Project Management in Outsourcing

Master Thesis within International Business Development

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Table of contents

1 Introduction ........................................................................................................................................... 4
  1.1 The Background of the Research ................................................................................................. 4
  1.2 Purpose and Research Question .................................................................................................. 4
  1.3 The Thesis Layout ....................................................................................................................... 5

2 Problem discussion ......................................................................................................................... 5

3 Frame of Reference ...................................................................................................................... 6
  3.1 The Definition of outsourcing ...................................................................................................... 6
  3.2 The Strategy of Outsourcing ......................................................................................................... 8
  3.3 The Process of Value Creation ..................................................................................................... 11
  3.4 IT-Outsourcing and its role for international businesses .............................................................. 11

4 Methodology .................................................................................................................................. 15
  4.1 Research Philosophy ................................................................................................................... 15
  4.2 Research Method ........................................................................................................................ 15
  4.3 Approach of the Research ........................................................................................................... 16
  4.4 Quantitative and Qualitative Data Collection ............................................................................. 17
  4.5 The Principle of Selecting firms for Interviews ......................................................................... 17
  4.6 The Personal Interviews ............................................................................................................. 18
  4.7 The Layout of the Interview Questions ....................................................................................... 18
  4.8 The Process of Analysis .............................................................................................................. 19
  4.9 The Validity of Research ............................................................................................................ 20
  4.10 Critics ........................................................................................................................................ 20

5 Empirical Findings ...................................................................................................................... 20
  5.1 Company A ................................................................................................................................. 20
    5.1.1 Presentation of Company ....................................................................................................... 20
    5.1.2 Strategy ................................................................................................................................ 21
    5.1.3 Outsourcing ........................................................................................................................... 21
    5.1.4 Pros and Cons of Outsourcing .............................................................................................. 21
  5.2 Company B .................................................................................................................................. 22
    5.2.1 Presentation of Company ....................................................................................................... 22
    5.2.2 Strategy ................................................................................................................................ 22
5.2.3 Outsourcing .................................................................................................................. 22
5.2.4 Pros and Cons of Outsourcing .................................................................................... 22

5.3 Company C .......................................................................................................................... 23
5.3.1 Presentation of Company ............................................................................................... 23
5.3.2 Strategy ............................................................................................................................ 23
5.3.3 Outsourcing ..................................................................................................................... 24
5.3.4 Pros and Cons of Outsourcing ....................................................................................... 24

5.4 Company D .......................................................................................................................... 24
5.4.1 Presentation of Company .................................................................................................. 25
5.4.2 Strategy ............................................................................................................................. 25
5.4.3 Outsourcing ..................................................................................................................... 25
5.4.4 Pros and Cons of Outsourcing ....................................................................................... 26

6. Data Analysis .......................................................................................................................... 27
6.1 Strategy of Data Analysis .................................................................................................... 27
6.2 Outsourcing Abroad ............................................................................................................ 31
6.3 Considerations about Outsourcing Abroad ....................................................................... 31
6.4 Consequences of Outsourcing Abroad ............................................................................ 33

7. Discussion and Conclusion ................................................................................................... 34

8 Further Research Suggestions ............................................................................................... 37

References ................................................................................................................................... 38
1. **Introduction**

The current thesis is devoted to the research of outsourcing of services in the international businesses as an important element of managing business development.

In the modern world the companies face the strong growth of concurrence. Those of them, who lead their business in a more effective way, manage to survive and reach success. Outsourcing is one of the most modern and successful models of management which help the companies to reach advantages above opponents. The companies delegate the professionally specialized service-providing companies some of their functions, that where previously fulfilled by themselves: accounting, juridical services, marketing researches, technical support of the internal corporate network, analysis of the incoming information and PR.

1.1 **The background of the research** is the fact that nowadays outsourcing is not only one of the managerial instruments. It has become one of the most significant trends of the international business that influences the development of the economics and changes in the distribution of workload in the developed countries. On the microeconomic level the delegation of services and production has become to a certain trend. The production chains are growing thanks to outsourcing and the production gets more diversified not only organizationally but also geographically. Competition that arose on the international arena because of outsourcing made companies work on the increasing of their production capacities and on building up efficient international cooperation networks in order to outsource efficiently. Those international players that fail to outsource efficiently lose the competitive ability against more successful and better communicative international businesses. In the main focus of outsourcing get those types of activities that are either far from main company’s profile or have no specific technology, so that they could be safely delegated to third parties. When we speak about IT-Outsourcing, it must be mentioned that the it contractors have to be chosen really accurate, so that internal data would stay safe. Less complicated functions could be easily fulfilled in other countries and enterprises.

