A Critical Review of Off Shoring Decision Making and Operationality in SMEs

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Abstract – In today's global supply chains, which are complex, innovative, and competitive, outsourcing and offshoring have emerged as one of the most important and essential strategic initiatives. Among the long-term business initiatives taken by companies, this is one of the most prominent trends. Despite disagreements about outsourcing's effects on businesses, the practice continues in many companies. Companies of all sizes are increasingly relocating some of their manufacturing and sourcing operations overseas. Despite this, there is a dearth of research that focuses on offshoring decision-making procedure as pertains to Small Medium-sized Enterprises (SMEs). We surveyed French SMEs to learn how company size affects the outsourcing process, and we found that SMEs offshore a comparable share of procurement to larger organizations, though they tend to focus on fewer countries. We also showed that smaller businesses are not as well-equipped to make informed decisions about offshoring as larger ones are because they have less information about foreign countries.

Keywords – Outsourcing, Offshoring, Small medium-sized enterprises (SMEs), Analytical Net Process (ANP), Analytical Hierarchy Process (AHP).

I. INTRODUCTION
Outsourcing may have an optimistic, pessimistic, mixed, modest, or substantial influence on company according to a serious analysis of certain observed studies issued between 1996 and 2015. Some of advantages of subcontracting or outsourcing mentioned trendy literature comprise reduced costs, increased administrative efficiency and flexibility, market access, and greater creation/facility quality. Additionally, because of the diverse nature of the offshoring and outsourcing multilateral industry's business strategy, which includes value development and capture, there has stayed sign of high complexity that results in what Zhang and Phuan Tay [1] refer to as "architectures of multi-vergence" (i.e., several applications of irritated vergence).

Numerous sources in the literature on subcontracting and offshoring discuss an Analytical Network Process (ANP) framework that bids an extensive set of variables for tactical offshoring decisions. To determine the optimal strategy for offshore outsourcing, Shukla et al. [2] present an ANP-based methodology. A balanced scorecard-based ANP model is proposed by Mol and Brewer [3] to choose an IT outsourcing strategy at the company level. In order to select and evaluate contractors in logistics outsourcing, a method based on multi-hesitant fuzzified data was proposed. Two issues with logistics outsourcing were used to test the method. Lin and Hekkala [4] discuss the results of a literature study on the topic of IT outsourcing. Process management outsourcing is the subject of Kaushik’s [5] systematic review. To determine where an organization should set up a customer service contact centre after deciding to outsource it, Naseh [6] employs the Analytical Hierarchy Process (AHP) method. In command to make informed subcontracting choices, Gunasekaran [7] categorize acceptable outsourcing performance measures and metrics (PMMs) for the manufacturing and service industries, which may
be used to offshore, foreshore, or onshore outsourcing. Both offshore and reshoring of manufacturing are examined by Cohen et al. [8].

The outsourcing and offshore literature provides a number of different meanings of the terms. After reviewing the existing literature, we came to the conclusion that a broader description is needed to suggest in framework of contemporary corporate plans. From this extensive analysis of the existing literature, we derive the following description of outsourcing. The term "outsourcing" refers to the practice of contracting out a company's non-value-added internal and external operations, as well as its value-added external operations and/or its key competencies, to a third-party supplier in order to increase the company's competitiveness.

Offshoring is defined in a variety of ways in the literature, much like outsourcing. One definition of offshore is "the transfer of company operations to places beyond a company's national boundaries in order to sustain current company operations". In greater detail, offshore is described as "the process of outsourcing and organizing activities and business operations across national boundaries" by Gilani and Jamshed [9]. The literature distinguishes between two primary types of offshoring: (i) "outsourcing a task to an international vendor" (also known as "global outsourcing") and (ii) "having to perform an activity in a company's own subsidiary" (also known as "a captive model"). When we talk about outsourcing, we don't always mean sending work overseas. Offshoring, on the other hand, is a form of outsourcing that takes place across international boundaries.

Section III focusses on the research methodology employed for this research. Section IV focusses on the results obtained as well as discussing relevant themes for discussion. Section V draws final remarks for the whole research.

Section II presents a critical overview of the previous literature texts, while Section III focuses on the research methodology employed for this research. Section IV focuses on the results obtained as well as discussing relevant themes for discussion. Section V draws final remarks for the whole research.
Outsourcing: A story of two tales. The article explains how vendor certification aids vendors in some ways but hurts their innovative capabilities, which in turn slows their expansion. According to the article, there is a potential downside to vendor certification that must be managed by businesses.

