and increase business performance.

Offshoring phenomenon has not been studied much compared to outsourcing, and many authors have identified the benefit from lower manufacturing costs as being the main reason for offshoring (Ramingwong & Ramingwong, 2009; Kakabadse et.al, 2002).

In this study, we are investigating the motives for companies to chose offshoring and explore other motives besides cost-effectiveness. Similarly, as opposed to outsourcing, offshoring consist of in-house overseas production, where firms might face challenges while implementing this strategy. This study also explores the advantages and disadvantages of offshoring strategy.

1.4 Aim of study

The aim of this study is to explore offshoring motives, challenges, advantages and disadvantages a company faces. Based on above-mentioned research aim, researchers propose the following research questions.

- *What are the motives of offshoring? What challenges do companies face to implement offshoring strategy?*
- *What are the advantages and disadvantages of offshoring strategy?*

1.5 Delimitation

The problem discussion covers a complex area that needs to be delimited regarding the reasonable size of this study. The company used in this study is an accounting services provider, based in Scandinavia with offshoring station in Romania, hence only covering western perspective of offshoring of services. We will not discuss all areas of offshoring; instead, the focus is limited only to the nearshoring strategy.

1.6 Structure of study

Following parts of the study are structured in a way that first part explores the main literature in the offshoring field, explaining the main theories and concepts researched previously. This also highlights and explains advantages and disadvantages of offshoring, with a theoretical framework in the end. After that, the methodology part explains the method adopted during the course of this study. It is then followed by empirical part and describes the findings from interviews of respondents. In the analysis part, a discussion with along a comparison has been made between the literature reviewed and the themes that were found in the interviews and to see if there are any new developments in the offshoring field. This ends with a conclusion and reference list. The appendix is provided at the end of this study.

2. Literature review

This part contains review of previous literature on topic of this study and its main segments like, motives of offshoring, challenges while implementing offshoring, advantages and disadvantages of offshoring. In the end of this section authors have presented a theoretical frame on which whole study is based.

2.1 Review of offshoring literature

The terms outsourcing and offshoring are regularly used in public debates and academic research, but they are often weakly defined. According to Pyndt & Pedersen (2006, p11), outsourcing denotes the activities where the companies let an external and independent supplier perform the task in question, whereas offshoring refers to activities in foreign locations. Comparative costs benefits, access to new talent, and market proximity are some key motives companies relocate to foreign location which is called offshoring (Jensen et al., 2013). Pyndt & Pederson (2006, p12) further classified offshoring into in-house (Offshoring) or by sub-suppliers (Offshore outsourcing)

Both offshoring as well as outsourcing are based on the firm's "...disaggregation of the value chain and combining the comparative advantages of the geographic locations with their own resources and competences to maximize their competitive advantages" (McCann and Mudambi, 2005).

Prior literature has classified offshoring into two broad categories based on the distance between the home and host countries. According to Erber and Ahmed (2005) nearshoring refers to the relocation of activities to destinations that are in close geographic proximity to the country of origin. Farshoring refers to relocation to countries which are geographically distant from the headquarters and the activities that remain in the country of origin are known as onshore processes. Mol, Tulder and Beije (2005) have proposed another typology for offshoring by distinguishing between international outsourcing and regional outsourcing. According to them, free trade regions, such as the EU and NAFTA, reduce the transaction costs for sourcing and make it easier to offshore within the trading block. However, the distinction between nearshoring and offshoring, and regional and global outsourcing has not become popular in the recent research and thus in this dissertation the term offshore is used to denote all activities done outside of the home country.

De Vita and Wang (2006) proposed a more extensive taxonomy of outsourcing and offshoring that traces the shift. According to them, there are three generations of outsourcing and offshoring; the first generation refers to contractual arrangements confined to the procurement of non-core competences such as payroll processing and security. This type became popular in the 1980s and was driven by the need to cut costs. The second generation became common in the mid 1990s when firms started outsourcing and offshoring their near-core activities which had strategic importance such as software design and data processing. The drivers for this type of outsourcing were primarily access to complementary resources and capabilities in addition to cost savings. The third generation that has become dominant in the past few years is the outsourcing or offshoring of most if not all the value chain activities. This includes offshoring of core competences such as R&D and is driven by efficiency, innovativeness and adaptation. In this current generation offshoring is itself a core competence (De Vita and Wang, 2006).

As per the aim and research questions of this study, a similar approach is adopted to review available literature in related areas of study. The first part of the literature discusses the theories out there about outsourcing and offshoring. Then the study focuses more on the motives of offshoring. The study also highlights the kind of challenges companies face while implementing offshoring strategy. The second part discusses advantages and disadvantages of offshoring, and in last other important factors are discussed which plays an important role.

2.1.1 Outsourcing vs offshoring

Although the outsourcing and offshoring have been increasingly substituted incorrectly with each other, there is a firm difference between these two terms and it is of great importance to distinguish and explain the two closely related terms “offshoring” and “outsourcing”. Venkatraman (2004) distinguished in these two terms and explained that offshoring as a part of the production chain can be defined as being an activity inside the company that will be carried out somewhere else, whereas outsourcing is defined as an activity that will be carried out by someone else. Sako (2005), related it to two fundamental decisions made by every company, one regarding the location of the company’s operations and the other about whether to buy the input or produce it themselves.

The figure below presents a simplified illustration of when companies offshore or outsource their activities.

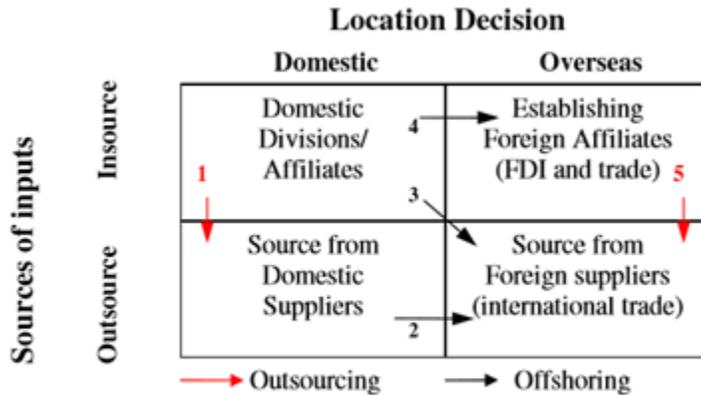


Figure 1: Offshoring and outsourcing (adapted from Sako, 2005)

Sako (2005) states that offshoring arises when a company decides to move their production abroad (from domestic to overseas). Outsourcing, on the other hand, engages in a higher amount of specialization as companies tend to move from sourcing inputs internally to sourcing them externally through third party owned suppliers (insource to outsource). As figure 1 further indicates, a firm can engage in many different combinations of offshoring and outsourcing.

In fig. 1 Red arrows represents outsourcing whereas offshoring is represented by black arrows.

A. Outsourcing is represented by arrow 1 where a firm has some degree of outsourcing from domestic market but when it decides to move from a domestic to an overseas supplier now it is engaged in offshore outsourcing (arrow 2 and arrow 3).

B. In case a firm moves its domestic in-house production to another overseas in-house production place by establishing a foreign affiliate, its engaged in offshoring and presented by arrow 4 in fig 1. But again, when the firm outsources from an overseas market it again becomes offshore outsourcing presented by arrow 5 in fig 1.

What distinguishes the phenomena of outsourcing and offshoring is that outsourcing involves the delegation of a process to a third-party merchant, while offshoring can involve the delegation of a process to a third-party merchant or stay internal (Venkatraman, 2004).

2.2 Motives and challenges of offshoring

Though it is often difficult to base offshoring objectives in a single motive. However, Dunning (1998) detected four archetypical motivations which drive companies for offshoring strategies. “First, market seeking company typically undertakes to offshore with the goal of supplying goods and services in a specific market and perhaps adjacent countries. Second, the resource-seeking company strives to acquire certain resources at a lower real cost that can be achieved in the home country. Third, the efficiency-seeking company takes advantage of different factor endowments and tends to locate in markets that offer the company a cost advantage. The fourth motivation points to such strategic considerations as following clients or competitors into foreign markets or to otherwise enhance the asset portfolio” (Pyndt & Pederson, 2006, p19).

The motives for offshoring often change over time and with the experience, they also vary according to the nature of the offshoring project. While business process offshoring is primarily motivated by efficiency gains, the setting up of a captive production facility may draw on multiple motives, including resource, efficiency and market considerations (Pyndt & Pederson, 2006, p19).

2.2.1 The Economics of offshoring

One of the most advocated and primary motives a company may decide to offshore is for labor reductions. It can be financially beneficial for a company to have a service offered to the public where they are paying some a fraction of the wages they would if the job were in the home country. Some companies have been saved because they were able to produce their goods or services offshore where the wages are cheap. The cost of supplies can also have significant savings as well (Pyndt & Pederson, 2006, p19).

Payroll and production process are the largest costs for most of the companies. Offshoring to low labor cost location can save companies a lot of costs. Large corporations with thousands of employees can save millions and may help businesses keep their doors open (Burger,2007).

One critical aspect of cost-effective offshoring strategies is the calculation and analysis of the economics involved. It is important to understand how rapid changes in exchange rates or factor costs, such as labor and raw materials, affect a company's initial investment setup. Offshoring is often linked to companies seeking to reap cost savings, at least in the beginning. Rather than directly applying the capital-intensive production set up of the home country, it is often worthwhile to investigate how lower capital investments and a higher proportion of manual labor may impact the economics of the offshoring project (Harzing, 2002).

A relocation process is very demanding in terms of organizational and financial resources. Crossing geographical boundaries with a purpose of doing business involves extensive risks and demands on managerial competencies and company resources. However, sourcing on a global scale requires a higher degree of internal coordination and integration of value chain activities across countries (Pyndt & Pederson, 2006, p 21).

2.2.2 Quality and competencies related to offshoring

According to Ramingwong & Ramingwong, (2009), another main reason explained for offshoring is the scars skillful and competent labor force in the home country, but at the same time in many cases, they also question the skill set of a labor force of in host country or offshoring location. Burger (2007) also expressed similar views that quality of offshore labor is often lower than home country but his concerns are more focused on a finding of those equally skillful labor due to the remote location of another country.

In contrast, there can also be a reverse effect where parent companies often risk to lose their competencies after relying too much on their offshore partners (St. Amant,2010). Earl (1996) also expressed similar concerns that internal competencies can be halted or drained when companies focus too much on competitiveness through outsourcing or offshoring. He also suggests a solution

that a regular skill set review should be done by companies after adopting outsourcing or offshoring strategy to assess their internal capabilities.

Other authors like Frank (2005) and Burger (2007) have also shown their concern regarding the quality of offshoring and outsourcing providers and believe that in-house quality is much better than any outsourcing or offshoring solution. Ramingwong & Ramingwong (2009) suggested a solution for issues related to quality by dividing the process of offshoring or outsourcing into small steps. He suggested assigning small non-critical tasks to start with and assess their ability to tackle these tasks and then move towards the more critical tasks gradually.

2.2.3 Offshoring strategies

Harzing (2002) discusses the situation faced by an organization when it chooses to go for offshoring, he explains that organizations often have to consider which offshoring strategy they have to adopt. The first hurdle is to decide whether to have an equity or non-equity-based approach. In equity-based approach, they also have to decide whether to adopt a Greenfield method or acquiring an existing local firm.

According to Kang and Johansson (2000), another offshoring approach is the cross-border mergers and acquisitions. They considered Foreign Direct Investment is similar to offshoring when firms from various countries combine their assets and form a new unit. They refer such mergers and acquisitions as a way for firms to strengthen and expand their market position and as well as a way to increase their intangible assets.

Uppsala internationalization theory is highly utilized due to its simplicity and applicability (Lynn & Jin, 2014) and offshoring strategy starts similarly in nearby countries and then expand a business.

2.2.4 The cultural aspect of offshoring

Hofstede is the first one to devise cultural difference dimensions and show that how a national culture of one country is different from another. Hofstede et al., (2010) mention the cultural distance varies dramatically when it comes to working practices and methods. He defines it as the differences between societies or countries when it comes to how individuals perceive values, behaviors, and norms. Dibbern, Winkler and Heinzl (2008) also focused their study on cultural differences and their management in relation to offshoring operations of multinational organizations.

According to Hofstede (1983) national and regional differences will always be there and considered one of the main issues for organizational science. These differences are one of the most crucial problems for management of multinational companies.