1.2 **Purpose and research questions**

The purpose of the current paper is to find out whether outsourcing of the services in the international businesses can lead to improvement of their competitiveness against the local competitors. This thesis aims to provide an understanding how outsourcing influences the development of international businesses and find out which type of Outsourcing is getting most popular in Europe.

**Research Question**

We believe that international businesses manage outsourcing in a different way than smaller firms. The reasons why the project managers of international firms start developing outsourcing projects may be different in comparison to strat-up entrepreneurs who manage to survive due to successful outsourcing and task delegation. Concerning the fact the fact that we developed the following research question:

**What problems occur after the project managers start leading outsourcing projects instead of fulfilling the operational functions inside their company?**

Brown and Wilson (2005) stated that one of the most common outsourced functions is the IT-Outsourcing, followed by production, accounting, HR and cleaning services. In fact, the amount of potentially outsourced functions is endless.

Except the classical explanation of outsourcing phenomenon, e.g. cost optimization and quality improvement, there might be several hidden reasons. We want to find out what special reasons make
managers launch the outsourcing processes. The main focus will be put on the problems of outsourcing that project managers and CEOs face during outsourcing of the auxiliary functions of their firms.

1.3 The thesis layout

| Introduction       | We introduce the phenomenon of outsourcing in international businesses and discuss its importance |
|--------------------|-------------------------------------------------------------------------------------------------
| Frame of reference | We analyze existing theories and works on the topic                                               |
| Methodology        | We present the research method and the way of data collection                                   |
| Data Analysis      | Deep data analysis taking the methodology and frame of reference into account                   |
| Conclusion         | Presentation of analysis results and suggestion for later outsourcing research                   |

2. Problem Discussion of the thesis is based on the difficulty of choosing the proper contractor, that will manage to fulfill the delegated tasks better than the company itself and the company would survive the pressure of external factors abroad in the worse known economical, demographical and political environment. The first choice that outsourcers have to make is whether they should outsource some of their functions or not. The project managers have to answer the following questions: Should we outsource abroad or is it more convenient to find a contractor on the local market? How can we be sure that the data and IT-tasks that we delegate to subcontractors will be safe? Isn’t it more profitable to open a department that will manage IT, accounting, transformational and other tasks? Can some of our own colleagues manage more tasks so that we wouldn’t lose time and money on explaining other firms what goals do we have? Brudenall (2005) already discussed the
profitability of outsourcing. According to Brudenall (2005), project managers don’t take a critical look on disadvantages of outsourcing and just start following this trend. Without doing serious preparation and planning for outsourcing projects they may face bigger expenses than they have previously expected. Horgby (2005) stated that the decision to outsource should correspond with the final goals of a company, as well as its strategy and mission.

The study led by Bengtsson et al. (2005) named “Alternativ till Outsourcing” took its main focus on the small, middle sized and large businesses in the all-in-all amount of 267 companies that were managing outsourcing projects. According to that research the author concludes that a big amount of firms that were funded in Sweden tend to outsource their production operations to the developing countries in order to decrease the production costs and spare money on expensive Swedish labor force. In the modern businesses project managers and CEOs face the problems that take place because of outsourcing and there is a certain lack of knowledge in the literature in the field of outsourcing problems. In the following parts we are going to analyze the problems from outsourcing and take into account the opinions of the respondents, concerning this phenomenon.

3. Frame of Reference

3.1 The Definition of Outsourcing

Outsourcing is nowadays actively growing and according to the Study of Vaia and Oshri (2016), Europe has overrun USA in outsourcing industry in 2014 first time in history. The result was explained by striving for innovative solutions among managerial teams and project managers. They chose partners, cooperation with whom would add value to the organization.

One of the most successful models that help to lead management and achieve competitive advantages is outsourcing.

Let us first define the Outsourcing. This term is understood as s production of services or goods while cooperating with outside suppliers (Merriam-Webster, 2017). As neologism outsourcing appeared in the 70s as a phenomenon in the international businesses. By detailed analysis we find out that outsourcing has several aspects. According to Amiti and Wei (2005), Outsourcing as a term was first introduced in the “Journal of the Royal Society of Arts” in 1979 and described the delegation of engineering tasks of German car manufacturers to other smaller firms, who specialized themselves on specific engine parts production and assembly. According to Williamson (2008), who analyses outsourcing in connection with the theory of transaction costs that an international business may acquire goods and services either in complicating hybrid contracting form with other service provider or in a simple form of market economy, choosing the cheapest service price. In other words we can figure out several types of relations that occur between international businesses and their contractors in the sense of hybrid contracting with organizational hierarchy and simple market exchange.