Offshore outsourcing is affected by political risk. Morganti and De Giovanni [15] report main radical dangers influencing offshoring choices and assess their implications on seaward subcontracting entry strategy decisions through the lens of Transaction Cost Economics (TCE). Information Technology Outsourcing (ITO), Knowledge Process Outsourcing (KPO), and Business Process Outsourcing (BPO) are all types of business offshore outsourcing that are studied in this article, along with the impact of radical danger issues on entry manner choices in each. The findings of the study provide credence to the theory that institutional and regulatory variables play a significant role in influencing the rate at which offshore occurs. The paper argues that improving institutional and regulatory variables is essential.

It is necessary to analyze the success of offshore service providers since they play a crucial role in setting performance goals. According to the article "Cost-Benefit AHPSort for performance assessment of offshore suppliers" by shizaka and López [16], a new multi-criterion grouping technique named "Cost-Benefit AHPSort" has been reported. This methodology categorizes offshore providers based on their level of performance. Since it is more straightforward to compare metrics in the same direction, this analysis is predicated on disentangling cost and benefit overall evaluation. One example from the field of aerospace shows how useful the strategy may be. The results of the assessment will be communicated to the offshore providers so they can focus their efforts where they are most needed.

It is possible to get more insight and management of a company's manufacturing supply chain activities via a joint offshore and outsourcing decision model. The paper "Modelling collaborative outsourcing and offshore choices" by Kaur, Singh, and Majumdar [17] describes a methodology that helps decision-makers work together on offshoring and outsourcing. Combining fuzzy-AHP and fuzzy-TOPSIS with mixed integer non-linear programming (MINLP), this classical earnings into account both qualitative and quantitative criteria. Total costs are minimized by optimal supplier selection in accordance with the model's predictions of market needs.

When evaluating and choosing between potential outsourcing partners in underdeveloped nations, Pawar et al. [18] recommend using an ESI (environmental separation index) to take into account both external and internal environmental concerns. To better understand the complexities entailed in the choice of outsourcees from poor countries by outsourcing from affluent countries, this qualitative essay provides some background. This paper offers a significant contribution by using a critical theory lens to the problem of how to improve the evolutionary route of outsourcing partnerships by increasing the separation gap between outsourcers and outsourcees from rich and developing countries.

Uysal [18] provides a decision matrix for an industrial information system (IS) subcontracting scheme planning dilemma employing a bi-objective Goal Programming (GP) paradigm taking into account both benefit-related and cost-related goals. It is determined what factors, such as time and budgetary restraints, should be taken into account when making a final choice on which manufacturing IS outsourcing project to undertake. A fuzzy sets-based MCDM strategy dubbed "Technology for Order Preference by Similarity to Ideal Solution" (TOPSIS) is used to solve the GP model as a middle ground.

Potential Challenges and Benefits of Offshoring

There is a wealth of research in the literature pointing to the potential advantages of offshore, especially to low-cost nations. While reduced prices are the primary goal, several writers point out that offshore may also improve access to high-quality goods or services that need specialized knowledge or equipment to produce. The hazards of outsourcing have also been highlighted by research. As Kacani, Mukli, and Hysa [19] point out, the outsource runs the risk of losing money or seeing little to no profit from offshore due to unknown and unforeseen expenses that may more than cancel out the savings from lower labor costs. Dangers or factors to be measured earlier in an offshore choice, may be broken down hooked on the subsequent collections as described by Ho and Ran [20].

Challenges

Costs

Risks associated with labor costs include higher-than-expected expenditures as a result of quality issues or decreased output overseas. As the most significant danger of outsourcing, lower product quality is singled out by Khan et al. [21]. Atto and Guy [22] state that in command to provide required creation and course excellence there must be unanticipated charges for quality security protocols, quality control, and transaction cost for the overseas sites. Offshoring extends the duration of the supply chain, which increases the possibility of disruptions and delays in the delivery of products. This, in turn, may cause stock shortages, which leads many businesses to have a larger quantity of items on hand than they normally would. According to Chaomuang, Singphithak, Laguerre, and Suwapanich [23], if a corporation loses control of its supply chain, it will suffer enormous financial losses due to problems with international networking.

