

MOTIVATIONS TO OFFSHORE & THE CHOICE OF OFFSHORING MODE. AN APPLICATION TO THE EUROPEAN MANUFACTURING INDUSTRY

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Abstract

To choose the offshoring mode is a key decision for the company, although in most cases this decision is explained only from economic motives. However, there are other factors that motivate the use of these strategies, and therefore to know the relationship between these factors and the use of each of these strategic options will facilitate to take a decision like this. In this sense, from a sample of 471 offshoring operations, we analyse, in an integrated mode, the influence of different reasons (economic, strategic and organizational) in the decision to use one offshoring mode or another, considered as alternatives choice the two modes of pure offshoring (internal and external offshoring) and the mixed alternative (concurrent offshoring), much less studied. The results show that the reasons that motivate the use of these strategies will condition the choice of offshoring mode to implement.

Keywords:

Offshoring, Motives, Strategy, Internationalisation, Multinational Enterprises

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1. INTRODUCTION

In recent years, European industry is undergoing industrial restructuring in which offshoring has acquired a special role, especially in traditional manufacturing sectors. So much so that the increase in the use of this strategy by European firms in response to the changes that have taken place in the environment (globalization, trade liberalization or technological innovations, etc.) has eclipsed the political, academic and economic-business arena.

Since the 90s, the proliferation of scientific research on offshoring has been notorious. However, most studies existing so far had analyzed the offshoring from a macroeconomic point of view (Feenstra, 1998; Kimura, 2001, Egger and Egger, 2006; Olsen, 2006, Diaz-Mora et al., 2007, between others), mainly focusing on the negative consequences that the use of these strategies has on the economy of the countries of those companies that use them, such as industrial dismantling, relocation of production or reduction of national employment, among others. However, although it is a strategy of increasing importance in recent years, studies that analyze this choice from the management area are scarce. Therefore, one objective of this paper is to show evidence of the use of this strategy from a business perspective, focusing on the analysis of the reasons for the use of the strategy and the different influence of these on the mode chosen. The choice of the mode of offshoring is a key decision for the company in the sense that this configuration will determine a new business and a new model of intra and inter firm relationships.

Moreover, most studies consider offshoring as simple outsourcing to international level (Görzig and Stephan, 2002, Girma and Görg, 2004, Görg and Hanley, 2005; Tomiura, 2005; Görg et al. 2008). However, in business practice, especially in the field of multinational enterprises, both outsourcing to third parties and own subsidiaries in other countries are strategies often used by companies to relocate their activities internationally. In this sense, some authors (Kotabe and Murray, 2004, Kotabe et al., 2007) emphasize the need to analyze the offshoring distinguishing two strategic options. Our work extends this approach by incorporating the recent approaches of Parmigiani (2007, 2009) that discusses a third option, the "concurrent offshoring", i.e. the simultaneous use of both strategic options to perform the same function, activity or product. Therefore, in this study, the choice of offshoring mode involves three different options: a) to use own subsidiaries abroad (internal offshoring) b) to use foreign external providers (external offshoring) or c) to use both, external providers and own subsidiaries, in order to relocate the same function or activity abroad (concurrent offshoring).

Another significant contribution of this paper is the analysis offered on the reasons behind the use of these strategies. Traditionally, from the Transaction Cost Theory (Coase, 1937,

Williamson, 1975), the dichotomous decision “external offshoring versus internal offshoring” has been explained by economic reasons, mainly because of the cost savings involved the relocation of activities in other countries where wages are lower. However, to study the offshoring strictly from an economic point of view means ignoring other organizational aspects that influence in the decision. Nowadays, it is necessary to incorporate to these approaches other motivations (e.g. resource seeking, management of distinctive capabilities or imitation) that might be associated with other theories like the Resources and Capabilities Theory, the Dynamic Capabilities Theory and the Institutional Theory. Based on these theories, some studies have found non-economic reasons for which companies decide to buy from third parties instead of themselves (Heikkilä and Cordon, 2002, Kakabadse and Kakabadse 2002; Quelin and Duhamel, 2003; Hästönen and Ruokonen, 2007), but their analysis, in most cases, are purely descriptive. In this sense, our study aims to overcome the deficiency of literature analysing empirically the relationship between the different motivations (economic, strategic and organizational) from an integrated point of view and the three offshoring modes.