According to Hofstede (1983), nationality is important to management for three reasons: the first reason is political, nations are political units, with their roots in history, forms of government, legal, and educational systems. Hofstede (1983) explains second reason that it is sociological, nationality or regionality has a symbolic value for citizens, people derive their identity from it and the third reason is psychological, our thinking is partially conditioned by national cultural factors. Hofstede (1983) argues that, as organizing is not making or moving of tangible objects but manipulating norms and symbols which have meaning to people who are managed, so organizing and management are dependent on cultural. He also argues that practice is always better than theory, it can be observed that effective organizations have adapted foreign management ideas to local cultural conditions.

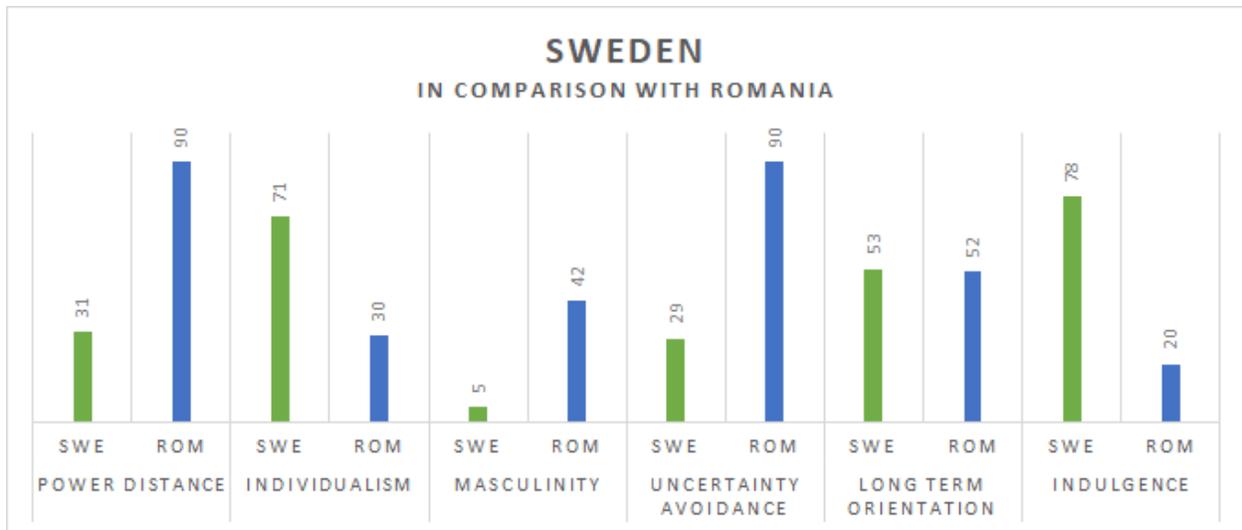


Figure 2: Culture distance: Sweden vs Romania (Hofstede et al., 2010)

Fig 2 is derived from the book (Hofstede et al., 2010) and Sweden with a long Romania is depicted with their respective score on each cultural difference dimension.

Hofstede (1983) describes that in organizations, the definite dimensions of culture are Power Distance and Uncertainty Avoidance, whereas organizational structure is device to distribute power and try to avoid uncertainty, to make things predictable.

2.3 Advantages of offshoring

Although the concept of offshoring has been somewhat still under-development stage, many potential benefits of offshoring have been identified in the literature. At the firm level, researchers have found that factors such as product diversity (Ono and Stango, 2005), prior experience in offshoring and outsourcing (Maskell et al., 2007) and financial leverage (Loh and Venkatraman, 1992) are positively associated to offshoring and outsourcing. Those most often discussed are improved financial performance (attributable, in part, to almost immediate cost improvements) and various nonfinancial performance effects, such as a heightened focus on core competencies. These and other proposed advantages of offshoring are discussed below.

2.3.1 Cost savings

Offshoring is seen as an effective strategy for reducing cost and improving competitiveness (Pyndt & Pederson, 2006, p13). Cost advantages play the key role for offshoring firms compared to vertically integrated firms (Bettis, Bradley, & Hamel, 1992). Offshoring can result in substantial gains for both the offshoring company and the host country. Offshoring is essentially a shift in production in response to comparative advantage. Companies that offshore can reduce costs, thereby enhancing their competitiveness and enabling a shift to more productive and higher value activities (Pyndt & Pederson, 2006, p13).

The production process is one of the most expensive parts of any business cycle, Bettis et al., (1992) believes that by adopting offshoring this cost can be reduced hence lowering the overall investment in plant and equipment. He stated that this overall reduction in cost translates into shorter breakeven times and immediate financial boosts, hence validating the decision of offshoring.

2.3.2 Increased quality and competency

Many authors have considered, another advantage which is often associated with offshoring is the increased capacity of the organization to focus more on its core activities (Dess, Rasheed, McLaughlin, & Priem, 1995; Venkatraman, 2004). By focusing on more important activities and offshoring or outsourcing standard tasks, organizations have been able to not only decrease overall cost but also to increase the quality of their core products. Prahalad & Hamel (1990) expressed their views that in management sciences, identifying and developing the core capabilities of an organization has become a hot topic and a shift can be observed that businesses are becoming more of competence based instead of market-based.

Harrigan (1985) expressed that in contrast to firms pursuing offshoring or outsourcing companies which focus more on local production, may end up being rigid and non-flexible in terms of organizational development. This is also supported by other authors like Dess et al., (1995) and D'Aveni & Ravenscraft, (1994), they considered offshoring and outsourcing firms to be more vigilant, innovative, and quick to adapt to changes in the environment.

2.4 Disadvantages of offshoring

Determinants such as high degree of asset specificity and transaction frequency (Murray and Kotabe, 1999) are negatively related. Although widely examined, the findings for these factors were either inconclusive or contradictory.

Besides being heavily associated with benefit cost saving, on the review of literature there are few disadvantages of offshoring as well, some of them are presented below.

2.4.1 Loss of market performance

Although there are many potential advantages of offshoring some authors like Bettis et al., (1992) and Kotabe (1992) have considered offshoring and outsourcing a threat too. They considered that by relying heavily on offshoring or outsourcing firms may lose their market performance. Teece (1987) considered the decline in innovation as a result of offshoring, especially when research and development departments are offshored to attain benefits of lower costs and lenient laws. Kotabe (1992) also agrees with Teece (1987) and says that organizations often lose their touch with updated knowledge and skills due to long-term reliance on offshoring and outsourcing.

In addition, due to lenient laws and regulation which organizations often tries to take advantage of when offshoring their R&D can also have the reverse effect and there is always a risk of losing knowledge and product being copied in the host country (Bettis et al., 1992).

2.4.2 Increased costs

Critics have expressed many concerns associated with offshoring as well. The most advocated advantage of offshoring which is cost saving, in the views of Levy (2005) might not be as probable as it seems. He explains that transaction cost associated with regular overseas transactions can accumulate to significant amounts which were never present before, he also expresses his concerns that cost saving is only possible if dollar stays strong and foreign wages remains relatively low.

Bettis et al., (1992) has also similar views about offshoring and assume that firms are often trapped in offshoring spiral. They explain that offshoring requires re-allocation of overheads for products and services which stay in home country, degrading their relative financial performance and forcing the way for further offshoring. According to Levy (2005) there are many other costs that may arise in result of offshoring. He explains that these costs may rise due to longer lead times as a result of spatial dispersions, larger inventories, communication and coordination difficulties, lower demand fulfilments, unexpected transportations, and expediting costs.

2.5 Theoretical conceptual framework

After the review of previous literature on topic of offshoring and its different segments which are in focus of this study, authors have derived the following table. Table 1 illustrates the core phenomena related to offshoring which are under research in this study, different related theories presented by different authors, and respected authors who presented these theories.

Theoretical Concepts	Theories	Theoretical Link
Outsourcing and Offshoring	Definition; Perception of differentiation between outsourcing and offshoring	Kakabadse et.al, (2002); Sako (2005) Venkataraman (2004); McCarthy & Anagnostou (2004); Rothery & Roberson (1996)
Motives and Challenges	Cost efficiency; Quality and competencies; Equity or non-equity; Cultural aspects	Pyndt & Pederson (2006); Dunning (1998); Burger (2007); Hofstede et.al, (2010)
Advantages	Cost saving; Increased quality and competencies	Bettis et.al, (1992); Dess et.al, (1995); D'Aveni & Racenscraft (1994)
Disadvantages	Increased cost; Loss of market performance	Teece (1987); Kotabe (1992); Lewis (2005); Bettis et.al, (1992)

Table 1: Theoretical overview (Own)

2.6 Theoretical framework

Wilson (2010) mentions the importance of having set a framework to ensure the study is guided properly and has the backbone structure in place to achieve the goals that the study intends to find in the first place.

On the review of previous literature on the topic and on the basis of theoretical overview authors have derived a theoretical framework (fig. #3) to further facilitate the study. The entire theoretical framework on which the whole study is based can be observed below.

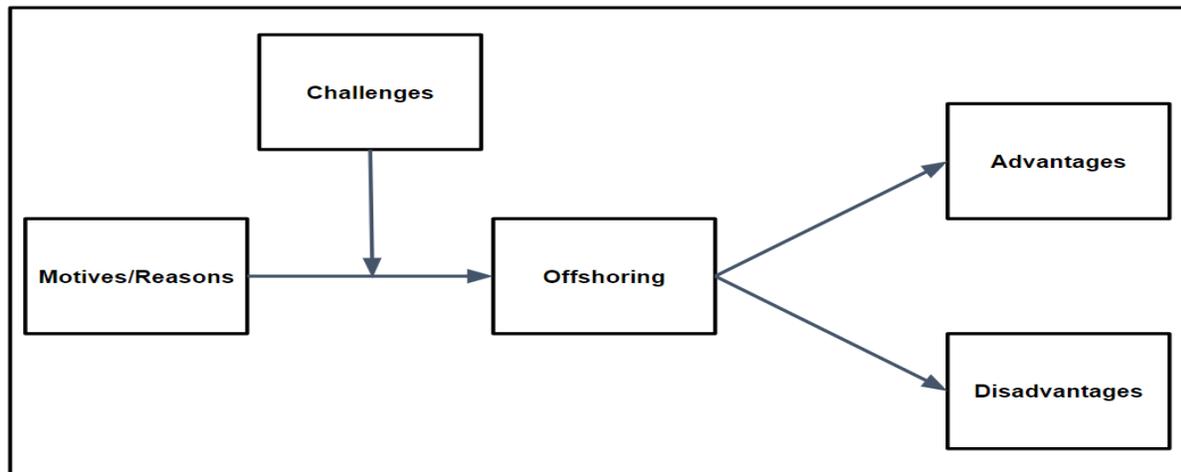


Figure 3: Theoretical framework. (own)

In the theoretical framework, authors have illustrated the flow of the study. Fig 3, explains the process of offshoring which starts with an organization having different motives. According to Ramingwong & Ramingwong (2009) cost cutting, management flexibility and access to high-quality professional skills are key motives why global companies pursue offshoring. Dunning (1998) detected four archetypical motivations which drive companies for offshoring strategies. While implementing the offshoring strategy organizations often face different challenges which could range from financial structure to search for a place with the required level of skillful labor. Burger (2007) also expressed similar views that quality of offshore labor is often lower than home country, but his concerns are more focused on a finding of those equally skillful labor due to the remote location of another country.

In the end, the framework also illustrates the advantages and disadvantages associated with offshoring. Offshoring is seen as an effective strategy for reducing cost and improving competitiveness (Pyndt & Pederson, 2006, p 13). At the firm level, researchers have found that factors such as product diversity (Ono and Stango, 2005), prior experience in offshoring and outsourcing (Maskell et al.,2007) and financial leverage (Loh and Venkatraman, 1992) are positively associated to offshoring. Cost advantages play the key role for offshoring firms compared to vertically integrated firms (Bettis, Bradley, & Hamel, 1992). In contrast, Teece (1987) considered the decline in innovation as a result of offshoring, especially when research and development departments are offshored to attain benefits of lower costs and lenient laws. According to Levy (2005) there are many other costs that may arise in result of offshoring. These costs may rise due to longer lead times because of larger inventories, communication and coordination difficulties, lower demand fulfilments, unexpected transportations, and expediting costs Levy (2005).

3. Methodology

This chapter provides an overview of the research methodology adopted in the study. Based on the aim of the study, research method is chosen and explained in this section.

3.1 Research approach

Yin (2003), underlines the importance of having a good research methodology to connect the literature, research questions and findings to guide the study and conclude a result. To achieve the goal of the study it is important to have set framework to guide and structure the study (Wilson, 2001). A research approach is a perspective defined by the scholars who are trying to examine a phenomenon, develop insights and report those insights to others (Potter,1996). Wilson (2001), further simplified research approach as a composed set of assumptions which defines the process to achieve a result.