Infrastructure

The excellence of the substructure/infrastructure is crucial for two reasons. Firstly, components items manufactured in other countries need to be moved quickly and affordably. Second, the necessity for Western senior managers to make frequent trips overseas to oversee production and supply chain coordination necessitates the establishment of overseas operations close to major international airports in order to cut down on travel time and expenses.
Advantages

Several studies have found that SMEs stand and gain the most from offshoring because it allows them to supplement their meager internal resources with cheaper ones in other countries while also providing them with access to specialists and cutting-edge technologies that would otherwise be out of their price range. According to Witek-Hajduk, Grudecka, and Napiórkowska [24], "the expansion of the Internet, e-commerce, and information technology has made these tools more available to small firms." Despite this, SMEs remain typically originate to be fewer involved in global doings. Despite a growing body of research on the topic, we still don't know if large corporations' purchasing habits have trickled down to small and medium-sized enterprises (SMEs) or not.

Many SMEs do not realize buying as a strategic activity, despite the fact that it may significantly affect both expenses and innovation. Authors' [25] recent survey of literature on "buying and the SMEs" reveals a general lack of complexity among SMEs' procurement procedures: for example, e-business activities and other forms of cutting-edge purchasing are all but unheard of among SMEs, and most SMEs are believed to source locally rather than globally to mitigate risk. Fewer opportunities for offshoring exist, as noted by Ma and Ahn [26], because many SMEs lack expertise in procuring transportation services. They attribute this ignorance to a "lack of awareness that an efficient purchasing function can influence profitability," as stated by Musa et al. [27].

Whereas it comes to internationalization processes in general (which go beyond offshore procedures), Tchouwo, Poulin, and Veilleux [28] identify the following characteristics of small and medium-sized enterprises (SMEs): -SMEs globalize more gradually than bigger organizations; -SMEs are more reactive when big firms are proactive; large corporations see globalization (particularly offshoring) as a strategic choice; SMEs' operations are led by chance contacts and uncontrolled events; SMEs' processes "are frequently more ad hoc. In spite of the challenges, research on SME offshoring shows that more and more SMEs are moving at least some of their procurement processes overseas. In light of these contradictory findings and the paucity of literature connecting the offshoring decision-making processes with firm size, we developed the following research questions.

1) What the French companies' features in offshore operations?
2) Do these features rely on the companies' sizes, and if so, how could be characterized the procedure of offshoring based on the size of the companies.

III. RESEARCH METHODOLOGY

Methods

We oversaw a survey of 158 Western businesses in 2011 to learn more about their real overseas sourcing strategies. In France, a survey was sent out via email to roughly a thousand financial executives at businesses of varying sizes and sectors. Despite receiving 220 responses, only 158 were usable due to incomplete information from about a quarter of the sample due to the lengthy and detailed nature of the questionnaire. We gathered information regarding the following: the company's firm’s core sourcing policy (counting the percentage of products or services that are purchased overseas), the origin nations of these purchases, the primary drivers of offshoring decisions, and the most important considerations in making these choices.

![Percentage number of workers](image-url)

**Fig 1. Repartitioning of the Previous Sample**
Sampling
Sixty-five percent or more of the responders are buyers or buying managers. About 18% are chief executive officers, most often from smaller companies, and 17% work in fields such as accounting and supply chain administration. Our sample includes both small and medium-sized businesses (24% of the total) and big corporations (30% of the total) that together employ more than 5,000 people (see Fig 1). We collected data from small, medium, and big businesses to create three groups of about equal size for the purposes of statistical analysis (see Fig 2). Here are the European Commission’s (2003) classifications for our three categories:

- SMEs including significantly smaller companies under twenty people, with no more than 250 workers,
- ISE (Intermediate Sized Enterprise), from approximately 250 workers to 5000 workers.
- LE (Large Enterprise), more than five thousand workers.

![Fig 2. Distribution of the Sample in Three Groups](image)

Seventy percent of the pollees work in manufacturing. While our sample cannot be regarded statistical significant indicative of French firms, we draw the conclusion that it is indicative of firms in its industry because the proportion of purchase orders is greater in trade corporations than in amenities companies (what provokes greater adulthood threshold of acquiring policy initiatives in trade companies). Since there was an abnormally high number of manufacturing companies, we did not compare manufacturing to service businesses. Many SMEs and IEs are considered a subsidiary of a greater segment: about 50 percent of companies of not more than 250 workers, and 22 percent IEs are considered independent firms.

IV. RESULTS AND DISCUSSION

Current Situation of Global Sourcing
When it comes to the cost of products (and services) purchased overseas, our preliminary data does not reveal any clear-cut winner. On the other hand, whether we’re talking about a small or big business, international buying practices are very consistent: Almost half (47%) of both small and large businesses import less than 25% of their goods, while about a quarter (25%) import more than 75 percent of their corporation (see Fig. 3).