Therefore, according to these premises, the main objective of this study is to analyse the influence that other factors have on the decision to use one offshoring mode or another, considering how alternatives of choice the two offshoring modes traditionally used (internal and external offshoring) and the mixed alternative (concurrent offshoring), much less studied. We used an original and own sample of 471 offshoring operations carry out by 263 European multinational companies.

The paper is structured as follows. Section 2 defines the three offshoring strategies, reviews the main theories that could explain the motivations associated with the use of these strategies and develop the hypotheses of the model about the influence of the motivations in the choice of offshoring mode. Section 3 reports the methodology used in the study and the operational measures. Section 4 presents the statistical analysis and the results. And finally, section 5 discusses conclusions and implications.

2. REVIEW OF THE LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1. Offshoring Strategies: External, Internal and Concurrent Offshoring

The term offshoring is not new, although often is used interchangeably to describe two different strategies. Previous researches define offshoring as the relocation of processes and / or activities to other countries (Levy, 2005). However, this relocation can be done in different ways. The company can outsource these activities to independent companies located in a foreign country (external offshoring) or it can continue doing internally the activities of the value chain but performing through its own subsidiary located in another country (internal offshoring). In this sense, the term offshoring combines two different effects: the effect known as outsourcing

and the internalization effect. We use the term external offshoring as a synonym for other concepts used in the literature to refer to international outsourcing activities through third parties such as non-captive offshoring (WTO, 2005) and offshore outsourcing (Pyndt and Pedersen, 2006), and internal offshoring term to refer to the relocation of activities through its own subsidiaries, defined by others as captive offshoring (Pyndt and Pedersen, 2006), in-house offshore sourcing (OECD, 2007) or offshore insourcing (Kotabe, et al. , 2007).

Much of the literature does not consider the relocation of activities carried out through its own subsidiaries abroad as part of the offshoring strategy, but as foreign direct investment (FDI). However, while all strategies of internal offshoring are FDI, not all FDI involve carrying out internal offshoring strategies (Levy and Dunning, 1993). If the subsidiaries of a multinational company produced only to supply the market in which they are implanted or simply engaged in the sale of imported goods, these would be FDI strategies but not internal offshoring. To implement internal offshoring strategies is relocating stages of the value chain to a subsidiary in another country and that the assets generated by such movement and financed by FDI, return to the country of origin to be used in domestic production, which finally may be for both domestic consumption and exports.

Most studies consider offshoring as a dichotomous decision, which the company must choose between "make or buy", however companies can use both options simultaneously, which is known as concurrent sourcing (Parmigiani, 2007; 2009). To carry out concurrent sourcing implies "make and buy" simultaneously a same product, process or activity, i.e., combining the outsourcing of activities or tasks to third parties in their development within the company. If we look at the context, the strategy that combines both modes of relocation (the subcontracting of work to independent companies abroad and the transfer of activities or phases of the value chain to a subsidiary located in another country) would be called concurrent offshoring. Implement strategies to concurrent offshoring (COF) is to use internal offshoring (IOF) and external offshoring (EOF) strategies for relocating a same activity or process.

To choose the offshoring mode is a key decision because it will determine a new configuration of the company and a new model of intra and inter firm relationships. Each of these options involves differences in the degree of control the company can exercise over the foreign operation, must commit the resources and the risk they are undertaking. So, to implement internal offshoring strategies will need more resources than to implement external offshoring strategies, and therefore increases the risk, but also the degree of control over the foreign operation will be much higher. If companies use concurrent offshoring strategies, they will incur costs of search, selection and negotiation associated to the use of external providers (external offshoring strategies) and also will incur costs of building, equipment, personnel and coordination of the subsidiary associated to the use of internal offshoring strategies.

2.2. Choice the offshoring mode from the perspective of the Transaction Cost Theory (TCT)

Traditionally, the use of offshoring strategies has been explained by economic reasons, mainly because of cost savings. In this sense, the economic theory of transaction costs (Coase, 1937, Williamson, 1975), has been used to respond to the decision to "make or buy" a product, activity or process. The TCT examines what type of offshoring minimizes transaction costs associated with develop of an activity or process. This activity can be developed with external suppliers (external offshoring) or can be internalized within the company (internal offshoring). The company will decide to do internal offshoring when the markets in which these activities can be contracted not work correctly, and therefore need to be incurred in a high transaction costs (information, negotiation, supervision, etc.).