According to Alvesson and Sköldbberg (1994, p 41), while conducting research three types of approaches can be considered: inductive, deductive or abductive. Bryman & Bell (2007) further explains that inductive research approach is applied to qualitative research methods and deductive approach is precisely for the quantitative research methods. The inductive approach uses theory to explain the reality and collects separate observations to understand the general truth. In contrast, deductive approach springs from a general rule of science which is projected at the scientific field of research (Alvesson and Sköldbberg,1994, p 41).

Due to the nature of management sciences and topic on hand, we have chosen an inductive research approach. Initially, this study discusses the theories to explain the established reality on the topic of offshoring and selected segments than afterward by data collection and its analysis we have further presented our general findings.

3.1.1 Quantitative and qualitative approach

Yin (2003) suggest the quantitative and qualitative approach are the two main approaches to conduct research. According to Saunders, Lewis, and Thornhill, (2009), a qualitative method is built on the words and visual pictures, whereas quantitative research uses a limited amount of

information from a high number of respondents to provide a statistical analysis (Strauss & Corbin, 1990).

According to Strauss & Corbin (1990), the quantitative approach uses more generalized concepts and make use of processed results of figures that have come up in the investigation while the qualitative approach makes a description out of the situation without basing it on generalizations. both qualitative and quantitative methods have a role to play in theorizing. The issue is not whether to use one form or another but rather how these might work together to foster the development of theory.

While keeping in mind the study objective, we have chosen a qualitative approach for this study. It is our understanding that for the selected research topic, the qualitative approach will give us deeper perspective and important findings. Although a quantitative approach might have also produced similar or even better results considering the amount of time available to collect data, the decision was taken to focus on the qualitative aspect of this particular study.

3.2 Data collection

For the purpose of data collection, Yin (2003) states that there are six available forms for collecting qualitative data. The six sources of evidence that can comprise a case study include documentation, interviews, archival records, physical artifact, direct observations and participant observation.

Yin (2003) advises using as many sources of evidence to form a good case study. Sekaran (2000) claims that data collection methods include interviews, face to face interviews, telephone interviews and through electronic media; questionnaires and observation. The collected data can further be grouped into primary or secondary data (Sekaran 2000). When collecting primary data, the researcher has a specific purpose to carry it out and specific respondents' opinions on specific issues are sought, whereas secondary data include, company records, government publications, academic journals, industry analysis offered by the media, websites, and the internet (Sekaran 2000).

3.2.1 Primary data

Interviews as a collection method are one of the most significant sources of obtaining case study information (Yin, 2003). Sekaran (2000) elaborates interviews can be unstructured or structured. When the interviewer conducts the interview without a planned sequence of questions that will be asked to the respondent, it would be an unstructured interview, on the other hand structured interviews are conducted when it is known at the outset what information is needed. The interviewer has a predetermined question to be posed to the respondents. Through this process, new factors might be identified, and deeper understanding of the topic gained where after a sufficient number of structured interviews carried out, the data is analyzed. This helps the researcher to find answers to the research question (Sekaran, 2000).

To conduct interviews for primary data collection, Sekaran (2000) convoluted, interviews can even be conducted online through the medium of a computer apart from personal or telephonic interviews. According to Frey and Oishi (1995), the advantages of telephonic structured interviews are its cost efficiency and speed of data collection. Sekaran (2000) also highlighted the ease of gathering data across the country or even internationally through telephonic structured interviews. As it was decided to have a qualitative method, so the most appropriate way for data collection for this study was considered to be conducting interviews. Another, edge authors had during data collection was that one of the authors was a recent employee of the company and had a chance to collect data through direct observation and participant observations. For the sake of this study authors started with interviews. These interviews were directed to address the main issues identified under the aim of this study, depicting the way of a structured interview, but at the same time in the last section of the interview, the open opinion of respondent was inquired regarding any issue they deemed important to consider on discussed topic.

Data collection was done using primary data with semi-structured interviews and open-ended questions with long direct observations. Due to the constraint of time and resources, the medium of contacting or conducting initial interviews was selected to be an email interview, after the first responses of respondents few of them were selected for follow up interviews and this time face to face interviews was conducted which were voice recorded and later reviewed for further analysis. It is also important to mention here that a final short group interview was also conducted after all

the initial and follow up were done. In this final group interview, most of the respondents of initial interviews were present.

Yin (2003), emphasizes to be well prepared while collecting data to make the research a success. Authors were well aware of this and heightened importance was given to the data collection process. Over a period of two weeks, all the personnel of M&F Associates was contacted with the first preference being email response and when required a follow-up face to face interviews were also conducted. For this study, documentation and interviews formed the main sources of evidence.

3.2.2 Secondary data

Secondary data is in contrast, collected mostly from peer reviewed scientific journals, books, academic reports and any other sources relevant to the topic. Using secondary data could create issues given information available not up to date and relevant to the issue (Chisnall,1997). However, major part of the data collection was conducted from primary sources, namely semi structured interviews and questionnaires.

3.2.3 Interviews

The main aim for the primary data for the interviews was to collect data from different management personnel of M & F Associates within relative experience of offshoring strategy. When conducting our interviews, respondents included the personnel involved or those who had been active in enabling the offshoring process and handling the customer service operations.

The conducted interviews were semi-structured by the authors but allowed interviewees to add more insight and information if needed. The interview guide was pre-tested with Two personnel of M&F Associates for feedback. A few questions were rephrased and redesigned as per the feedback before it was forwarded to the other respondents. The choice of the respondents was based on the managerial post, experience, and knowledge of the personnel. After the certain unique issues were highlighted by one of respondent, the authors decided to interview some of the less

experienced people in organization as well, but due to their lack of knowledge on topic and regarding company operations itself, it didn't prove to be fruitful.

As the study is being part of an international master program and main language is English, so the English language was used throughout the interviews and online questionnaire. All of the respondent had high level of education and used English language on daily basis even when communicating with their offshoring partners. So, there was little to no language barrier or misunderstanding due to English language. The interviews were a combination of face-to-face and online questionnaire. These are considered relevant because of the advantages they provide. Wilson (2001) mentions the advantages of verbal communication include better engagement, recording the conversation for future visits and flexibility of questionnaires to be asked based on responses. The disadvantages with verbal interviews could arise in case researcher was a team member, but that was not the case with the respondents. The manner of the interviews was semi-structured and conversational, and the beginning included a brief introduction and a background of the study. Due to time constraint for the interview respondent, often interviews had to be conducted in written. This is categorized as a hybrid approach by Wilson, (2001).

Based on the information provided, the interviews lasted between thirty minutes and one hour. The audio from the interviews was recorded and transcribed immediately afterwards. Wilson's (2001) process for qualitative interviews includes: transcribing data, reading and generating categories or themes, interpreting the findings and writing the report and the study has tried to follow that theme with the interviews.

3.2.4 Interview questions

Zikmund (2003) defined questionnaire approach is the most effective research tool. It is used as one of the effective tool for research not only because of simplicity and cost effectiveness but also it reduces the disturbance and variation in data from "interviewer bias" that occurs during interview process. As the primary purpose for researchers to obtain meaningful data, anonymous characteristics of the questionnaire enables the respondents to provide solid insights (Zikmund, 2003).

In this study, we used interview questionnaires keeping an eye on the research aim and research questions. Interview questions were derived in the light of reviewed literature from chapter 2 and formulated in a way that respondents could be encouraged to respond as much detailed and freely as they will. Simple and plain language was used so that respondents can understand all the questions easily. Total of 11 respondents were interviewed through questionnaire with ample time to response. Within two weeks, we were able to get all the responses. The respondents were also willing to answer any follow up questions if required.

Initial interviews which are main source of data for this study were divided into two sections A and B. Section A illustrates the demographics of respondents (table 3) and Section B catered towards more research purpose. Section B of interview was further divided into 3 parts. Part 1 had 6 questions and addressed the issues of motives for offshoring and challenges faced during implementation of offshoring strategy. Part 2 had 4 questions and addressed the issues of advantages and disadvantages of offshoring. Part 3 had 2 questions and gave the respondents another opportunity to express their views on offshoring and company's future strategy regarding it. Table 2 presents the overview of all the questions from section B of interview which were given to the respondents with along the theoretical link on which questions are based on.

Theoretical Concept	Questions	Theoretical Link
Operations in Romania	1. What do you think of M & F Associates' operation in Romania?	Kakabadse et.al, (2002); Sako (2005); Venkataraman (2004)
	2. How much of M & F Associates' business operations are handled in Romania?	
Motives and Challenges	3. What are motives of M & F Associates' for offshoring to Romania? List at least three.	Pyndt & Pederson (2006); Dunning (1998); Burger (2007); Hofstede et.al, (2010)
	4. In your opinion please explain the most important reason?	
	5. What are the challenges of implementing offshoring? List at least three.	

	6. In your opinion please explain the most important challenges?	
Advantages and Disadvantages	1. What are the benefits/advantages of offshoring? List at least three.	Bettis et.al, (1992); Dess et.al, (1995); D'Aveni & Ravenscraft (1994); Teece (1987); Kotabe (1992)
	2. In your opinion please explain the most important benefit/advantage?	
	3. What are the disadvantages of offshoring? List at least three	
	4. In your opinion please explain the biggest disadvantage?	
Remarks	1. In your opinion what is the future of M & F Associates' offshoring strategy?	
	2. Do you want to add anything else important regarding offshoring?	

Table 2: Overview of the interview questions (own)

3.3 Information about the respondents

We kept the company and respondents' name anonymous as per request which allowed us to obtain as much as possible valid and honest opinions from respondents. However, the respondents agreed to share other information such as: their experience in the company and designations.

Initial interviews which are main source of data for this study were divided into two sections A and B. Section A illustrates the demographics of respondents which can be observed in following table 3.

Name	Position	Duties/responsibilities	Yrs
Mike Scott	Consultant Manager	Group head and creating reports with ongoing contact with customers and Romanian counterparts	8
David Wright	Dept Manager	Department Head	20
Umea Jhonson	Project Manager	Implementation of new projects	10
Natasha Beig	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	6

Erika Starcevic	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	5.5
Tino Pedersen	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	8
Patrik Orchinikov	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	1
Michael Scofield	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	6
Katrina	Consultant Manager	Group head and creating reports with ongoing contact with customers and Romanian counterparts	10
Teara Bai	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	6
Jennifer Anniston	Accountant	Creating report with ongoing contact with customers and Romanian counterparts	1

Table 3: Introduction of the respondents (Own)

3.4 Analysis approach

According to Yin (2003), analysis of data involves examining, categorizing, or recombining the of data collected. Every investigation is supposed to have a general analytical approach in order to determine what to analyze and why. According to Yin (2003) researchers can either follow the theoretical propositions that lead to the case study or develop a descriptive framework to organize the study.

In this study when analyzing the data collected from interviews the intention was to find answers connecting to the main research objectives and stated research questions of this study. As this is a single case study so the comparison has been conducted between different theories in the light of derived theoretical framework.

3.5 Ethical issue

Diener and Crandall (1978) outlined three reasons concerning ethical issues regarding research process:

- Malpractice of information,

- Dishonesty and
- Lack of informed consent

While conducting research study, these aspects were highly emphasized. Authors made a valid effort to properly reference data and as well as cited in the reference section. Issue of anonymity was discussed with company management before conducting interviews and at that time company was not sure about this issue which is aligned with (Diener and Crandall,1978). During the course of interviews, it was requested by the company management that it would like to keep the company name anonymous so that respondents can answers with full freedom and without any pressure. After this decision authors contacted all previous respondents and included same question in further interviews regarding their choice of name to be anonymous or not. Some of the respondents requested their names to be anonymous. Authors in the end decided to keep not only company name but as well as names of all respondents anonymous.

3.6 Validity and reliability

The validity refers to how the research has been conducted within the outlined measures. A measure might have high reliability, i.e. show the same result numerous times which does not prove the actual measurement what was intended (Yin,1994). Chisnall (1997) also explains validity as the way a specific research method measures what it is intended to measure.

To ensure the validity of our study we formulated to the questions of interview guide with the help of available literature. As a further step, we counter checked the appropriateness of the questions through some peer group of students involved in other research studies as well as through our research supervisor. We constructed the questions aligned with our theoretical framework to obtain some meaningful insights. Each respondent was given ample time for the response to the interview and questionnaire. Furthermore, to increase the validity it was made sure not to ask leading questions or to comment on the answers from the respondents.