Surprisingly, membership in a group does not affect these policies. We might have assumed that small and medium-sized enterprises (SMEs) that are fragment of a greater group would take easier admission to info about nations far away and would be able to offshore more of their purchasing. Instead, we discovered that most small and medium-sized enterprises (SMEs) that outsource a sizable portion of their purchased goods are de facto standalone operations, with 38% conducting more than 75% of their procurement outside the country. When compared to the other 75%, 44% of self-governing SMEs purchase fewer than 25% of their goods overseas. Conclusion: Offshoring is just as crucial for small and medium-sized enterprises (SMEs) today, whether they are part of a larger group or not, as it is for large corporations.

Contrary to popular belief, this trend is relatively recent, as large companies started offshoring long before SMEs and intermediate-sized businesses (as depicted in Fig. 4). The Khi2 test demonstrates a statistically significant relationship between company size and the duration of the offshore policy: although the majority of big corporations started offshoring more than a decade ago, only 30% of small and medium-sized enterprises (SMEs) did so until the past decade. Our findings
corroborate those of an earlier study, which emphasized the importance of Multinational Enterprises (MNEs) as the driving force behind the rise of offshore as a standard method of sourcing goods and services throughout the world.

**Fig 3. Segment of the Offshored Business Purchasing**

**Fig 4. Age of Offshoring**

**Motivation for Offshoring**

As might be expected, the top two reasons for international offshoring are related to lowering production costs (81.6%) or lowering selling prices (80%) to improve competitiveness. The third reason (62% of responses) is to keep up with rivals who are already buying goods from abroad. Many executives believe that supply overseas, and especially in little price states, gives a modest benefit as a result, they track their rivals once these opt to offshore some of their purchases. This motivation may be seen as the interpretation of the "imitation effect" identified by Allioui, Habba, and Berrada El Azizi [29].
Dealing with the firm’s sizes, our findings indicate that all companies have quite similar motivations; 2 motives only considered to be stronger for small and medium-sized enterprises compared to the larger ones: the first one is considered the denial to lag behind rivals (what we utilized as a metric of the imitation impact). This denial is considered very decisive for approximately 78 percent of the enterprises, but less than 60 percent for larger firms. In that case, the imitation impact is more significant for smaller firms compared to their larger counterparts, what seems logical whenever larger firms start offshoring before the smaller ones. The second motivation, where variations appear between larger and smaller firms, is the ‘request for customers’ major accounts’ as shown in Fig 5, which is quite/very decisive for approximately 75 percent of SMEs, but just for 53 percent of the larger ones.

**Offshoring Countries**

Much of the survey inquired about respondents’ experiences with outsourcing to Western and other industrialized nations, as well as developing and non emerging ones. Fig. 6 shows that more than 70% of respondents’ purchases are made in China, making it the top offshoring destination for French businesses. Two more regions follow after Western Europe, and all three of them are low-cost zones: eastern and central Europe, India, and other emerging Asian economies. South Africa and the other BRICS nations don’t account for as much outsourcing as do countries and regions closer to home, such the Maghreb or Turkey.
Concerning the effect of company’s size, our findings indicate a stronger variation between offshoring policies. The evaluation of every area or nation, when considered separately, indicate a stronger correlation between firm’s size and the percentage of companies offshoring there (Khi2 test being important above 99 percent, excluding western nations, where Khi2 test significant dimension is at 95 percent: In that case, every nation, the number of companies which procure locally advances with the nation’s size, as shown Fig 7 and Fig 8.

![India’s Purchasing](image-url)

**Fig 7. India’s Purchasing**

![Turkey’s Purchasing](image-url)

**Fig 8. Turkey’s Purchasing**

These findings seem to run counter to our initial findings, in which we emphasized that there is no significant variation in global purchasing policies based on the size of the firm. Therefore, we constructed another variable, calculating the number of nations where buying is done, to comprehend why SMEs acquire less items or services in every region or country while offshore sourcing the same proportion of their company. As can be seen in Fig. 9, we discovered that this figure rises as the company expands. The same result held true when we restricted our analysis to low-income nations, as depicted in Fig. 10.
Fig 9 shows the total amount of regions that engage in offshoring, while Fig 10 displays the total amount of Low Wage Countries that engage in offshoring.