In recent years, mainly in manufacturing industries, innovations in logistics services, information and new technologies, and the speciality and the scope of economies of scale by some suppliers and the reduction of trade barriers, from the globalization process (Buckely and Ghauri, 2004), have provided to the markets of a greater degree of efficiency in their operations. In fact, there is some empirical evidence that shows how, currently, the use of external strategies associated with outsourcing can lead to a reduction in costs of up to 40% (BCG, 2005, CAPS and AT Kearney, 2005, OECD, 2007). Accordingly, if the main motivation is to seek to minimize costs, the choice of external offshoring strategies will acquire greater significance over the use of internal and / or concurrent offshoring strategies. In this sense, we propose the following hypothesis:

H1: Reduce costs seeking will increase the likelihood of implementing external offshoring versus internal and / or concurrent offshoring.

2.3. New perspectives on the choice of offshoring mode

To analyze the choice of offshoring mode only from an economic point of view is to offer a "myopic view" of the decision, because this analysis ignores organizational aspects or behaviours that could influence in the choice of an offshoring mode or another. In recent years, some studies have questioned the vital importance of the Transaction Costs Theory in the choice of offshoring mode, highlighting the influence of other organizational theories (Espino and Padrón, 2006, Holcomb and Hitt, 2006, Platts , et al. 2002). Most of these studies focus on the Resources and Capabilities Theory, the Dynamic Capabilities Theory and Institutional Theory.

2.3.1. The Resources and Capabilities Theory in the choice of offshoring mode

The Resource Based View Theory suggests a dynamic balance between the exploitation of the competitive advantages of the company and the development and seeking of new capabilities as an essential source for the continued success of the company (Barney, 1991,

March 1991, Levinthal and March, 1993). Sometimes, companies use offshoring strategies in search of some resources or capabilities that they haven't within the company. The development of some activities related to the company's competitive advantage may require resources, human or technological, where the company is not specialized or which simply do not have, and offshoring strategies would be one of the options to achieve them. Furthermore, in some cases, companies looking to outsource resources or capabilities that are not essential to the company's competitive advantage in order to focus on the competencies that are really essential for it (Quinn and Hilmer, 1994; Cox 1996, McIvor, 2000).

Therefore, from this perspective, the decision to implement external offshoring strategies will depend on the gap within the organization of resources and / or basic capabilities to gain competitive advantage, or the need to focus on core competencies that will achieve that advantage. In this sense, companies will go abroad in search of resources or capabilities that are "essential" to achieve a competitive advantage if they lack of them, and for resources and / or capabilities "nonessential", because their outsourcing will allow the company to focus on those that are essential to get it.

H2: Resources and / or capabilities seeking increase the likelihood of implementing external offshoring versus internal and / or concurrent offshoring.

2.3.2. Dynamic Capabilities Theory in the choice of offshoring mode

Sometimes, the implementation of offshoring strategies is a direct result of organizational improvements seeking, in the production process or in any other organizational process, which involves strategic changes in the organization. In this sense, the use of offshoring strategies could be explained from the concept of "dynamic capabilities" defined by Teece et al. (1997) like the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments. Adopting a process approach, dynamic capabilities act as moderators between the company's resources and the business environment changes. Consider the resources and capabilities as dynamic will help the company to maintain its competitive advantage sustainable over time, which otherwise would be quickly eroded by changes in the environment. Accordingly, when the company aims to improve all of these capabilities will require a high control over operation and therefore will be preferred internal strategic options. The internalization of these activities abroad, therefore, will be linked to maximizing the value of knowledge and capabilities of the company. This knowledge will become platforms that will facilitate the growth and future expansion of the company, given its novelty and difficulty to be imitated (Kogut and Zander, 1993). Therefore:

H3: Organizational improvements seeking will decrease the likelihood of implementing external offshoring versus internal and / or concurrent offshoring.