According to Yin (1994), reliability refers to how reliable the research method is to collect data and is a requirement for a research study to gain acceptance. Wilson (2010) informs that reliability issues could occur in such cases as the interviewer could have preconceived opinions that could falsely steer the outcome of the interview, giving it a biased output. Yin (2009) informs that it is

important to be careful to not let the reliability of the study be affected due to it. To answer, the basis of this interview and research had an exploratory nature to it and great effort has been made to ensure data collected from the different sources have been transparent and without any biases. Reliability is concerned with whether alternatives researchers would reveal similar information conducting a similar study (Saunders, Lewis and Thornhill,2003). According to Sekaran (2000), the reliability is a measure indicates the extent to which the measure is without biased and hence offers, consistent measurement and across time. Yin (2003) indicates it is important to remember that reliability is not measured rather it is estimated. Reliability usually estimated in two ways: test/retest and internal consistency (Sekaran, 2000). Sekaran (2000), explains that the reliability coefficient with the repetition of the same measure on a second occasion is called test-retest reliability.

To make this study reliable, we have used theories to provide a brief overview of the research problem, develop a research question and design the interview and questionnaire. Authors were not biased while reporting and analyzing the data collected from the study. However, no information is absolute when evaluating and analyzing issues of this sort. Respondents from different positions of the company with relative experience in offshoring provided the information. All responses are considered to be as an interpretation of the issue rather than hard facts. Continuous quality checks have been carried out at every stage of the research to make sure the research is continued in the proposed way presented. These checks included proofreading and feedback from research supervisor.

4. Empirical findings

This chapter presents the data and the information collected through interview and questionnaire from personnel from the company. Data is presented in the same manner aligned with the aim and research questions.

4.1 Company M&F Associates

For the sake of this study authors have adopted a qualitative approach and used M&F Associates as a case study. M&F Associates is a new company, established in 2016 due to sale of the BPO Division of Visma to HgCapital a UK private equity firm. It is operating in the Nordic market for several decades and the leading provider of technology and services within accounting, payroll, HR, staffing and advisory (M&F Associates, 2018). M&F Associates have more than 80 offices and above 20,000 customers and close to 3000 employees with the revenue of 2 billion NOK in 2016 (M&F Associates,2018). M&F Associates mission is to simplify and support businesses in their growth, tailor technology to turn data into insights and develop tools and provide advice to help reduce costs and improve competitiveness. This study focuses on their Swedish operations which have strong collaboration with their Romanian offshoring counterparts.

Initially, interview questions which were the main source of data for this study, were divided into two sections A and B. Section A illustrates the demographics of respondents which are depicted in the previous chapter. Section B of the interview was further divided into 3 parts. Part 1 had 6 questions and address the issues of motives for offshoring and challenges faced during implementation of offshoring strategy. Part 2 had 4 questions and addresses the issues of advantages and disadvantages of offshoring. Part 3 had 2 questions and gives the respondent another opportunity to express his/her views on offshoring and company future strategy regarding it.

4.2 Operations in Romania and percentage

First two questions in section B required the respondents to name company's strategy of having operations in Romania and also to give a percentage of how much of operations are handled there. All answers are illustrated in table 4. Respondents with vast experience in the industry like Mike, David, Umea, Natasha, Michael, and Katrina mentioned Nearshoring. Regarding the percentage

of how much of operations are handled there, it was a divided opinion. When it comes down to the exact percentage Mike, David, Umea and Katrina stated 26%, Teara and Jennifer considered it less than 50%, whereas Natasha and Erika considered it more than 50% but less than 70% and rest of them didn't have any number and considered as dependent upon customer to customer or department to department.

Phenomenon	Answers/Findings	Respondents
Strategy	No Remarks	Tino, Patrik
	Nearshoring	Mike, David, Umea, Natasha, Erika, Michael
Percentage of Operations	26%	Mike, David, Umea, Michael, Katrina
	<50%	Tina, Jennifer
	>50%	Natasha, Erika
	Don't Know	Tino, Patrik

Table 4: Operations in Romania.

4.3 Motives of offshoring

This part of interview had 4 questions, first two questions required respondents first to list at least three motives for company's offshoring strategy and then explain the most important reason or motive.

Most common and first motive in all of the responses was found to be 'cost efficiency'.

Respondents also named other motives for offshoring as well among which were, 'development of consultants and services in home country', 'customer relations'.

David explained 'development of consultants and services in home country' as,

"Gives a headroom to develop our consultants in the Nordics. Thus taking steps toward being an advisor to clients."

Umea's response was as follows,

"SE consultants needs to shift focus from std deliveries to more advanced advisory services and can't do all basic services by them self."

Customer relations is another reason expressed by different respondents, Umea explained it as,

“SE consultants needs to work closer to client’s. We need to know the client's needs “before” they do it and then we need to spend more time on client work and be proactive.”

Some respondents also explained a different motive like, Mike explained

“more secure for us that a big part of the processes is handled there since it makes it less vulnerable for us if employees leave”.

Umea explained it as,

“Back up problem has been “exported” to Romania. They are in a better position to obtain well trained staff.”

David explained it as contingency plan,

“Contingency – in order to have constant back-up service which is felt to be easier from AIR”.

When asked to further elaborate this motive, respondents explained that offshoring to Romania give them access to extra resources and incase someone get sick or leave here in Sweden, they always have someone to help out their share of work. On the basis of above mentioned motives from respondents we refer this reason here as contingency plan, in which in simple terms can be considered as access to more labour resources.

Phenomenon	Answers/Findings	Respondents
Motives of Offshoring	Cost efficiency	Mike, David, Umea, Natasha, Erika, Tino, Patrik, Michael, Katrina, Teara
	Development of consultants and services in home country	Mike, David, Umea, Natasha, Erika, Tino, Janifer
	Contingency plan	Mike, David, Michael, Katrina, Jannifer
	Customer relations	David, Umea, Natasha, Erika, Tino, Michael

Table 5: Motives of offshoring.

In response to question to explain what reason respondents think is most important, opinion was quite opposite. Some respondents still name cost efficiency as most important whereas others considered customer relations as most regarded reason.

Phenomenon	Answers/Findings	Respondents
------------	------------------	-------------

Most important motives	Cost efficiency	Mike, Patrik, Michael, Katrina, Teara
	Development of consultants and services in home country	David, Natasha, Jennifer
	Customer relations	David, Umea, Natasha, Erika, Tino

Table 6: Most important motive for offshoring.

4.4 Challenges of offshoring

In section B interview, last two questions were directed towards the challenges that company faces while implementing offshoring strategy. First, respondents were asked to list at least three challenges for offshoring. Regarding this matter opinion seems to be mixed depending on their previous experience, but language, competency and defining process/setting up routines were most common challenges provided by different respondents. According to Michael culture, language and communication with clients are most challenging whereas other respondents had some different choices. Umea related it to communication in different ways as follows,

“A. Communication – Internal, why are we doing this? How will it be done, when etc. Will it affect and how on daily basis and will “I lose my job” etc.

B. Communication to colleagues in RO

C. Communication to existing clients”

David had following response,

“A. Knowledge. How do you go about doing it. M & F is fortunate to have implemented a good infrastructure and have one person dedicated to facilitate the process.

B. Time. Sometimes our consultants are too busy in order to list items to be transferred to Romania. Clients have to be prioritized.

C. Capacity in Romania. Lead time for transferring work is some 6-8 weeks and transfer have to be monitored in order to oversee maintained quality.”

Mike linked it to mapping of process in following words,

“Explaining and mapping the processes, setting up necessary routines to match deadlines, communicating with colleagues, explaining Swedish accounting regulations.”

Phenomenon	Answers/Findings	Respondents
Challenges in implementation	General communication/language barrier	Mike, Umea, Natasha, Erika, Tino, Michael, Katrina, Jennifer, Teara
	Cultural differences	Natasha, Erika, Tino, Michael, Katrina
	Competency/Knowledge/Quality	Mike, David, Erika, Patrik, Katrina, Jennifer, Teara
	Mapping process/setting routine deadline/Time management	Mike, David, Umea, Tino, Jennifer, Teara
	Capacity in offshoring location	David, Erika
	Communication to clients	Umea, Natasha, Michael

Table 7: Challenges in implementation.

In response to express their opinion on most important challenge, opinion seems to be divided again but with most votes for ‘Competency/Knowledge/Quality’, as David explains, “Maintaining quality is biggest challenge right now. It is not uncommon that our Nordic consultants need to double check that all is ok. This is costly since it is, at least partly, a double work. This hampers client GP and is discouraging for the consultants”.

When asked to further elaborate ‘client GP’, it was explained as company’s profit from each client, which is reduced if a double effort is done to do same task by both Romanian and Swedish consultants.

Phenomenon	Answers/Findings	Respondents
Most important challenge	General communication / language barrier	Erika, Jennifer
	Competency / Knowledge / Quality	David, Natasha, Erika, Patrik, Katrina, Teara

	Mapping process / Setting routine deadlines / Time management	Mike, Umea, Tino
	Communication to clients	Natasha, Michael

Table 8: Most important challenge.

4.5 Advantages of offshoring

In part B of interview section B, first two questions addressed the advantages associated with offshoring. First respondents were asked to list at least three advantages associated with offshoring and then explain the one which they deemed most important.

While explaining the advantages of offshoring respondents had different opinions but with common advantages like better GP and less need for backup are common.

Phenomenon	Answers/Findings	Respondents
Advantages of offshoring	Better margin	Mike, David, Erika, Michael, Katrina, Jennifer, Teara
	Development of consultants and services in home country	Mike, David, Umea, Natasha, Erika, Michael, Katrina
	Contingency plan	Mike, David, Umea
	Customer realtions	David, Michael, Katrina
	Fast trach work	Natasha
	Capacity building in home country	Erika

Table 9: Advantages of offshoring.

In response to most important advantage in the opinion of respondents, here a common understanding seems to prevailing, most of the respondents including, Mike, David, Umea, Erika gave their opinion as ‘Development of consultants and services in home country’ to be most important. Mike explained it as,

“We can spend less time on “basic” tasks and focus on work giving more value for the customer which are also more developing for us. This mindset is long term thinking and necessary in order

for us to compete with other companies on the market looking at the prices we have and the type of services we offer”.

David also linked it with customer relations and said,

“Future accounting firms must transfer in order to survive. It is for certain that in the future automation, standardization and packing of services will drive down price, thus new ways of working have to be found. In the process of lifting work from the Nordics to AIR will give current staff opportunity to grow in area of controlling and building customer relations”.

Phenomenon	Answers/Findings	Respondents
Most important advantage	Development of consultants and services in home country	Mike, David, Umea, Erika
	Customer relations	David Michael
	Fast track work	Natasha
	Capacity building in home country	Erika
	Increased margin	Katrina, Jennigerm Teara

Table 10: Most important advantage.

4.6 Disadvantages of offshoring

In part B of interview section B, last two questions addressed the disadvantages associated with offshoring. First respondents were asked to list at least three disadvantages associated with offshoring and then explain the one which they deemed most important.

While explaining the disadvantages of offshoring respondents had expressed many different disadvantages mainly depending upon their area of work and previous experiences. But two most common attributes which were illustrated were the loss of knowledge and losing the control of overall process. Another most common disadvantage is defined as need for extensive coordination/communication with offshoring partners and related delays in efficiency improvements or project managements. David explained it as follows,

“A. We have less control. We do not know when and how items are posted exactly

B. There are a lot more people involved which need to be coordinated.

C. With more people involved it is more difficult to steer a project and make efficiency improvements.”

Umea related it with loss of knowledge in following way,

“If we transfer all tasks regarding a certain process – we can lose our knowledge in SE and then it can be hard for us to continue the training of RO consultants.”

Natasha, related the process of offshoring with job security/satisfaction and further added,

“One of the disadvantages is when colleagues in Sweden feels as if they are taking away their job from them when they offshore overseas, and that the Swedish consultant might feel as if they do not add any value to the company as their job have moved overseas”.

Phenomenon	Answers/Findings	Respondents
Disadvantages of offshoring	Offshoring of wrong process	Umea
	Poor quality due to lack of competency / knowledge	Mike, Michael
	Slower efficiency improvement due to involvement of more people	David,Erika
	Job security / Satisfaction	Natasha
	Weak control / Knowledge	David, Umea, Natasha, Erika, Katrina, Teara
	Time consuming to set up process and support	Mike, Michael
	Need for extensive coordination due to involvement of more people	David, Natasha, Erika, Jennifer, Teara

Table 11: Disadvantages of offshoring.

In response to most important disadvantage in the opinion of respondents, all respondents had different responses, ranging from offshoring of wrong processes to job security/satisfaction and extensive coordination. Mike explains the initial setup of offshoring process in following words, “Takes a lot of time to get everything up and running. In the beginning it’s extremely time consuming and the feeling of “it would be faster to just do it ourselves” regularly pops up”.