It is known that organizations depend in strong from the environmental factors. In order to survive the concurrence they have to interact with their surroundings and other firms. Such factors as political, demographical, social also play an inevitable role in their development. In order to increase the profitability, quality of production and sales companies choose the outsourcers whom they can delegate their tasks and who can take responsibility for their key functions inside the country and abroad. Outsourcing is relatively new term but it describes rather classical phenomenon of distributing the processes to different geographical locations or at least to a different contractors in the same region. Labour costs, world economies, international trade and other economical issues influence the outsourcing. Being rather old phenomenon in international businesses, outsourcing as a term occurred four decades ago. During the 1980s it started occurring in scientific articles. After searching through “Science Direct” – database of scientific publications we find out that first usage
of term *Outsourcing* was made by Tsurumi (1983) and is devoted to the delegation of production tasks of Japanese car manufacturers in order to meet the needs of the American consumers’ needs. After the year 1983 we can also see several later publications that describe outsourcing but not in that higher amount as in the 1990s. We have counted 21 articles in the year 1990 and till the year 2014 the annual amount of publications that are devoted to outsourcing arose till more than 1600 on “Science Direct”.

Thus, the need to fragment services and goods production on the international level arose drastically in the last two decades. Previously outsourcing was mainly based on purchasing several goods on the local market on a contract base. In order to understand the studied phenomenon of outsourcing we will take into account the economic articles that define and describe outsourcing.

First of all, it is understood as the usage of external resources instead of own corporate ones. Secondly, it is an efficient managerial model that includes signing the subcontracts on all types of business activities except those on which the company is specialized. Thirdly, this process includes the delegation of several organizational elements to external firms that fulfill the management of these elements and fulfill the specified tasks for concerted remuneration.

Fourthly, it is a new strategy of managing international business. The *Wired magazine* defined outsourcing as “doing not what you can do best, but what you can buy most profitable” (Shershulsky V., 1999: P 10-14)

In other words, outsourcing is delegating the tasks that previously were done by the same company to other companies.

Some of the pioneers of this method became the automobile-producing companies of from the 1980s that started ordering specific car parts from the companies that were specialized in doing particular parts. Outsourcing began mainly as a new type of supply with goods and services. But later on the outsourcing processes became more independent and took a particular niche on the market. By the middle of the 1990s a big number of international businesses began to constantly use the benefits of outsourcing. Taking *Forbes 500* list of the year 1995 under consideration we can see that 40% of the companies there used outsourcing (Wreden, 1999).

Outsourcing gets more popular since the international businesses begin to differentiate the main business processes that get them the maximal profit and auxiliary processes that have support function for the sustainability of their business. Any auxiliary function could be delegated to companies, e.g. the HR-management, logistics, accounting and even assembling and production. But the functions that bear innovations in them are not being outsourced. In other words, the outsourcing could be expressed in a following formula: the main focus and resources are granted to the main business activity while the supporting functions are delegated to professional and reliable partners.

Thus, outsourcing is a usage of the external material, intellectual and labour resources. The most typical motives of using outsourcing are presented in the Scheme 1 (constructed by author).

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**Scheme 1.**

- Innovative technologies
- Entrepreneurial Growth
- Profitability Growth
- Cost optimization
- Quality improvement
- Usage of others’ experience

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*Outsourcing*
3.2. The strategy of Outsourcing

The strategy of outsourcing can be a planned one and emerging one. Speaking about planned strategy, the goals and intentions are being formulated in advance and there is no concern about the organization’s aims. As soon as the intentions have been discussed and set, their realizing should take place regardless the changes that take place in the business environment. That is why managing outsourcing has to do with the hierarchy. In the emerging strategies there is a sequence of taken actions and no planned intentions. It includes the learning from own experience. It doesn’t though would mean that the management of the company would go out of the control, the managerial team is ready for changes, flexible and it is reactive on the environmental issues. Both strategies the planned one and the emergent one are different extremes and are often used in a mixture. According to Mintzberg and Waters (1985), the management is reacting on environment and has at the same time organized structure. The project managers would in that case find that the strategies and intentions are put into life. During the strategy process some new strategies might also appear. When there is a combination of emergent and deliberate strategy it can be understood as realized strategy. There are more emergent strategies than the deliberate or planned ones, because of the fact that the future of the business is hard to predict. It depends on the dynamics of environment how strong the strategies will be changed. According to Harrington et al. (2004), the deliberate strategies might also take place in the dynamic environment.

The outsourcing can bring to the business sufficient benefits (Harrington et al., 2004):

- the reduction of investment into the auxiliary functions;
- focus on the main business activity;
- cost reduction due to lower amount of created and supported working places;
- the absence of dependence on the illnesses and dismissals of the subordinates;
- the usage of the high-qualified specialists with deep working experience, hiring whom would be too expensive;
- the usage of reach experience of the contractor and the possibility to learn from the service providing contractors;
- flexible reaction on the market change and on inner changes (reorganizations, restructurings, mergers and acquisitions);
- growth of the profit from business, because outsourcing decreases the costs of business process servicing;
- introduction of innovative technologies through the specialized outsourcing company;
- increasing the competitiveness of the company that uses the services of outsourcer.