2.3.3. Institutional Theory in the choice of offshoring mode

Sometimes the strategy chosen by the company is often motivated by competitors' behaviour. Organizations on the same line of business¹, although at the beginning are characterized by a diversity of approaches and organizational forms, over the years tend to be similar, as a result of: a) the coercive forces in the environment, such as government regulations and cultural expectations, which may impose criteria of standardization in organizations; b) the tendency to imitate successful organizations because of pressures caused by uncertainty, and c) regulatory pressures due to increasing professionalization of managers and specialists (DiMaggio and Powell, 1983). This theory, derived from sociology and known as the Institutional Theory, provides an explanation to the answers that lead to external pressures on organizations. The ultimate goal of this approach is to explain how and why organizations become institutionalized, that is, meanings, forms and procedures are taken for granted (Pfeffer, 1987). In this sense, the Institutional Theory may help explain why organizations adopt a structure or another, or why the structure adopted by organizations operating in the same business tends to be similar, and therefore explain the increased use of some organizational practices such as offshoring. According to this theory, a firm will choose an offshoring strategy or another when it finds that organizations are in your same line of business have also used this strategy and found it successful.

In recent years the use of external offshoring strategies in companies from different industries (manufacturing, technology, services, etc.) has prevailed (KPMG, 2007, BCG, 2005, AT Kearney, 2005). The "fashion" in the use of these strategies, as well as the good results achieved by companies that have implemented them, could lead to other companies to consider using the same strategic option to relocate their activities abroad, completely ignoring other options. These facts lead us to believe that:

H4: Strategies of imitation seeking will increase the likelihood of implementing external offshoring versus internal and / or concurrent offshoring.

3. RESEARCH METHODOLOGY

3.1. Research design and data collection

The population of this study consists of manufacturing companies located in the EU-15 (Austria, Belgium, Denmark, France, Finland, Germany, Greece, Holland, Ireland, Italy, Luxemburg, Portugal, Spain, Sweden and United Kingdom). The main source for identifying the population is the Amadeus database that includes (financial) data on more than 10 billion

¹ Understood as organizations that constitute an institutional life: key suppliers, consumers of products and resources, regulators agents and other organizations that produce similar services and products (DiMaggio and Powell, 1983).

European companies from 34 different countries. Two selection criteria were used in narrowing down the population as we only selected companies: 1) that were “Global Ultimate Owners” and had subsidiaries abroad; and 2) where the status was active (or unknown) excluding inactive companies (bankruptcy, liquidation or dissolution). With these two selection criteria 3.460 European companies were selected that all were active and exposed to international activities as they all had at least one foreign subsidiary.

To get the information, a survey on the offshoring behaviour was conducted as a (postal) mail survey among these companies. The survey was translated into five different languages: English, French, German, Italian and Spanish, so most companies had a choice of responding in their native language. The survey was designed taking into account Dillman’s Total Design Method (1978) recommendations of brevity, simplicity, accuracy and relevance. Four stages of pre-testing, including evaluations by academic colleagues, were made. The final questionnaire had 14 questions derived from the literature and adapted to the specific context.

The questionnaires were submitted in July 2008 to the head of international department for the population companies. The packet included a letter, co-signed by the University of Valencia and the director of the research project, the questionnaire itself (3 pages) and a pre-paid envelope with the return address. In this first round, 177 questionnaires were received, of which 21 had to be dismissed. A remainder was submitted in December 2008 and here we received 107 usable questionnaires. All in all we obtained a usable sample of 263 questionnaires, which represents a response rate of 7.6%. This is almost three points higher than those obtained in other studies that have used a postal survey addressed to global manufacturing companies (Yip and Dempster, 2005). As show the table 1, the 263 responses are divided among 15 different countries providing a good representation of European manufacturing companies and represent a total of 471 offshoring operations.