Umea explained her opinion in following words,

“Some processes are better than others when we talk about nearshoring. We need to find the correct way of working and spend focus on the correct tasks. This can be difficult sometimes”

David expressed his opinion regarding weak controls:

“Less control. We need to learn to validate bookkeeping which is partly new to a lot of our consultants”.

Phenomenon	Answers/Findings	Respondents
Most important disadvantages of offshoring	Offshoring of wrong process	Umea
	Job security / satisfaction	Natasha
	Weak control / Knowledge	David, Erika, Katrina, Teara
	Time consuming to set up process and support	Mike, Michael
	Need for extensive coordination due to involvement of more people	Natasha

Table 12: Most important disadvantage of offshoring.

4.7 Other important issues

In last part of interview section B, respondents were asked to express their opinion on offshoring and future of company’s offshoring strategy. All respondents had common response that this is the way forward for company and referred to the development of automation and standardization of accounting services.

David referred to offshoring as:

“it is the only way forward.”

Umea explained it as,

1. Continue working on transfer more production tasks
2. See what tasks that can be automated”

Umea also considered it as normal market practice and explained,

“I think this is standard procedure in Sweden. We need to have our nearshoring site. Our client’s expects that we work like this.”

Natasha’s response to company’s goal of offshoring strategy was:

“The roles in Sweden should be changed and Swedish consultants should be given the opportunity to grow more within any area as desired. If this is not fixed there might be a problem for M & F Associates as the Swedish consultants might eventually get bored sooner or later.”

Regarding the future of offshoring Tino linked it with automation and had following comments:

“If the accounting business will achieve a fully automatic of the production of the accounts, then maybe the offshoring will be reduced or even be completely removed.”

4.8 Summary of findings

Theory	Findings
Strategy	Nearshoring
Percentage of offshoring	26 %
Motives of offshoring	Cost efficiency
	Development of consultants and services in home country
	Contingency plan
	Customer relations
Challenges in implementation	General communication / language barrier
	Cultural differences
	Competency / Knowledge / Quality
	Mapping process/setting routine deadline/Time management
	Capacity in offshoring location
	Communication to clients
Advantages of offshoring	Better margin
	Development of consultants and services in home country
	Contingency plan
	Customer relations
	Fast track work
	Capacity building in home country

Disadvantages of offshoring	Offshoring of wrong process
	Poor quality due to lack of competency / knowledge
	Slower efficiency improvement due to involvement of more people
	Job security / Satisfaction
	Weak control / Knowledge
	Time consuming to set up process and support
	Need for extensive coordination due to involvement of more people

Table 13. Summary of findings (Own)

As demonstrated in Table 13, the summary of all findings from the respondents. A total of 11 respondents were asked questions on motives, challenges, advantages and disadvantages of offshoring. Questions were divided under different theories related to the research and each section had several questions.

From the findings it shows, cost efficiency and development of consultants and services in home country are the motives for the company to choose offshoring. Findings of the study also suggest contingency plan seems to be a deciding factor as well whether to implement offshore strategy or not. Findings suggest ‘language barrier’, ‘cultural differences’, ‘competency’ and setting deadlines are some key challenges as well. Further, the study reveals the biggest advantages of offshoring are ‘better margins’, ‘development of consultant and services in home country’ and ‘contingency plan’. As far as disadvantages go, the study reveals weak control and knowledge could be regarded as a disadvantage.

5. Analysis

In this chapter the data presented in previous chapter is analyzed within each segment of topic by comparing it to the previous theories mentioned in the conceptual frame of reference. The analysis will follow in the same structure as the research questions and structure of previous chapters.

5.1 Operations in Romania

As Kakabadse and Kakabadse (2002) explained that in pursuance of competitiveness companies adopt different methods and now offshoring has become a important strategy to stay competitive. Same can be observed and confirmed by different respondents in table 4 that company under study has adopted the offshoring strategy and most precisely nearshoring strategy. Different opinions are depicted regarding the percentage of operations held in offshoring location. It can be seen in fig. 4 that respondents came up with different opinions including the precise percentage of 26% operations, other respondents considered it as more or less than 50%. Some respondents didn't answer with any number at all.

If these responses are cross-examined with demographics of respondents from table 2. reason for such responses can be observed. All respondents who came up with precise percentage of 26% are well experienced and acquire high managerial posts, so it is fair to consider that they have access to more information than rest of respondents. Other respondents might have considered condition of their own customers and how their affairs are handled, instead of the overall situation.

There is no doubt that company has adopted a clear-cut strategy of offshoring in an effort to enhance its performance which is in line with views of McIvor (2005) and Feeny et al., (2005). Amount of operations transferred to offshoring location can also be considered as 26% since it is the agreed opinion of most experienced respondents.

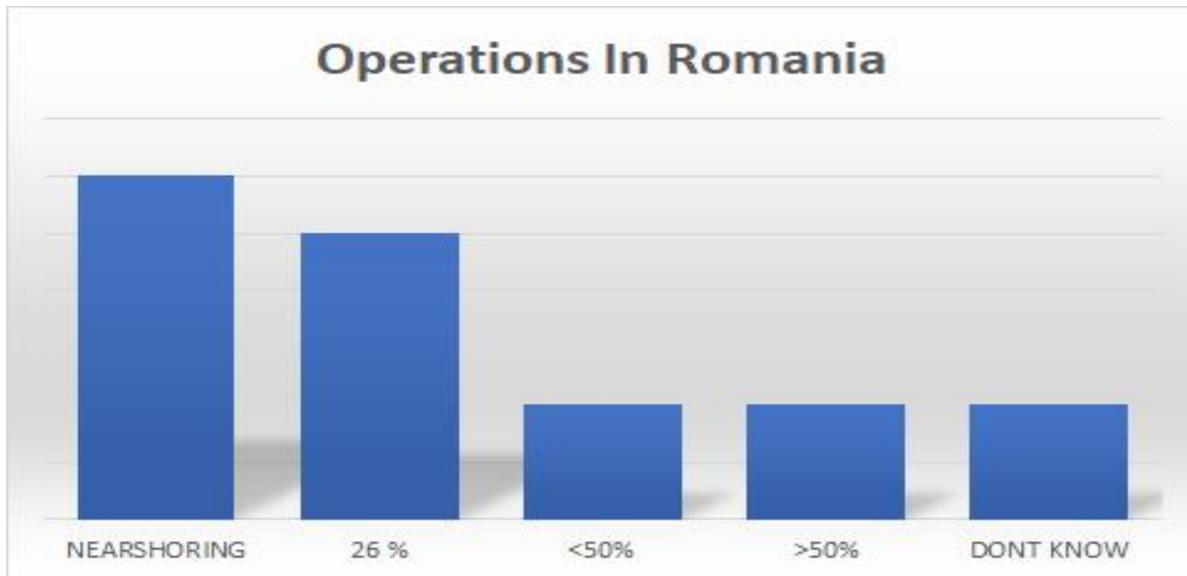


Figure 4: Operations in Romania in contrast with table 4.

5.2 Motives of offshoring

According to Ramingwong & Ramingwong (2009) cost cutting, management flexibility and access to high-quality professional skills are key motives why global companies pursue offshoring. When a question was asked what are the key motives of offshoring, most of the respondents shared similar thoughts. Most of respondent agreed ‘cost efficiency’ as the key reason of offshoring strategy. Other respondents mentioned ‘development of consultants and services in home country’ which is in other words, a way to expand the business. Some respondents also considered ‘contingency plan’ or access to skilled labor as motive for offshoring strategy. All these primary motives for why the company is adopting offshoring strategy, explained by different respondents are aligned with views of Pyndt & Pederson (2006) and Burger (2007).

Respondents also mentioned that offshoring strategy enhances companies’ ability for better ‘customer relationship’ which eventually translates into better returns. As a matter of fact, respondents gave importance to customer relations, it was repeatedly mentioned that consultants should focus more on customer skill and offshoring strategy enable them to educate and train better to serve customers. And further linked it to being in a developed country like Sweden, consultants should lead the industry to provide ultimate service to the customers. Respondents who emphasized on cost efficiency the most also further added the importance of providing the best

service with competitive pricing to retain customer which offshoring strategy allow them to achieve the goal in the long run.

Other opinions also featured throughout the interview including, contingency plan or back up plan. If we cross examine the demographic with responses it is evident that respondents with higher management positions gave importance of contingency plan to have a constant back plan and added saving money enables the company to apply offshoring strategy and thus stay competitive. Geographical proximity of Romania with benefits of lower transactional cost due to EU trade zone, is an attractive option for M & F Associates to offshore and expand the business. According to Uppsala model, firms start expanding to nearby countries (Lynn & Jin, 2014) and M & F Associates offshoring strategy replicates similar motives.

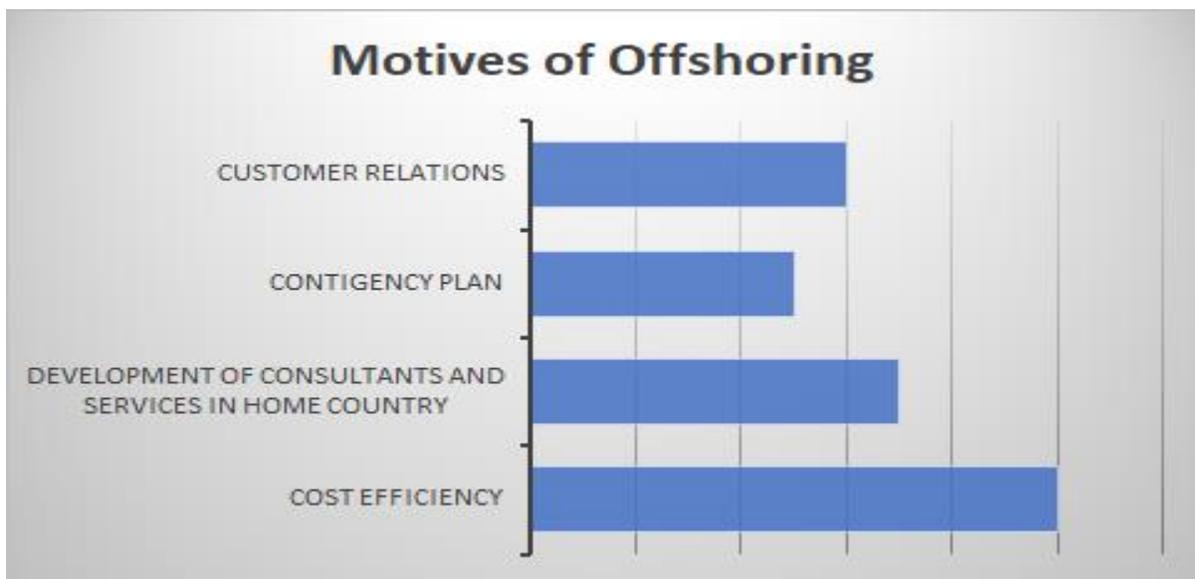


Figure 5: Motives of offshoring in contrast with table 5.

5.3 Challenges of offshoring

A relocation process is demanding in terms of organizational and financial resources and crossing geographical boundaries with the purpose of doing business involves extensive risks and demands on managerial competencies and challenges (Pyndt & Pederson, 2006, p 21). While asking questions on challenges of offshoring strategies many respondents shared similar views as well.

The language barrier, cultural differences, meeting deadlines, Time management, capacity of offshoring locations are few examples of responses that came out from the interviews.

When we analyze the results, it became evident that 'language barrier' came up as the number 1 contender. Respondents agreed on the language barrier is one of the key challenges while dealing with offshoring strategy. On the other hand, few of respondents believe that the 'capacity of offshoring location' is a challenge. Language barrier is quite understandable as Sweden's national and official language is Swedish, whereas national language of Romania is Romanian. English language is a medium of communication between Swedish and Romanian counterparts. Since all of the customers are from Sweden and all the services provided by company are also in Swedish language, so language barrier is quite depictable. Company tries to promote English as much as it can and has vision to adopt English as organizational language. This also strengthens the companies offshoring strategy. As English was the medium of interviews and during the interviews authors observed that Swedish consultants were not expert of English language either, they had fair understanding of language but sometimes struggled to explain their views. So, it can be considered that it's a problem for both offshoring location and as well as home country.

Respondents also agreed on 'cultural difference' as one of the leading challenge, especially when also linked with language barrier or general communication. It is also understandable as Hofstede (1983) explained that nations have different cultures and influences of national culture on organizational management are one of the most crucial problems for management of multinational companies.