There are several arguments that speak for outsourcing (Harrington et al, 2004):

- the price of services is generally lower due to the offer of standardized services;
- a broader opportunity of entering a market is being provided due to beforehand configured decisions;
- the predictability of costs: in the most cases the price of outsourced services is clearly fixed.
Thus, one of the attractiveness factors of outsourcing is the fact that the external service provider is able to provide cost saving, higher level of service due to the specialization and cheaper labour cost or scope effect. However, the outsourcing should not be understood as a method of costs optimization and production efficiency growth. Using the services of professional oriented firms, the businesses can assign their own resources towards the most profitable business directions.

Large enterprises get the possibility to increase their production effectiveness, introduce innovative technologies, using the flexibility of small firms-contractors. In some circumstances the usage of outsourcing is most effective. The following situations, according to Harrington et al. (2004) might be the case:

- The company meets strategic decision to focus its resources on the main business activity.
- The company is experiencing the period of inner changes (restructuring, reorganization, merger or acquisition process). At that moment the delegation of several functions might be one of the less painful ways of solving the newly occurred tasks.
- The business growth increases the load pressure on several functions proportionally. Due to the usage of outsourcing there is no more need in hiring extra-personnel and preparing working places.
- Large companies often face the problem that the costs of auxiliary business processes gets unproportionally high. The outsourcing usage in this case may give a tangible economical benefit.
- The company is experiencing the insufficient level of services’ quality, that are provided by inner company’s departments. (Harrington et al., 2004)

Outsourcing allows a company - firstly, to focus on the development of new products and services, which is of high importance in the circumstances of fast changing technologies and in need for having strong competitive advantage. Secondly, to increase the production flexibility – as it is easier to diversify the production lines and change production processes on smaller fabrics and lead the business on the shoulders of the cheaper labour costs.

According to Shershulsky (1999), there is one more motive of introducing outsourcing. It is caused by the fact, the investors in the European and American market economy don’t have a clear vision and orientation in a concrete business branches, especially those that are connected with real production and they meet the decisions following several formal criteria. Income per subordinate is one of them. Therefore the most motivating motive for outsourcing is the striving of open joint-stock companies to the formal improvement of their economical indicators. In that connection Bill Gates warns:"It isn’t hard to calculate the specific income of each subordinate but it is not a perfect indicator of enterprise’s work efficiency. Those enterprises that occupy a little number of specialists (probably, due to outsourcing) have a higher rate specific income. Nevertheless, the work efficiency of these enterprises can be lower than by the companies with lower specific income because of bigger number of hired personnel, that manages the whole scope of work" (Shershulsky(1999), P. 11)

When does the business start to outsource? Which other alternatives does it have? Answering these questions we will understand the reasons for the current fast development of outsourcing. The whole scope of reasons was already mentioned above but the reasons were distracted from rather practical than theoretical perspective.
Now let us come to the theory of economies of scale – the ratio between changing volumes of resources to the changing production volumes. Usually on the first stage of entrepreneurial growth a positive effect of scale is working: due to higher volumes of production the production costs per unit decrease. But the production volumes cannot be increased infinite. By the growth of the enterprise the positive effect of scale will be decreasing. From some stage it will be the case that fixed costs are getting higher than the amount of produced units. In that case the negative scale effect is working which could be also called the diseconomies of scale.

In order to enlarge the effect of scale the company should decide in which way the economies of scale will be reached. According to McDougall (2006), there are several alternatives for that: 1) the usage of inner factors of external enterprise (factory), 2) vertical integration, 3) horizontal integration, 4) diversification, 5) outsourcing (delegation).

The modern international businesses depleted the possibilities of getting scale effect inside one particular enterprise (factory). The well-known factors are working specialization, equipment, management, automatization and high-tech (McDougall, 2006).

The main variants of achieving positive scale effect are vertically integrated company, horizontally integrated company and diversified company. During many decades these were the way of development of large international organizations worldwide.

However during the integration and diversification there are certain risks of getting negative scale effect. First of all, it is all about immobility of company’s resources, especially in the vertically integrated structures, where the fixed costs are mostly high, because they support the production capacity during the whole vertical chain. The traditional subcontracting is one of the solutions of this case. The subcontracting is taken as primary option above vertical integration in those cases, when production processes of “mother” enterprise demand the presence of a specific technology or use concrete production factors as e.g. special machines, non-qualificated labour forces on secondary labour market (Gottschalk and Solli-Sæther, 2005).