Table 1: Responses received and offshoring operations by origin country

Origin Country	Surveys Sent		Surveys Received		Response Rate %	Offshoring operations
	N° of surveys	%	N° of surveys	%		
Austria	50	1,45	8	3,04	16,00	5
Belgium	147	4,25	7	2,66	4,76	12
Denmark	133	3,84	13	4,94	9,77	24
France	219	6,33	16	6,08	7,31	26
Finland	91	2,63	4	1,52	4,40	13
Germany	488	14,10	50	19,01	10,25	72
Greece	175	5,06	11	4,18	6,29	32
Holland	125	3,61	6	2,28	4,80	22
Ireland	35	1,01	4	1,52	11,43	2
Italy	706	20,40	56	21,29	7,93	104
Luxemburg	4	0,12	0	0,00	0,00	0
Portugal	27	0,78	2	0,76	7,41	3
Spain	629	18,18	49	18,63	7,79	80
Sweden	202	5,84	17	6,46	8,42	36
United Kingdom	429	12,40	20	7,60	4,66	40
EU-15	3.460	100,0	263	100,0	7,6	471

Source: AMADEUS DATA BASE (2007) and own.

3.2. Measurement and Validation of Constructs

3.2.1. Variable operationalization

Dependent variable: Offshoring Mode

The dependent variable is the offshoring mode implemented by the company. This variable is defined as a polytomous variable that takes the value "0" when the company implements internal offshoring strategies (relocating activities through its own subsidiaries), the value "1" when the company uses external offshoring strategies (relocating activities through third parties or joint ventures) and the value "2" when the company implements concurrent offshoring strategies (relocating activities using both strategies). From one of the questions included in the survey, 471 offshoring operations were identified, of which 80 were external offshoring operations, 328 internal offshoring and 63 concurrent offshoring.

Independent Variables

The independent variables of the model are the motivations associated with the use of offshoring strategies. Using 12 of the motivations, according to the literature are often the most important when deciding to implement strategies of offshoring, we asked respondents to indicate of (1) to (5) the importance of each of these reasons in the decision taken, being (1) very low importance and (5) very high importance.

With the responses, we carried out a principal components analysis² with the aim of to group in categories the 12 reasons. The results indicate that the 12 motivations could be grouped into four factors. This factor analysis explains the 66.27% of the total variance. As shown in Table 2, factor 1 is represented more by economic reasons, while the factor 2 is mainly represented by motivations related to strategic changes or process improvement. On the other hand, the motivations associated with the access to resources and / or capabilities have greater representation in the factor 3, while reasons related with the competitors strategies are listed in the factor 4.

² The results of the KMO and the Bartlett test show the suitability of this statistical technique. On the one hand, the value of the KMO test (0,724) is more than acceptable, and on the other hand, the high significance associated with the Bartlett test (p-value = 0.000) allow to reject that the matrix correlations is an identity matrix, which shows that there is some relationship between the 12 variables.

Table 2: Rotated component matrix^a

Motives	Factor 1	Factor 2	Factor 3	Factor 4
1.- Reduce labour costs	0.809	-0.248	0.001	-0.048
2.- Reduce other costs	0.725	0.229	-0.041	0.008
3.- Change fixed costs into variable	0.706	-0.028	0.256	0.180
4.- Forecast costs more accurately	0.616	0.313	0.206	0.232
5.- Access to new markets	-0.168	0.759	-0.355	0.096
6.- Improve the product quality	0.078	0.659	0.314	0.035
7.- Reduce the response time to changes	0.194	0.693	0.297	0.066
8.- Access to high skill employees	0.044	0.357	0.727	-0.101
9.- Access to non available technology	0.001	0.064	0.770	0.268
10.- Focus on core competences	0.298	-0.045	0.696	0.252
11.- Follow the competitors	0.073	0.015	0.207	0.881
12.- Common practice in the industry	0.116	0.126	0.071	0.872

Extraction Method: Principal Components Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. 5 Iterations for Convergence.

From the factor loadings are built the four explanatory variables of the model: Costs, Strategy, Resources and Imitation. The variable Costs is defined as the economic reasons that motivate the use of offshoring strategies and the Strategy, Resources and Imitation variables represent the strategic and organizational motivations to implement these strategies.

Control Variables

Some features of the company could influence the choice of one offshoring mode or another (Chandra and Shankar, 2004), for this reason we decided to include in the model these characteristics as control variables. To control the ability of firms to access resources we include the variable *size* (number of employees) in the model. The larger companies have greater accessibility to resources, financial or otherwise, and for these companies are easier to carry out offshoring strategies more advanced, as are internal offshoring and concurrent offshoring strategies. On the other hand, family-owned companies are characterized by a high protectionism and control, which most likely to choose offshoring strategies with which they can continue to exercise a high level of control, such as internal offshoring strategies or concurrent offshoring. To control it, is included in model the variable *ownership*, which distinguishes between family-owned and non-family. Finally, the type of activity relocated may be another variable that conditions the choice of one or another strategy. To control it, we included the variable *activity* in the model, which distinguishes between productive, commercial or administrative activities.