The respondents also linked it with internal communication or communication with clients as well, they considered it could be troublesome especially if the client does not want service to be offshored. During the course of interviews, it was observed that all respondents hesitated to respond to topic of communicating offshoring strategy with clients. Internal communication/coordination seems to suffer especially when handling complaints occurred due to mistakes of Romanian counterparts. It seems like although people work for same company but due to geographical distance they don't bond well and frustration is evident in cases of mistakes and errors.

Second biggest challenge where respondents agreed was ‘competency/knowledge/quality’ of offshoring location. Due to which a constant need of double check that everything is ok by Swedish consultants seem to be a difficult and costly task for company. It is also in line with views of Frank (2005) who expressed concern regarding the quality of offshoring and outsourcing providers and believes that in-house quality is much better than any outsourcing or offshoring solution. It seems to be similar here as respondents showed concerns for quality of offshore services which often requires supervising and expensive training process. However, it’s necessary to have the process sorted out before expecting a better outcome.

Another challenge that can be observed in findings is the ‘mapping process/setting routine deadlines, / time management’. Respondents considered it a major challenge and cross examination with demographic of respondents shows that all those respondents had high managerial posts. They considered it frustrating for them and as well as clients when services are delayed due to this. Mapping the process and related time management issues seems to be a challenge while implementing offshore strategy.



Figure 6: Challenges of offshoring in contrast with table 7.

5.4 Advantages of offshoring

It is evident from the Figure 7 that the biggest advantages of offshoring are ‘better margins’ and ‘development of consultant and services in home country’ which is also in line with the views of Bettis et al., (1992) and Dess et al., (1995). Another, advantages that came up in findings are ‘customer relations’ and ‘contingency plan’ which were not discussed in literature before. The responders also believe that ‘customer relations’ and ‘contingency plan’ are key advantages for offshoring and as well as ‘better margin’ and ‘development of consultants and services in home country’ are also key advantages for offshoring strategies.

The trend seems to be similar with motives of offshoring strategy where two main motives for offshoring were ‘cost efficiency’ and ‘development of consultants and services in home country’. But the difference between these two have be narrowed down and even if we consider ‘capacity building in home country’ as ‘development of consultants and services in home country’ then main advantage of offshoring seems to be ‘development of consultants and services in home country’. ‘Contingency plan’ and ‘customer relations’ are also considered as advantages of offshoring, it seems to be new approach and a byproduct of offshoring strategy where companies seems to have more resources on less cost and can focus more on customer relations and retain a customer for long term.



Figure 7: Advantages of Offshoring in contrast with table 9.

5.5 Disadvantages of Offshoring

In response to the disadvantages associated with offshoring opinion of respondents seems to be dispersed. Figure 8 shows that respondents considered weak control and knowledge' as biggest disadvantage for offshoring strategy which is line with the views of Betiss et al., (1992).

Another big disadvantage of offshoring seems to be the 'need for extensive coordination due to involvement of more people' in the processes. This seems to be new but can also be associated with views of Lewis (2005) who argues that there might be many other costs that may arise due to offshoring which were not present before. Need for extensive coordination due to involvement of more people seems to be one of them, as it is the result of offshoring. The responders shared similar thoughts on this matter. It can also be associated with the challenges of offshoring strategy, where it was considered that communication as a challenge while implementing offshoring strategy.

Other disadvantages which can be observed in the findings are 'time consuming to setup process and support', 'slower efficiency improvements due to involvement of more people', and poor quality due to lack of 'competency/knowledge' in offshoring location. Another disadvantage which seems to be important but not considered by many is the 'job security/satisfaction' of Swedish consultants. Motivation seems to be down and it feel like company is unable to communicate enough with its employees regarding its offshoring strategy. It can be seen from time to time that respondents considered internal communication a challenge whether its due to involvement of more people or simply getting everyone on board.



Figure 8: Disadvantages of Offshoring in contrast with table 11.

5.6 Remarks/Other important issues

In last question regarding future of company’s offshoring strategy, all respondents had common response and referred it as the way forward. It seems like besides having difficulties and challenges and different views on many matters, everyone acknowledged that this is inevitable and essential to stay competitive. Respondents showed their concerns regarding the future of development of Swedish consultants and to give them opportunity to grow in different areas.

Future of offshoring strategy was also linked with the advancement of information technology and automation and considered that need of offshoring might be in doubt if accounting business will achieve a full automation. This seems to be true, for instance the main motive and advantage of offshoring is cost efficiency especially in manual labor hours and what if softwares with increased AI (artificial intelligence) can be developed which could replace manual labour in accounting field hence taking out core of offshoring motives or advantages.

6. Conclusion

In this section, research questions are answered from the findings of the study. Limitation of the study are discussed and suggestions for future research are also provided.

6.1 Accomplishment of research aim and questions

The foundation of the study is based on two research questions. The first question aimed to find out what are the motives of offshoring and what challenges company face while implementing offshoring strategy? The second question focused more on the advantages and disadvantages of offshoring while companies implement offshoring strategies.

For the first research objective we found out that a company needs to evaluate and adopt strategies time to time. Global companies use competitive edge to stay ahead and offshoring strategy give them an edge. However, motives and challenges can differ in different organizations. One of the main motive of offshoring is cost efficiency. Entering new market also make companies closer to their existing customers. However, the form of offshoring strategy differs depending on the type of the market. The decision on where to locate production units depends on where the company's customers are based.

In the company under study it was evident that strategy of offshoring and more precisely near offshoring was adopted and considerable activities are transferred to offshoring location. Different motives are explained for this strategy. However, 'cost efficiency' and development of consultants and services in home country precisely the motives for the company to choose offshoring. From the findings of the study, contingency plan also seems to be a deciding factor as well whether to implement offshore strategy or not. At the same time, new motives are also discovered which are not discussed in previous literature such as 'customer relations'. Concept of customer relations is quite old but it is merely discussed as one of the leading motive for companies to adopt offshoring strategy. Customer retention is one of main key success factor for organizations and customer relations could play major role strengthen this factor.

There are different challenges identified which are faced by organization on continuous bases while implementing the offshoring strategy like 'language barrier', 'cultural differences', 'competency' and setting deadlines.

These can also be considered as internal challenges, as these challenges were occurred and handled by organization internally. From the findings and analysis of this study it can be observed that there is another continuous challenge which organizations face while implementing their offshoring strategy, it is the challenge of communicating it offshoring strategy to its customers. This seems to be a new factor which is not discussed in literature before. Customer relations becoming more important than ever before due to the nature of the business world. hence it brings us back to our finding where customer relations has emerged as one of major motives for offshoring.

Going back to the research problem of the study regarding advantages and disadvantages of offshoring one can see that the study has been beneficial, identifying the advantages and disadvantages of implementing offshoring strategies. The study coincided with majority of the literature selected. Findings from the study revealed offshoring not only helped to improve bottom line but indeed enhanced their stride towards offering better customer service which is necessary to stay competitive in the business. The biggest advantages of offshoring are ‘better margins’, ‘development of consultant and services in home country’ and ‘contingency plan’.

As far as disadvantages go, the findings from the study reveals weak control and knowledge could be regarded as a disadvantage which is also in line with theories discussed before. Even though it looks like the primary motives why a company choose offshoring is for cost efficiency, however the findings show that involvement of more people requires extensive coordination and training which could be time consuming and expensive. Not only it requires more time to set up the support staff but also due to lack of knowledge can result slower efficiency and dissatisfaction from customers. Managing employees in offshore locations can causes some ripple in the company as serious hardship to in house employees if internal communication is not clear. However, with measured efforts company can ensure the knowledge pool and talented employees are maintained in the company.

The organization should keep in mind the economic aspect of ensuring cost reduction as result of offshoring operations. It is also important to improve the planning process and develop guidelines

for different management levels to keep the internal communication clear and run operations in efficient manner.

6.2 Theoretical & Managerial contributions

This study contributes to the general knowledge and understanding of why companies use offshoring strategy to expand business while discussing its motives, challenges, advantages, and disadvantages. The study contributes to the previous research of offshoring strategy especially to explore the motives and challenges companies face to implement offshoring and the key advantages and disadvantages.

While conducting the study, our results reveal major motives and advantages of offshoring strategy are cost efficiency. Few other motives include Contingency plan and development of consultants and services in home country. Study suggests ‘language barrier’, ‘cultural differences’, ‘competency’ and setting deadlines are some key challenges as well. Further, the study reveals better margin is key for an organization and considered as a major advantage. As far as disadvantages go, the study reveals weak control and knowledge could be regarded as a disadvantage.

Most of the interviews were taken from people with managerial experience. The findings from the study shows a new factor which is not discussed in literature before. Organizations face difficulties with customer relationship while implementing offshoring strategy. Therefore, our managerial recommendations would be to work on customer relationship to improve offshoring to make customer experience even better. A mere example of this relationship development could be continuous communication with customers, regarding the quality of services provided and suggestion for improvements if required.

6.3 Critical reflection and limitation

Overall this study affirms the concepts depicted in previous literature and at the same time presents new motives and challenge regarding offshoring strategy of an organization. This should also be kept in mind that it is only study of one company with a qualitative approach and only 11 interviews, so the result of this study cannot be generalized but should be used as a stepping stone for further research. Another limitation of our study is that we worked with a limited time which

did not allow us for further analysis and follow up questions. Other limitations also include limited number of respondents for purpose of the data collection. As mentioned earlier, the study is based on only one organization where researches have access to employees who had relative offshoring experience and represents only managerial perspective on the issue. Another limitation was to keep the company name and respondents name anonymous as per respondent's request. However, keeping the name anonymous enable authors to collect open and honest responses from respondents which enrich the study.

6.4 Suggestion for future research

Our recommendation for future study is to consider customer's perspective on the issue. Both managerial perspective, as well as the customer's perspective should be taken into consideration for better result. Another suggestion is to investigate the relationship between offshoring and customer relation. Since, lack of studies been found in this area, further research can be explored for the benefit of organizations.

Given the authors had limited access to one company in Sweden, it is prudent to include few more countries to get a global perspective. A quantitative study with a wider selection of samples gathered from different parts of the world with specific industries could enrich the study even more.

Reference

- Alvesson, M. & Sköldbberg, K. (1994), *Tolkning och Reflektion*, Studentlitteratur, Lund
- Bettis, R., Bradley, S., & Hamel, G. (1992). Outsourcing and industrial decline. *Journal of Academy of Management Executive*, 6(1), 7-22.
- Burger, W. (2007). Offshoring and Outsourcing to INDIA. In: proceedings of the 2nd IEEE International Conference on Global Software Engineering ICGSE, 173-176.
- Chisnall, P.M. (1997), *Marketing research (Fifth edition)*, McGraw-Hill Publishing Company UK.
- D'Aveni, R., & Ravenscraft, D. (1994). Economies of integration versus bureaucracy costs: Does vertical integration improve performance? *Academy of Management Journal*, 37(5), 1167-1206.
- Davies, P. (2004). *What's this India business? offshoring, outsourcing, and the global services revolution*. London: Nicholas Brealey International.
- De Vita, G. & Wang, C.L. (2006). Development of Outsourcing theory and practice: A Taxonomy of Outsourcing Generations, In: Kehal, H. & Singh, V.P (Ed.), *Outsourcing and Offshoring in the 21st Century: A Socio-Economic Perspective*. Idea Group Publishing, Hershey, PA.
- Dess, G.G., Rasheed, A., McLaughlin, K., & Priem, R. (1995). The new corporate architecture. *Academy of Management Executive*, 9 (3), 7-20.
- Dibbern, J., Winkler, J., & Heinzl, A., (2008). Explaining variations in client extra costs between software projects offshored to India. *MIS Quarterly* 32 (2), 333-366.
- Diener, E. & Crandall, R. (1978). *Ethics in social behavioral research*. Chicago. IL: University Chicago Press
- Dunning, J.H. (1998), "Multinational Enterprises and the Global Economy", Harlow: Addison-Wesley Publishers Ltd
- Earl, M. J. (1996). The Risks of Outsourcing IT. *Sloan Management Review*, 37(3), 26-32.
- Ellram, L. & Billington, C. (2001). Purchasing Leverage Considerations in The Outsourcing Decision. *European Journal of Purchasing & Supply Management* 7(1), 15-27.
- Erber, G. & Sayed-Ahmed, A. (2005). Offshore Outsourcing. *Intereconomics*, 40(2), 100-112.
- Feeny, D. F., Lacity, M. & Willcocks, L. P. (2005). Taking the measure of outsourcing providers: Successful outsourcing of back office business functions requires knowing not only your company's needs but also the 12 core capabilities that are the key criteria for screening suppliers. *Sloan Management Review*, 46(3), 41-49