Following all approaches mentioned above, businesses constantly seek for new ways of avoiding negative scale effect. In the modern circumstances the outsourcing provides such opportunities. With its help a company obtains a possibility to support and regulate the optimal business size and flexibly react on the market changes.

According to Dobronravov (2003), outsourcing is a win-win partnership. The highly-specialized service providers are interested in this type of business partnership. As a rule, these service-providers are middle-sized and small companies. Outsourcing in a certain way leads to the development of entrepreneurship. Thus, the amount of smaller enterprises is growing, as well as amount of the occupied employees in a specific business/production sphere. Small capital moves towards production sector and innovation-based business. (Dobronravov, 2003)

Shershulsky (1999) states several reasons that lead businesses to refuse outsourcing their functions. These are the following:

- The danger of delegating important functions to someone else’s operation;
- The danger of isolating the managerial team of business practice.
- The education of outside specialists instead of the inner ones.
The clear understanding of goal and calculation of profit as well as financial readiness for expenses are obligatory before planning outsourcing. Certain new expenses (connected with technical equipment, communicational means, and distribution of managerial tasks) are going to appear before the scheme begins to bring profit. (Shershulsky, 1999)

One of the reasons that prevent the outsourcing and international outsourcing in particular from its development is the fact that managers don’t plan to invest their time in cooperation with outsourcers. On the first stages of outsourcer’s integration the temporary cost of managers grow. Most failed outsourcing projects are connected with bad control of delegated business process from the order-making project manager. As a possible outcome the contractor starts fulfilling the business process which the company doesn’t need him to do. (Shershulsky, 1999)

3.3 The process of value creation

Outsourcing can be also seen as a process of value creation. (Reuvid and Hinks, 2001). Creating more value for the potential customers is achieved through such important counterparts of outsourcing as cost and time optimization, reaching higher quality of products, providing better customer service (Reuvid and Hinks, 2001). The process of outsourcing is also described by Bates et al. (2004) as cooperation between the outsourcer’s business and service provider, which creates a value for the costumers. The authors stated that outsourcing means not only buying products from subcontractor but also managing the quality control and discussion of tasks and goals with service provider. They also underlined the importance of creating of relationships between two firms based on the attitude of trust. According to Bates et al (2004), such type of cooperation leads to a synergetic effect that creates benefits for both sides. The four main drivers of outsourcing were thoroughly described by Quinn (2000):

- **Demand.** The growing demand for products and services gives even the companies who take and occupy tiny niche the opportunities for growth.
- **Supply.** Smaller businesses that possess skilled and highly-qualified labour obtain the possibility for more efficient competition. The risks of bankruptcy because of higher costs decreased for small service providers. The occurring technologies in a specific branch give the small businesses strong competitive advantage.
- **Means of communication** make the border-crossing easier for outsourcers who aim to interact with service provides from abroad, give them instructions and clarify tasks.
- **Latest incentives** are connected with decrease of tax rates, privatization of governmentally owned capital and getting rid trading barriers.

Quinn (2000) explains those drivers with the help of globalization processes. It must be also mentioned that larger strategic aims must be taken into account during planning of outsourcing. According to Quinn (2000), cutting the costs should not be set as a main aim of outsourcing. It is in fact use as an important tool in order to compete with larger competitors. The exchange of thoughts between outsourcer and service provider leads to mutual understanding and decreases the risks of unsuccessful outsourcing (Bates et al, 2004).

3.4. IT-Outsourcing and its role for international businesses

The international businesses as we already mentioned above tend to cut the costs with the help of Outsourcing. Outsourcing is an important managerial instrument that helps them in the
optimization of the operational and production processes. By delegating auxiliary functions to subcontractors and factories abroad the businesses can focus on their main sphere of activity. Iqbal and Nieves (2007) mentioned that outsourcing helps to shift value-creating processes from one company to other contractors. In order to create a more effective structure also IT oriented business tend to outsource IT services. By outsourcing IT services the outsourcers provide their companies with more flexibility and get the opportunity to return to their core activity. We must take into account that the increasing number of outsourced IT tasks and projects speaks for the importance of constant improvement of IT Outsourcing.

In the following we would like to discuss which factors influence the success of IT-Outsourcing. We will refer to the definition of Critical Success Factors given by Ward and Peppard (2002). According to Ward and Peppard (2002) the CSF are the areas of business where the things need to be done right so that the business would start to flourish. According to Austin (2002), the CSFs are defined as certain activity field inside the organization where the performance must be done on a satisfactory level in order to achieve the corporate goals and develop. Taking this definition of Critical Success Factors to the IT-Outsourcing it is important to underline that CSF of IT-Outsourcing lie in meeting the needs of customers of a company.