A more accurate description of the variables included in the model is presented in Table3.

Table 3. Summary of variables included in the model

Variables	Description
<u><i>Dependent Variable</i></u> <i>Offshoring mode</i>	Polytomous variable that takes the value "0" when the company uses "internal offshoring", "1" when the company uses "external offshoring" and "2" when the company uses the two strategies jointed, i.e. "concurrent offshoring".
<u><i>Independent Variables</i></u> Costs	Economic motivations to use offshoring strategies (factor loading).
Strategy	Motivations related with strategic changes or process improvement (factor loading).
Resources	Motivations associated with the access to resources (factor loading).
Imitation	Motivations related with the competitors strategies (factor loading).
<u><i>Control Variables</i></u> Size	Logarithm of the mean of the number of employees of the last 5 years available (2002-2006) of each company.
Ownership	Dichotomous variable that takes the value "1" when the company is family-owned and "0" when is non-family.
Activity	Type of activity relocated (Dummy Variable: Productive, Commercial and Administrative activities).

4. ANALYSIS AND RESULTS

As a first step, and in order to detect potential problems of multicollinearity among the independent variables in the model, we examined the bivariate Pearson correlations among all the variables included in the model. The correlation matrix presented in Table 4 shows, in general, that the correlations are rather low. In fact, the largest correlation among the independent variables are 0.142 among Ownership and Resources, which is far below the usual threshold of 0.5 for detecting potential problems of multicollinearity. In addition, we also calculated the variance inflation factors (VIF) associated with each of the variables in the model. The VIF-values were all smaller than 1.07, which again indicate that we have no problem of multicollinearity in these data.

Table 4: Correlation matrix

	VIF	1	2	3	4	5	6	7
1. Costs	1.017	1						
2. Strategy	1.037	-0.016	1					
3. Resources	1.061	0.035	0.027	1				
4. Imitation	1.018	-0.006	0.001	-0.014	1			
5. Size	1.008	-0.084**	-0.010	-0.009	-0.086**	1		
6. Ownership	1.060	-0.008	-0.082**	0.142**	-0.018	0.023	1	
7. Activity	1.028	0.000	0.000	0.000	0.000	0.000	0.000	1

* $p < 0,05$; ** $p < 0,01$

Since the dependent variable in our model (offshoring mode) is a qualitative and polytomous (with the values 0, 1 and 2), the hypotheses was tested in a multinomial logit regression model. In a multinomial logit model, the likelihood that a company chooses one of the three offshoring modes will be:

$$\Pr(y_i = j) = \frac{\exp(X_i \beta_j)}{1 + \sum_{j=1}^J \exp(X_i \beta_j)}$$

where X_i is a vector which contains the individual characteristics for the company i on the independent variables (x), and β_j is a vector of parameters.

The first model (MLN 1) analyzes the effect of the control variables on the choice of offshoring mode, finding some differences according to offshoring modes analyzed. First of all, we can see that the ownership variable not influence on the decision to implement one offshoring mode or another. On the other hand, we can see as company size is positive and significantly influencing the choice of a specific offshoring mode, concurrent offshoring, although this is not significant in the decision between external versus internal offshoring. These data show that company size is not a decisive factor to carry out internal or external offshoring strategies, while some size is necessary to carry out both strategies simultaneously (concurrent offshoring). Finally, the activity relocated has some influence on the choice of offshoring mode.

In the second model (MLN 2) we include the independent variables (Costs, Strategy, Resources and Imitation) in order to test the hypotheses of the model. As shown in Table 5, the influence of these variables in the choice of one or another offshoring mode is different according to the decision analysed. So, in the first column of MLN 2, which compares the decision between internal versus external offshoring strategies, the four independent variables have a significant influence on the choice, although the direction of the influence is different. While in the choice between external versus internal offshoring the influence of Costs, Resources and Imitation variables are positive, the variable Strategy has the opposite sign. In the second column of MLN 2 (COF/IOF), which analyzes the choice between concurrent

offshoring and internal offshoring, none of the explanatory variables of the model is significant, therefore none influences the decision to carry out one of these two offshoring modes. Finally, in the last column of the model (MLN 2) we analyze the choice between concurrent offshoring and external offshoring, showing that Costs, Resources and Imitation variables influence negative and significantly, while the influence of the variable Strategy is not significant.