- Frank, S.J. (2005). Source out, risk in 'Offshore Software Development'. *IEEE Spectr.* 42(4), 60-62.
- Frey, J. H. & Oishi, S. M. (1995). *The survey kit: How to conduct interviews by telephone and in person*, Thousand Oaks, Publications, cop. Calif.
- Gottfredson, M., Puryear, R. & Phillips, S. (2005). Strategic Sourcing From Periphery to the Core. *Harvard Business Review*, 83(2), 132-139.
- Gupta, A. (2008). *Outsourcing and Offshoring of Professional Services: Business Optimization in a Global Economy*, Advances in Electronic Commerce. IGI Global.
- Harrigan, K.R. (1985). Exit barriers and vertical integration. *Academy of Management Journal*, 28(3), 686-697.
- Harzing, W.A. (2002). Acquisitions versus Greenfield investments: international strategy and management of entry modes. *Journal of Strategic Management*, 23(3), 211-227.
- Hätönen, J. (2008), *Managing the process of outsourcing – Examining the process of outsourcing product-development activities in software firms*. Ph.D. dissertation, Publications of the Turku School of Economics and Business Administration.
- Hofstede, G., (1983). The cultural relativity of organizational practices and theories. *Journal of international business studies*, 14(2), 75-89.
- Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and organizations: Software of the mind*. Revised and expanded. McGraw-Hill, New York.
- Jensen, P. D. Ø., Larsen, M. M. & Pedersen, T. (2013). The organizational design of offshoring: Taking stock and moving forward. *Journal of International Management*, 19(4), 315-323.
- Kakabadse, A. P. & Kakabadse, N. (2000). Critical review - outsourcing: A paradigm shift. *The Journal of Management Development*, 19(8), 670-701.
- Kakabadse, A., & Kakabadse, N. (2002), *Smart Sourcing*. New York: Palgrave.
- Kang, N. & Johansson, S. (2000), *Cross-Border Mergers and Acquisitions: Their Role in Industrial Globalization*”, OECD Science, Technology and Industry Working Papers, OECD Publishing.
- Kotabe, M. (1992), *Global Sourcing Strategy: R&D, Manufacturing and Marketing Interfaces*, Quorum, NY.
- Kotabe, M. & Murray, J. Y. (1990). Linking product and process innovations and modes of international sourcing in global competition: A case of foreign multinational firms. *Journal of International Business Studies*, 21(3) 383-408.

- Levy, D. (2005). Offshoring in the New Global Political Economy. *Journal of Management Studies*, 42(3), 685-693.
- Loh, L. & Venkatraman, N. (1992). Determinants of information technology outsourcing: A cross-sectional analysis, *Journal of Management Information Systems*, 9(1), 7-24.
- Lynn, C.M. & Jin, B. (2014). Is Uppsala model valid to fashion retailers? An analysis from internationalisation patterns of fast fashion retailers. *Journal of Fashion Marketing and Management*, 18(1), 36-51
- Maskell, P., Pedersen, T., Petersen, B. & Dick-Nielsen, J. (2007). Learning Paths of Offshore Outsourcing – From Cost Reduction to Knowledge Seeking. *Journal of Industry and Innovation*, 14(3), 239-257.
- McCann, P. & Mudambi, R. (2005). Analytical differences in the economics of geography: the case of the multinational firm. *Journal of Environment and Planning A*, 37(10), 1857-1876.
- McCarthy, I. & Anagnostou, A., (2003). The impact of outsourcing on the transaction costs and boundaries of manufacturing. *International Journal of Production Economics*, 88(1), 61-71.
- McIvor, R. (2005), *The outsourcing process: strategies for evaluation and management*, Cambridge: Cambridge University Press.
- M & F Associates (2018), Available from URL <https://www.M&FAssociates.com/about-M&FAssociates/?d=2017-02-21> (accessed 3.12.18).
- Mol, M., Tulder, R.J.M. & Beije, P.R. (2005). Antecedents and Performance Consequences of International Outsourcing, *International Business Review*, 14(5), 599-617.
- Ono, Y. & Stango, V. (2005). Outsourcing, Firm Size, and Product Complexity: Evidence from Credit Unions, *Economic Perspectives*, 29(1), 2-11.
- Potter, W.J. (1996), *An analysis of thinking and research about qualitative methods*, Erlbaum, cop. NJ.
- Prahalad, C.K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, 68(3), 79-93.
- Pyndt, J. & Pedersen, T. (2006), *Managing Global Offshoring Strategies: A Case Approach*, Frederiksberg: Copenhagen Business School Press.
- Ramingwong, S. & Sanjeev, A.S.M. (2007). Offshore outsourcing. The Risk of Keeping Mum. *Journal of Communications of the ACM*, 50(8), 101-103.

- Ramingwong, Sakgasit, & Lachana Ramingwong (2009). The Paradoxical Relationships Of Risks And Benefits In Offshore Outsourcing Of Software Projects. *The Open Software Engineering Journal*, 3(1); 35-38.
- Robinson, M. & Kalakota, R. (2005), *Offshore outsourcing: Business models, ROI and best practices*. USA: Mivar Press.
- Sako, M. (2005), *Outsourcing and offshoring: Key Trends and Issues*, Said Business School, Oxford.
- Saunders, M., Lewis, P. & Thornhill, A. (2009), "Research methods for business students", (5th edition), Pearson Education LTD., England.
- Schaffhauser, D. (2005), *Offshoring - What is Offshoring?* Sourcingmag.com. Retrieved from <https://sourcingmag.com/what-is-offshoring/> (accessed on 5.19.18)
- Sekaran, U. (2000), *Research methods for business: a skill building approach* (3rd edition), Wiley, cop. New York; Chichester.
- St., Amant, K. (2010). *IT Outsourcing: Concepts, Methodologies, Tools, And Applications*. Hershey, PA [etc.]: Business Science Reference, Print.
- Strauss, A. & Corbin, J. (1990). *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park, CA: Sage.
- Teece, D. J. (1987). Capturing value from technological innovation: Integration, strategic partnering, and licensing decisions. In B. Guile & H. Brooks (Eds.), *Technology and global industry: 65-95*. Washington, DG: National Academy Press
- Venkatraman V.N. (2004) *Offshoring Without Guilt*. MIT Sloan Management Review 45(3) 16-18.
- Wilson, S. (2001). What is Indigenous research methodology? *Canadian Journal of Native Education*, 25(1), 175-179.
- Winkler, J. K., Dibbern, J., & Heinzl, A. (2008). The impact of cultural differences in offshore outsourcing-Case study results from German–Indian application development projects. *Journal of Information Systems Frontiers*, 10(2), 243-258.
- Yin, R.K. (1994). *Case study research: design and methods*, (2nd edition), Thousand Oaks, Sage, cop. Calif.
- Yin, R.K. (2003). *Case study research: design and methods*, (3rd edition), Thousand Oaks, Sage, cop. Calif.

Zikmund, W.G. (2003). Essentials of marketing research (2nd edition). Mason: OH: Thomson, South-Western.

Appendix

This section contains the list of questions and answers that were asked in the interviews. Questions are asked in interview and through online questionnaire. Sub questions that were asked individually in each of the interviews to gain more insight into the answers are not added to the template below

Section A

Demographics of Respondent #1

Name: Mike Scott

Position: Consultant Manager

Years of experience in Company: 8 years

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania?

A. I would say it's nearshoring since they are handling parts of our processes and Romania is in Europe.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. 26 %

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. Cost effective, simplifying for us to focus on consultancy/analysis and more secure for us that a big part of the processes is handled there since it makes it less vulnerable for us if employees leave/what to focus on other tasks etc.

Q4. In your opinion please explain the most important motives.

A. Cost efficiency. In the long term it will be necessary to perform the "basic" tasks for such a low price as possible due to competition from other companies offering lower prices.

Q5. What are the challenges of implementing offshoring? List at least three.

A. Explaining and mapping the processes, setting up necessary routines to match deadlines, communicating with colleagues, explaining Swedish accounting regulations.

Q6. In your opinion please explain the most important challenge.

A. Explaining and mapping the processes since it's been most time consuming but also most important in order for the work to run smoothly.

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

A. We can spend less time on "basic" tasks and focus on work giving more value for the customer which are also more developing for us, better margin for the price when we are invoicing customers, more safe since we don't need to find backups for processes that are nearshored,

Q8. In your opinion please explain the most important benefit/advantage.

A. We can spend less time on "basic" tasks and focus on work giving more value for the customer which are also more developing for us. This mindset is long term thinking and necessary in order for us to compete with other companies on the market looking at the prices we have and the type of services we offer.

Q9. What are the disadvantages of offshoring? List at least three.

A. Takes a lot of time to get everything up and running, quality not always perfect since consultants don't have the same experience and knowledge about our customers, Swedish rules etc, requires administration from our side to save necessary documentation for our colleagues in Romania and answer questions/support them

Q10. In your opinion please explain biggest disadvantage.

A. Takes a lot of time to get everything up and running. In the beginning it's extremely time consuming and the feeling of "it would be faster to just do it ourselves" regularly pops up.

Q11. In your opinion what is future of M&F Associates' offshoring strategy?

To continue and let Romania handle all processes they can so we can focus on consultancy, analysis, client meetings. We need to "push down" the work faster and make the routines for our new customers more efficient.

Q12. Do you want to add anything which is important regarding Offshoring?

No.

Section A

Demographics of Respondent # 2

Name: David Wright

Position: Department Manager

Years of experience in Company: 20

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania?

A. It has always been referred as nearshoring

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. Accounting = 26 per cent

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. Cost efficiency

B. Contingency – in order to have constant back-up service which is felt to be easier from AIR

C. Gives a headroom to develop our consultants in the Nordics. Thus taking steps to ward being an advisor to clients

Q4. In your opinion please explain the most important motives.

A. Depends on timing issues and probably personal preferences. I would emphasize matters of developing our consultants to be more personal and professional with clients so we are able to develop the clients business. This will implicitly drive clients perceived value of our services and strengthen the business ties between us.

Q5. What are the challenges of implementing offshoring? List at least three.

A. Knowledge. How do you go about doing it. M&F Associates is fortunate to have implemented a good infrastructure and have one person dedicated to facilitate the process.

B. Time. Sometimes our consultants are too busy in order to list items to be transferred to Romania. Clients have to be prioritized.

C. Capacity in AIR. Lead time for transferring work is some 6-8 weeks and transfer have to be monitored in order to oversee maintained quality.

Q6. In your opinion please explain the most important challenge.

A. Maintaining quality is biggest challenge right now. It is not uncommon that our Nordic consultants need to double check that all is ok. This is costly since it is, at least partly, a double work. This hampers client GP and is discouraging for the consultants.

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

A. Better GP on clients for which we have set up services from AIR

B. Back up problem has been “exported” to AIR. They are in a better position to obtain well trained staff.

C. To slowly transfer work content to “controlling” and giving time for client interactions.

Q8. In your opinion please explain the most important benefit/advantage.

A. Future accounting firms must transfer in order to survive. It is for certain that in the future automation, standardization and packing of services will drive down price, thus new ways of working have to be found. In the process of lifting work from the Nordics to AIR will give current staff opportunity to grow in area of controlling and building customer relations.

Q9. What are the disadvantages of offshoring? List at least three.

A. We have less control. We do not know when and how items are posted exactly

B. There are a lot more people involved which need to be coordinated.

C. With more people involved it is more difficult to steer a project and make efficiency improvements.

Q10. In your opinion please explain biggest disadvantage.

A. Less control. We need to learn to validate bookkeeping which is partly new to a lot of our consultants.

Q11. In your opinion what is future of M&F Associates’ offshoring strategy?

Think M&F Associates should continue because it is the only way forward. Only items that are critical in terms of being close to clients business and items that can not be standardized should be transferred to AIR.

Q12. Do you want to add anything which is important regarding Offshoring?

Not at this point.

Section A

Demographics of Respondent # 3

Name: Umea Jhonson

Position: Project Manager

Years of experience in Company: 10

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania, is it offshoring/nearshoring or outsourcing?

A. I think it's nearshoring but also a sort of outsourcing but as we have our own company I think it's most nearshoring.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. Almost 25% of all production tasks. Some internal admin tasks are also transferred. It can be different from a month to another but overall I think this is the %.

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. Client's are willing to pay less to basic services "bread and butter" and we need to produce them cheaper.

B. SE consultants needs to work closer to client's. We need to know the client's needs "before" they do it and then we need to spend more time on client work and be proactive.