Outsourcing projects were already analyzed from the perspective of success factors by many scientists and researchers. Referring to Healy & Linder (2002) we can name the most significant success factors while managing projects in outsourcing:

- High-quality support from IT-specialists.
- Contract performance monitoring and measurement.
- Smooth execution of transitions as well as data unity and safety.
- Active communication with contractors.
- Both-side partner attitude from outsourcer and service provider.
- Clear understanding and discussion of the requirements.
- Leading of communication between the both contractors.

According to Gottschalk and Solli-Sæther (2005), the successffulness of IT-Outsourcing depends on such factors as the completeness of contract between the outsourcer and service provider as well as on the quality control of services provider’s work. Quality control is basically represented by simple and cheap monitoring methods of contractor’s activity and task fulfillment. According to Long (2008), in order to achieve successful IT-Outsourcing the managers should pay attention to selecting the proper service provider that can fulfill the delegated tasks on satisfactory level. Long (2008) also underlines the importance of correspondence of the outsourcing arrangement with the business goals of the outsourcer. In other words, management team of a company should bear in mind which main goals of their company can be achieved through the delegation of tasks to other firms. In case the service provider doesn’t meet the set goals, the management team should have an exit strategy.

The role of IT-Outsourcing for international businesses is significant due to many business factors, such as growth of production speed, the reduction of operational costs, acceleration of production speed and quality. But despite big amount of benefits of IT-Outsourcing for international businesses, there are many fails of IT-Outsourcing projects registered. Some pitfalls, caused by various reasons lead the IT-Outsourcing to failure. According to the Study, led by Deloitte Consulting (2007), only 34% of the executive directors confirmed that they have
received significant benefits after having delegated several operational services to service providers. Deloitte Consulting study also revealed that 35% of executives also said their businesses would devote more time to the evaluation of the service provider and its work. An important list of reasons why IT-Outsourcing projects failed was published by Gloosby (2004). According to Gloosby (2004), the most frequent reasons for these projects to be failed are:

- Neglecting of service agreement terms by service provider.
- Lack of quality in the services provided by service provider.
- Changing goals of the outsourcer.
- Poor level of leading the communication with service provider.
- The lack of communication between service provider and outsourcer.
- Unclearly set tasks from the outsourcer.

McDougall (2006) stated that the most frequent reasons for failed outsourcing projects are the poor level of service provider as well as low level of customer service. According to InformationWeek research led by McDougall, 45% of IT-Outsourcing failures occur because of the poor flexibility of service provider and as a result bad customer service. The hidden costs were mentioned as a reason of 39% of failed IT-Outsourcing and it is important to state that the aim of outsourcer is to optimize the costs. Thus, the hidden costs make the cooperation with service providers not profitable for businesses who want to delegate some of their operations and save costs.

In the following, we would like to introduce the so called IT Outsourcing spiral, which is a model, constructed by Robert Fabian (2007). According to Fabian (2007), the IT Outsourcing spiral is a guide for outsourcers and service providers that should serve to improvement of IT-Outsourcing.

![IT Outsourcing spiral (Fabian, 2007)](image)
According to Fabian (2007), there are several cycles of IT-Outsourcing that are inevitable in this process.

1. Concept – the management team sets the concept of the outsourcing. In this first stage the outsourcer finds out which benefits they can get from delegating several IT tasks to service provider and figure out which of them could meet their requirements best.

2. Contract – Outsourcer and service provider sign a contract that is based on the concept and explains the way how contractor should fulfill the tasks and manage risks. This document starts the relationships and defines its main terms and conditions of managing outsourcing.

3. Fine tune is presented as a process of adjusting the signed contract to the real experience in the following half of year – till a whole year. During this stage the transition of delegated tasks is being proceed to the service provider and current measurements concerning task fulfillment are being done.

4. Governance is an inevitable part of managing IT-Outsourcing. This stage is operated by the outsourcer’s managers. The communication between project managers and service providing company should lead to productive and stable relationships between two firms.

Besides, the IT Outsourcing spiral, according to Fabian (2007) leads to effective outsourcing arrangement, that are controlled by outsourcer (project managers) and fulfilled by service provider (vendor). Fabian (2007) stated, that in case the conditions of the outsourcing contract don’t meet the requirements of both sides, the contract should be reviewed and corrected from the perspective of spiral model. In this case the risks should be assessed and the final goal should be kept in mind.

3.5 Outsourcing Abroad

Outsourcing of specific activities led by international businesses and family firms has certain challenges and benefits. According to Filippov (2003), international businesses annually put orders on the sum of 9 billion USD for the smaller companies that create new Software and are located outside US and Europe. Research company “Aberdeen Group” states that the shift of IT project abroad helps to spare from 45% up to 65% of labour costs, office rents and infrastructure costs. (Filippov, 2003).