Table 5. Logit Regression models (p-values in parenthesis)

	MNL 1			MNL 2		
	EOF/IOF	COF/IOF	COF/EOF	EOF/IOF	COF/IOF	COF/EOF
Size	-0.123 (p=0.127)	0.182† (p=0.054)	0.304** (p=0.007)	-0.098 (p=0.240)	0.175† (p=0.063)	0.273* (p=0.018)
Ownership (Dummy)	-0.351 (p=0.188)	-0.264 (p=0.355)	0.087 (p=0.808)	-0.128 (p=0.665)	-0.228 (p=0.444)	0.100 (p=0.795)
Activity (Dummies)						
Productive	1.213*** (p=0.001)	3.001** (p=0.004)	1.789† (p=0.096)	1.238** (0.002)	2.918** (p=0.005)	1.679 (p=0.122)
Commercial	-0.315 (p=0.464)	3.024** (p=0.003)	3.339** (p=0.002)	-0.167 (p=0.715)	2.938** (p=0.004)	3.104** (p=0.005)
Costs				0.316* (p=0.035)	-0.173 (p=0.217)	-0.489** (p=0.010)
Strategy				-0.256* (p=0.072)	-0.170 (p=0.278)	0.086 (p=0.649)
Resources				0.725*** (0.000)	0.052 (p=0.729)	-0.673*** (p=0.000)
Imitation				0.456*** (p=0.001)	-0.152 (p=0.327)	-0.608** (p=0.002)
Constant	-1.190* (p=0.022)	-5.271*** (p=0.000)	-4.081*** (p=0.001)	-1.695** (p=0.003)	-5.206*** (p=0.000)	-3.511** (p=0.005)
N(*)		471			471	
Chi-square		62,02 (p=0.000)			110,43 (p=0.000)	
-2 log likelihood		651,58			619,70	
Correct classification		69.4			72.2	

† ≤ 0.10 ; * $p \leq 0.05$; ** $p \leq 0.01$; *** $p \leq 0.001$

(*) Due to missing values 471 observations have been included.

These results show that the choice of one offshoring mode or another is influenced by motivations associated to the use of offshoring strategies, and therefore the decision to implement one mode or another will be determined by the reasons motivating their use. In this sense, the results confirm that companies that seek to lower costs prefer to implement external offshoring strategies instead of the other two types of offshoring analyzed, so we can say that reduce costs seeking will increase the likelihood of implementing external offshoring versus internal and / or concurrent offshoring, thus the first of our hypotheses is confirmed.

Also, companies that don't have the resources or capabilities to gain competitive advantage or need to focus their efforts on core competencies to maintain or achieve that advantage, prefer to implement external offshoring strategies. As we expected, access to basic resources not available or the need to focus on core competencies positively influence the likelihood of using external offshoring versus offshoring strategies of internal nature (IOF and COF), confirming the hypothesis 2.

Moreover, the results show that companies engaged in offshoring strategies seeking organizational improvements tend to implement further offshoring strategies of internal nature versus offshoring strategies of external nature. However, partial results confirm the hypothesis (H3). As we can see in the table 5, seeking organizational improvements decreases the likelihood of implementing offshoring strategies of an external versus offshoring strategies purely internal (IOF), but not against mixed offshoring strategies (COF) as we expected.

Finally, we can see the imitation effect of the competitors also has some influence on the choice of offshoring mode. As we expected, companies engaged in offshoring strategies motivated by the previously developed strategic actions by competitors prefer to use external offshoring strategies instead of offshoring strategies of internal nature. We can therefore say that the strategies of imitation seeking will increase the likelihood of implementing external offshoring versus internal and / or concurrent offshoring, thus the fourth hypothesis of this study is confirmed.