C. SE consultants needs to shift focus from std deliveries to more advanced advisory services and can't do all basic services by them self.

Q4. In your opinion please explain the most important motives.

A. See B above.

Q5. What are the challenges of implementing offshoring? List at least three.

A. Communication – Internal, why are we doing this? How will it be done, when etc. Will it affect and how on daily basis and will "I loose my job" etc.

B. Communication to colleagues in RO

C. Communication to existing clients

Q6. In your opinion please explain the most important challenge.

A. Internal communication

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

A. We'll have more back-up resources

B. We can focus (spend more time) on development of our services and business

C. We can offer more qualified roles in SE – be a more attractive employer?

Q8. In your opinion please explain the most important benefit/advantage.

A. See B above.

Q9. What are the disadvantages of offshoring? List at least three.

A. Some processes are better than others when we talk about nearshoring. We need to find the correct way of working and spend focus on the correct tasks. This can be difficult sometimes.

B. If we transfer all tasks regarding a certain process – we can lose our knowledge in SE and then it can be hard for us to continue the training of RO consultants. But this should not be needed if everything works according to plan....

C. I can't come up with a third disadvantage...

Q10. In your opinion please explain biggest disadvantage.

A. See A above

Q11. In your opinion what is future of M&F Associates' offshoring strategy?

1. Continue working on transfer more production tasks

2. See what tasks that can be automated

3. Improve internal communication in SE and with RO, what are the plans etc.

Q12. Do you want to add anything which is important regarding Offshoring?

1. I think this is standard procedure in Sweden. We need to have our nearshoring site. Our client's expects that we work like this.

Section A

Demographics of Respondent # 4

Name: Erika Starcevic

Position: Consultant

Years of experience in Company: 5,5 years

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania ?

A. I Think its good and cost effective. Its more nearshoring business in Romania.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. Should be around >50%.

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. 1) Its very cost effective.

2) Its standard work and we in Sweden can do much other analyzing and other advanced work.

3) We get more time for CRM and customer meetings.

Q4. In your opinion please explain the most important motives.

A. That we gets more time to do advanced work and CRM (customer relationships are for me mostly important since all the companies are more or less doing the same integration and things becomes more and more automatic.

Q5. What are the challenges of implementing offshoring? List at least three.

A. 1) Availability – Since not in the same office or country, different holidays and so on

2) Competence and education – we need to be sure if the level of competence is the same or similar so we can avoid misunderstandings. Also education is an issue since different rules and laws in different countries.

3) Language differences – even if all people more or less can speak english, some of things are for example in Swedish and related to swedish rules/law and could be a challenge if this is not understandable the importance of doing it correct so we avoid to adjust.

Q6. In your opinion please explain the most important challenge.

A. Most important challenge for me is, often it could be competence lack or understandable lacks that means, we try to explain but the same mistakes are coming again up. So in the end, we spend to much time for this to adjusting thing or doing actions reports.

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of Near/offshoring? List at least three.

A. 1) cutting costs/lower costes

2) geographical proximity (close to sweden)

3) speed to market (and more services to market)

Q8. In your opinion please explain the most important benefit/advantage.

A. Speed to market, and more advanced services to market in the same time. We can do more things at the same time.

Q9. What are the disadvantages of near/offshoring? List at least three.

A.

1) difficulties in project management

2) misunderstandings and availability

3) competence levels and lacks

Q10. In your opinion please explain biggest disadvantage.

A. competence level and lacks. Here we need to be sure that we have the correct level of competence to be more efficient.

Q11. In your opinion what is future of M&F Associates' offshoring strategy?

A) Trying to nearshore more things, for example all technically things that could be transferred in form of other companies programs, not just standards things, maybe annual reports and so on, so we can focus on stronger relations with customers.

Q12. Do you want to add anything which is important regarding Offshoring?

A. No.

Section A

Demographics of Respondent

Name: Natasha Beig

Position: Accountant

Years of experience in Company: In M&F Associates Insight AB almost 6 years, but overall with outsourcing job roughly 10 years.

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania,?

A. I am unsure of the difference between offshoring and nearshoring, is it not almost the same meaning? I think M&F Associates operations in Romania is offshoring, parts of the job that still could be done in Sweden is now done for some of the companies in Romania with the help and support from Sweden.

I think it is a good way of working, it is a money saving strategy and M&F Associates could afford with more customers by the help of Romanian colleagues.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. Less than 70 % but more than 50, it totally depends of where in M&F Associates you work. Large Accounts did try to move almost everything to Romania which we could for the smaller companies, but some larger companies are more complex and it is not that easy to move the tasks. But more than 50 % should be the goal?

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. 1. The motivation is that we in Sweden should be able to get more like an expert role. We are supposed to be more like "controllers" and to be able to give more qualified support to the customers.

2. Save money, would be a lie if I would say anything else.

3. To be able to find improvements that could be done and actually do them with the customer in order to give the customer more value in their business.

Q4. In your opinion please explain the most important motives.

A. The first and last points above should be the most important motives. The offshoring should give time for the consultants in Sweden to be able to educate themselves more with the help of different types of educations in order to support their customers with expert help and the last thing is that the Swedish consultants should be able to put more time in to finding improvements that could be done in order for the customer to shine!

Q5. What are the challenges of implementing offshoring? List at least three.

A.

1. Language barriers

2. Cultural differences, it was at the beginning very difficult to get the colleagues overseas independent as they work differently overseas.

3. Not being able to work close enough. It has sometimes been frustrated that they are overseas and we are here.

4. That the customer don't want to offshore, and M&F Associates do it anyway J

Q6. In your opinion please explain the most important challenge.

A.

Probably the last one as we in Sweden have to front the customer with the problems that might have occurred etc even though it was someone in Romania that did the mistake. Or that we have to be hiding the actual Romanian colleague, that's not fair at all.

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

1. Work gets done much faster

2. Fun to have colleagues overseas

3. You as a Swedish consultant get the opportunity to get to work with more customers which adds a learning as every customer works differently and the more customer the more experience it is. We learn more! It is fun!

Q8. In your opinion please explain the most important benefit/advantage.

A.

The last point is probably the most important benefit/advantage.

Q9. What are the disadvantages of offshoring? List at least three.

A.

One of the disadvantages is when colleagues in Sweden feels as if they are taking away their job from them when they offshore overseas, and that the Swedish consultant might feel as if they do not add any value to the company as their job have moved overseas.

Second you somehow lose a bit of control of the work that is done. Swedish consultant should have time to control Romanians work but there is not enough time right now to do the controls, which sometimes means that if a mistake is done the customer see it before US, which is not a positive thing at all as the customers do outsource to us with a trust etc.

Last disadvantage is trust and willingness to work tight issues. You would have to trust your colleagues and you will have to work tightly together as a big team in order to give the customer the best service and this is sometimes lacking from Swedish consultants which is sad!

Q10. In your opinion please explain biggest disadvantage.

First and last one!

Q11. In your opinion what is future of M&F Associates' offshoring strategy?

If M&F Associates wants to offshore more they have to be able to give more time for the Swedish consultants to really get more education in order for them in Sweden to be able to work with tasks and within a position that makes them long to get to work and makes them hunger to do more! The roles in Sweden should be changed and Swedish consultants should be given the opportunity to grow more within any area as desired. If this is not fixed there might be a problem for M&F Associates as the Swedish consultants might eventually get bored sooner or later.

Q12. Do you want to add anything which is important regarding Offshoring?

Nothing more to add. Good luck with the studies!

Section A

Demographics of Respondent

Name: Tino Pedersen

Position: Consultant manager

Years of experience in Company: 8 years

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania, is it offshoring/nearshoring or outsourcing?

A. It's a necessary thing in order to hold costs down.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. Don't know the number. It's different on each department and the different countries.

Q3. What are motives/motivess of M&F Associates's for offshoring to Romania? List at least three.

A. Cost, free up time for Swedish consultants for more analysis, free up time for Swedish consultants for customer relations

Q4. In your opinion please explain the most important motives.

A. free up time for Swedish consultants for customer relations

Q5. What are the challenges of implementing offshoring? List at least three.

A. Communication between the two offices, need for standardization in how to work, culture differences

Q6. In your opinion please explain the most important challenge.

A. the need for standardization in how to work is hard to achieve since it's easy for consultant to ignore the template on how to go about a certain issue, it's easier for the consultant just do what's easiest for themselves.

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

A. Same answer as I Q3

Q8. In your opinion please explain the most important benefit/advantage.

A. Same answer as I Q4

Q9. What are the disadvantages of offshoring? List at least three.

A. Same answer as I Q5

Q10. In your opinion please explain biggest disadvantage.

A. Same answer as I Q6

Section A

Demographics of Respondent

Name: Michael Scofield

Position: Senior Consultant

Years of experience in Company: 6

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania, is it offshoring/nearshoring or outsourcing?

A. Nearshoring, working very good.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. Approx 25-30% (in total)

Q3. What are motives/reasons of M&F Associates's for offshoring to Romania? List at least three.

A. Economy, employee, back-up

Q4. In your opinion please explain the most important motives.

A. Economy (efficiency)

Q5. What are the challenges of implementing offshoring? List at least three.

A. Culture, language, instructions (how to do the work)

Q6. In your opinion please explain the most important challenge.

A. Instructions (how to do the work)

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

A. Economy, employee, back-up

Q8. In your opinion please explain the most important benefit/advantage.

A. Economy (efficiency)

Q9. What are the disadvantages of offshoring? List at least three.

A. Language, distance (to the customer)

Q10. In your opinion please explain biggest disadvantage.

A. Distance (to the customer).

- In your opinion what is future of M&F Associates' offshoring strategy?

Continue nearshoring, increase!

- Do you want to add anything which is important regarding Offshoring?

Very important for our strategy!

- In your opinion what is future of M&F Associates' offshoring strategy?

It's necessary in order to be competitive.

Section A

Demographics of Respondent

Name: Teara Bai

Position: Accounting Consultant

Years of experience in Company: 6

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania, is it offshoring/nearshoring or outsourcing?

A. I think it is offshoring.

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. No more than 50% for accounting, I think.

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. -cheaper human resources.

B. – cheaper other costs. Rental of office

C. –not far to Sweden

Q4. In your opinion please explain the most important motives.

A. Cheaper human resources. The employee salary is lower.

Q5. What are the challenges of implementing offshoring? List at least three.

- A. –Standardising
- B. –employee education
- C. –communication and accounting according to Sweden Accounting Law.

Q6. In your opinion please explain the most important challenge.

- A. Accounting according to Swedish standard requirement.

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

- A. Cost is less.

Q8. In your opinion please explain the most important benefit/advantage.

- A. Costs is less. Revenue is at least no change. So result will be better.

Q9. What are the disadvantages of offshoring? List at least three.

A.-communication problem

-IT problem

-Language problem

Q10. In your opinion please explain biggest disadvantage.

- A. Language problem.

For example, RO can not swedish in the invoice. So it is possible to book the incorrect account no.

- In your opinion what is future of M&F Associates' offshoring strategy?

To improve quality in the future.

- Do you want to add anything which is important regarding Offshoring?

It is important to do the work automatically.

It is more efficient.

- Do you want to add anything which is important regarding Offshoring?

If the accounting business will achieve a fully automatic of the production of the accounts, then maybe the offshoring will be reduce or even be completely removed.

Demographics of Respondent

Name: Jennifer Anniston

Position: Redovisningsassistent/ekonom

Years of experience in Company:1

Section B

Part A Motives and Challenges

Q1. What do you think of M&F Associates operation in Romania, is it offshoring/nearshoring or outsourcing?

A. offshoring

Q2. How much of M&F Associates business operations are handled in Romania? (You can answer in less than or more than a particular %, like >70%, >50% etc)

A. < 40%

Q3. What are motives of M&F Associates's for offshoring to Romania? List at least three.

A. Make time for other duties and missions.

Q4. In your opinion please explain the most important motives.

A. Backup

Q5. What are the challenges of implementing offshoring? List at least three.

A. Communication, Understanding, Finding out

Q6. In your opinion please explain the most important challenge.

A. Communication

Part B Advantages and Disadvantages

Q7. What are the benefits/advantages of offshoring? List at least three.

A. Cheaper,

Q8. In your opinion please explain the most important benefit/advantage.

A. More profitable

Q9. What are the disadvantages of offshoring? List at least three.

A. Maybe communication

Q10. In your opinion please explain biggest disadvantage.

A. ?

- In your opinion what is future of M&F Associates' offshoring strategy?

Better profit?

- Do you want to add anything which is important regarding Offshoring?

1.