IT-Outsourcing abroad brings certain benefits while working with service providers from two types of countries. The first type includes the countries with high level of development in this outsourcing sphere. These are India, China, Brazil, Israel, Mexico, Philippines, Ireland and Russia. In the second type of countries this outsourcing sphere is in developing phase. These countries are Pakistan, Costa-Rica, Malaysia, Egypt, Jordan, Vietnam, Cuba and Salvador. Filippov (2003) highlights IT-Outsourcing achievement of India and South Ireland. India has thousands companies that provide IT-services and include more than 170000 IT-specialists, while South Ireland has more has 550 IT-companies, that belong to Irish founders and employ
more than 20000 IT-programmers. In order to represent the benefits of IT-Outsourcing in the countries mentioned above we constructed the following scheme (Scheme 2, created by author):

4 Methodology

The methodology part consists of several important topics. In the following part the theory that lies behind the method choices will be presented and analyzed. The qualitative method will be described and the reasons for its choice will be motivated and explained.

4.1. Research philosophy

According to Saunders et al (2007) methodology is a way of undertaking academical research from the theoretical perspectives. In the current chapter we will discuss the methodology upon which the research is based. Speaking about the research approach it is important to mention the investigation type that is used for gathering data. In the end of the chapter we will discuss the credibility and validity of the data chosen for analysis.

4.2 Research Method

In order to get the proper data for analysis we had to choose an appropriate method in order to gather information. To answer the research question we have to base on the proper data collected during the stage of data gathering. According to Saunders et al (2007) there are several important
counterparts that build up a base of a scientific research: “techniques and procedures”, “time horizons”, “choices”, “strategies”, “approaches and philosophies”. Saunders et al (2007) present their research model as an onion consisting of different research layers, which represent the stages mentioned above.

The two most frequently used methodological approaches are quantitative and qualitative research. Quantitative method is based on the results of tests, analysis and comparison of data. In order to make the information analysis the statistical measurement methods are being used. With the help of qualitative method is used in order to explain the existing phenomenon and to find out the way to generalize the collected information. That is the reason why the collected information is describing the general context and is providing deep understanding of the problem. Holme and Solvang (1997) stated that, in order to use the qualitative method one should have a closer access to the object of the research. The research upon an object should be done with deeper understanding of the situation in which the research object is (Holme and Solvang, 1997).

The way of gathering information as well as its analysis determines whether the study will be quantitative or qualitative. Kirk and Miller (1986) wrote that with the help of quantitative study an extent to which certain phenomenon or effect is present is being measured, while the qualitative approach identifies the absence or presence of a certain phenomenon.

Mason (2002) wrote that the chosen method should correspond with the set research purpose and as the purpose set in the current paper cannot be achieved with the help of numerical or statistical data, we have chosen the qualitative method in order to understand and analyze the subject.

4.3 Approach of Research

Choosing the right research approach has a strong influence on the whole process of the scientific research. In order to arrive to theory scientists take the deductive and inductive approaches during the research. Deductive approach helps to examine with the help of collected data the existing hypothesis. Researchers use the inductive approach in order to create a theory that would answer the existing research question. (Saunders et al, 2007) Inductive approach helps the researchers to create a new theory on the results of the collected empirical data. In the opposite to the inductive approach, deductive approach is being used during explaining of variables between the existing theory and the gained empirical data during the study. With the help of deductive approach the theories are being tested. Inductive approach has been chosen for the current thesis.

In order to produce the current master thesis, the author made a detailed literature review on the topics of project management and outsourcing of services. Having based on the collected information we formulated the research question. After having concrete research question we organized several interviews with international European firms’ project managers and production managers who shared their experience in outsourcing the services to other companies and achieving production efficiency or facing several difficulties in successful outsourcing. The empirical data collected during the research helped the author to develop reliable and valid theory. Because of that we decided to use inductive approach in order to answer the research question.
4.4 Quantitative and Qualitative Data Collection

Speaking about the way how empirical information is being gathered we had the choice between quantitative and qualitative collection of data. The different perspective of collecting knowledge and different research aims as well as the quantification question are influenced by choosing between qualitative and quantitative method (Ghauri and Grønhaug, 2005). Quantitative data provides the researchers with the numeric data that is quantified and is described by Saunders et al. (2007) as the information, which “values can be measured numerically”. At the same time qualitative data provides researcher with several complex perspectives of the way the interviewed respondents build and express their opinion towards analyzed phenomenon.