5. DISCUSSION AND CONCLUSIONS

To choose the offshoring mode is a key decision for the company in the sense that this configuration will determine a new business and a new model of intra and inter firm relationships. Most managers and CEOs, when making a decision like this, tend to be clear the reasons or motivations for wanting to use these strategies, however they haven't any tool to help them to know the offshoring mode most appropriate to their motivations. Understanding the relationship between the factors of motivation associated to the use of each of these strategic options will facilitate the decision of managers to implement one offshoring mode or another.

Traditionally, the choice of offshoring mode has been linked to economic motives, using mainly the Transaction Cost Theory to explain this decision. However, as some authors say (Espino and Padrón, 2006), studying the offshoring only from an economic point of view means ignoring other organizational aspects or behaviours that could influence the decision. In addition to cost savings associated to the use of these strategies, companies can choose to implement offshoring strategies seeking resources not available to exploit distinctive capabilities or as result of the competitors behaviour, and therefore, other theories also the TCT, as the Resources and Capabilities Theory, the Dynamic Capabilities Theory and Institutional Theory, could

explain the choice of offshoring mode. The integration of these four theories can offer a much more comprehensive and complete information about the decision and reduce the number of variables that a company would need to decide what offshoring strategy to implement.

In this sense, the main contributions of this study are two. On the one hand, this study provides some empirical evidence about the use of offshoring strategies from a business perspective, much less analyzed so far. And on the other hand, the study analyses the influence of different reasons (economic, strategic and organizational) in the choice of one offshoring strategy or another, considering as alternatives of choice the two modes of pure offshoring (internal and external offshoring) and the mixed alternative (concurrent offshoring), much less studied.

From a theoretical review, we develop a model with four hypothesis based on the idea that companies that decide to use offshoring strategies motivated by cost reduction, access to resources or competitors behaviour, chosen offshoring strategies of external nature (external offshoring) instead of offshoring strategies of internal nature (internal and / or concurrent offshoring), while companies that decide to use offshoring strategies motivated by seeking improvements in the organization prefer offshoring strategies of internal nature instead of offshoring strategies of external nature.

With a total of 471 offshoring operations carry out for 263 European multinational companies and using a multinomial logistic analysis, the four hypothesis of the model were confirmed, in whole or in part. Overall, these results show that the choice of one of the three strategic offshoring alternatives analyzed (external, internal or concurrent offshoring) depends, a greater or lesser extent, on the motivation that drives companies to use these strategies. However, from the analysis of these results emerge more precise conclusions about the influence of motivational factors in the choice of offshoring mode. In this sense, the analysis of the results confirms that the companies that use offshoring strategies motivated by economic reasons prefer to implement external offshoring strategies. On the other hand, companies that use offshoring strategies motivated by seeking of resources or capabilities to achieve competitive advantage and not available within the company, or because they need to focus their efforts on core competencies to maintain or achieve that advantage, also prefer to use external offshoring strategies. In the same way, companies that implement offshoring strategies motivated by the actions taken previously by competitors prefer to use external offshoring. Finally, the results show that companies that carry out offshoring strategies motivated by seeking improvements in the organization prefer to use offshoring strategies purely internal (internal offshoring). Consequently, we can say that, while to minimize costs seeking, to access resources and / or capabilities seeking or to imitate strategic actions previously developed by competitors will lead firms to choose strategies of external offshoring instead of internal and / or

concurrent offshoring and seeking organizational improvements will lead companies to make the opposite decision, i.e., choosing internal offshoring strategies rather than external.

In short, from the academic point of view the results of this study can serve as reference for further analysis of the implementation of offshoring strategies in multinational enterprises. The importance of the use of these strategies today, especially in manufacturing companies, and the few studies that analyse of an integrated mode the three strategic alternatives (external, internal and concurrent offshoring) and different motivational factors (economic, strategic and organizational) of the the use of offshoring strategies, give support our research. On the other hand, from a business point of view these results endow to managers and CEOs of an integrating tool to make a decision as important as the choice of offshoring mode to implement by the company.

In conclusion, we would point out that the study and analysis of offshoring phenomenon needs greater concern on the part of academics, companies and European institutions, to know more about the true reality associated with these strategies. In this sense, this research offers a number of results that can be useful for companies that are thinking to implement offshoring strategies and for companies that using offshoring strategies are thinking to change the offshoring strategy.

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