In conclusion, we find that larger companies in our sample are more likely to make international purchases of goods and services. This signifies that large businesses can more easily access a wider range of countries and broaden their supply areas, while SMEs are more likely to focus their offshoring efforts on a smaller set of nations. We hypothesized that this could be due to the fact that SMEs partake a harder time gaining the financial and organizational resources necessary to expand their operations into more geographical areas. In one part of the survey, we probed respondents on their perceptions of the degree to which they had been prepared for offshoring. We asked them to rate the degree to which they believed the start of offshoring operations had been fully, mostly, or only partially planned. As can be seen in Fig 11 (the Khi2 assessment is significantly overhead 99%), when contrasted with discrepancies in data access, responses are statistically coupled with the size of the firms. Based on the data above, we know that while 53% of large corporations feel confident in their decision...
to offshore purchasing, only 24 percent of SMEs share this confidence. On the additional end of the range, 31% of these SMEs admit that transactions are only partially scheduled, compared to 15% of larger companies. These two extremes leave a middle ground of intermediate-sized businesses.

![Fig 11. Readiness for Offshoring Among Companies](image)

V. CONCLUSION AND FUTURE RESEARCH DIRECTION

In answering our research questions and drawing conclusions from our analysis, we found that there are vast variations in the offshoring rules of businesses dependent on their scope. Even though the proportion of offshore services and harvests is independent of company size, we found that small and medium-sized enterprises (SMEs) incline to focus their global procurement on a small number of locations, while large firms distribute their purchases across the globe. Finally, we discovered that smaller companies are more plausible to offshore in response to customer influence if cost reduction is the primary motivation for all companies. We also discovered that the imitation impact, which we measured as a company's reluctance to fall behind its rivals, is more powerful among SMEs.

French SMEs offshore tend reactive rather than proactive in their decision-making processes. There are a number of caveats to this study. The first issue has to do with the fact that we cannot get a good grasp on some phenomena—like the fact that SMEs tend to be reactive rather than proactive when it comes to the offshoring decision process—because of the way we conduct our research. Our ability to draw parallels between the global behaviour of SMEs and that of larger corporations is only our second limitation. However, many researchers emphasize significant differences among SMEs, demonstrating that SMEs are not a monolithic group with uniform purchasing habits. We could learn more about how different types of small and medium-sized enterprises (SMEs) approach offshoring if we divided up our sample.

In the future, researchers might use longitudinal research to look into the relationship between a practice like outsourcing and an effect like agency issues. It is also suggested that social media's impact on data disparity be quantified. At last, a large dataset from multiple countries could be used to further validate the findings. To generalize the results of this research, more studies are needed in fields other than the pharmaceutical industry. It is suggested that additional research be conducted to broaden the scope of this study to include other forms of international sourcing.

In order to complete the conceptual framework, future studies should compare and contrast various certification programs and examine the various certification levels. It has been suggested that secondary data be used in future studies to investigate the product variable quantity. The third suggestion for upcoming research is to employ a longitudinal approach to better establish causality between the mutable quantity under investigation. This article proposes future research into the phenomenon of service offshoring using the balancing theories of action theory, communal argument model, and the resource founded sight. It is also recommended that researchers work on creating a perfect that receipts into justification all relevant internal and external features in order toward improve the predictability of company position and service offshore entry mode selections.

A deeper investigation into the use of fuzzy logic in the evaluation process is recommended. Research into the method's potential utility in other fields is another promising avenue. A potential direction for future study is to use the proposed MINLP model to find optimal and near-optimal solutions to large-scale, real-world problems involving joint outsourcing and offshoring. In a similar vein, it is suggested that other MCDM methods, such as TISM, ISM, DEMATEL, VIKOR,
ANP, and DEA, be used in a fuzzy setting. Another suggestion is to incorporate stochastic functions into the proposed MINLP framework for joint outsourcing as well as offshoring decisions. More investigation into how outsourcers from developing countries take into account their developed country partners’ internal and external contexts is warranted. Also, it has been proposed that future studies investigate the relative importance of these factors from the viewpoint of outsourcers from developing countries. The third direction for future study to examine dangerous bags of the outsourcer outsource connection flipping 180 grades the ways in which internal as well as external contextual ecological factors can narrow and cause this reversal.

Researchers in the future will focus on how to get decision-makers to adjust the weight of various objective functions for practical problems. Further study is also recommended into the model’s potential for use in selecting research and development (R&D) projects, engineering projects, and other types of projects, as well as other types of projects, using appropriate criteria for each type of problem. Future research may also look into the following areas: the reactive and proactive considerations governing outsourcing and offshoring decisions; the fundamental connection amongst the influences that control the choice the unities amid variables the corporate strategy partnership of the decision; the exploration of total, provisional, or combined subcontracting or offshoring decisions the focus and capabilities of companies.

Data Availability
No data was used to support this study.

Conflicts of Interests
The author(s) declare(s) that they have no conflicts of interest.

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The research has consent for Ethical Approval and Consent to participate.

Competing Interests
There are no competing interests.

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