We decided to lead qualitative analysis based on the empirical data gathered from interviews. We have organized 6 meetings with CEOs, project-managers and accounting managers during which we lead personal interview and asked the questions that lead us to the fulfillment of the purpose of the current paper and answers for our research question. We based our research on the primary data, which is the answers of managers on our interview questions. Lekvall and Wahlbin (2001) describe the meaning of secondary and primary data for the fulfillment of the research purpose. According to authors, primary data helps to achieve the main purpose. We used the most significant answers as the primary data for our research. The secondary data was found with the usage of such engines as Google Scholar and Primo library with a focus on such terms as “outsourcing”, “international businesses”, “outsourcing abroad”, “offshore outsourcing”, “IT-outsourcing”. We also referred to official websites of the international companies, whose managers were interviewed. We asked the managers if they had any subcontractors abroad or whether they lead off-shore outsourcing, because we wanted also find out which pros and cons an off-shore outsourcing has above the outsourcing run in the same country. During the interviews we found out that 3 of the 4 companies already outsource production or IT-services abroad. The fourth company didn’t have a need to outsource its functions abroad and preferred to save more flexibility and increase CSR buy employing local employees and delegating tasks to local firms. We also took a look into the articles devoted to the topic of “outsourcing” and “outsourcing abroad” in particular in order to add additional information to the answers of the managers about the role of outsourcing in the development of the firm.

4.5 The Principle of Selecting Firms for Interviews

According to Holme and Solvang (1997), the companies that are chosen for interviews have to correspond with several criteria in a sense of their knowledge, connection to the field of research and be able to give answers that will correlate with the research problem. Mason (2002) underlines the importance of the practical as well as strategic character of the collected data in order to correspond to the purpose of the thesis. The principle chosen for company’s selection, according to (Keats, 2000) has to be closely connected with the analyzed research problem and thesis purpose.

After working with secondary data and articles devoted to outsourcing and outsourcing abroad in particular, we found out that one of the biggest Scandinavian logistics companies named PostNord actively delegates some of their functions on the territories of Denmark and Sweden to the locally based service providers in the field of car fixing, IT and even cleaning-services. We got interested in this company because it corresponds with the topic of our research and has international aspect within service providing. The other companies that were chosen for research
were Tchibo CIS, based in Moscow and providing sales of Tchibo coffee products in the 7 CIS-states; Minnaz – Swedish-based start-up, launched from the “Science Park Jönköping” and having freelance employees abroad; Lernia AB – Swedish-based, state-owned institution providing Swedish teaching services for non-Swedish language learners and job-hunting, job-matching services for people who seek for jobs, as well as for companies who seek for qualified employees. The Lernia AB doesn’t lead any outsourcing abroad in the opposite to the other three firms. We find it quite interesting to analyze what benefits do the in-shore outsourcing companies have above those that outsource abroad.

4.6 The personal Interviews

A personal interview with a manager contains interactive informational exchange and serves to a specific aim set by the interviewer. We decided to arrange personal interviews with the respondents in order not to have technical issues in the process of informational exchange and make the respondents feel free to share their ideas and concerns about outsourcing aspects in their companies, their problems while leading this difficult process and their further suggestions to the top management in a sense of improvement of production cycles, they are responsible for. Keats (2000) stated that the interviews lead in the goal of research are made for collecting and writing down the opinions of respondents but not changing their opinions or thoughts. Through our interviewing process we followed the qualitative approach of data collection, which is also a more common one and represents the ideas and opinions on specific topic. Holme and Solvang (1997) underlined that the qualitative data collection gives the possibility to pick specific and most significant answers from the made interviews and to our mind that type of data collection will fit our research purpose to get fulfilled. During the research process we will not mention all the answers, because some of them don’t contribute to the answering research question or research purpose fulfillment.

Andersson (1985) wrote that the personal interviews provide a less anonymous impression on the interviewed person, he or she might get less distracted and besides that the eye contact creates a more trustful relation and has a positive impact on the proper understanding of each other. The disadvantage of Skype- or telephone-interview is the possible loss of attention from the both sides. We decided not to arrange any non-personal interviews in order to avoid lack of mutual understanding and to collect most research purpose-correlating data. According to May (2002), the interpretation of the interview results and the filtering of empirical data plays a significant role in the research based on the interviews as primary data. Besides that, May (2002) also mentioned the importance of the knowledge background on the discussed topic.

4.7 The Layout of the Interview Questions

Mason (2002) stated that during structured interviews that are one of the form of interview among, unstructured and semi-structured, the questions are being asked according to a plan and no additional questions are coming-up. Taking this into account, we decided to move a bit further from this strict structure and during the interviews we asked also auxiliary questions in order to write down more precise answers. Besides that, Andersson (1985) stated that strict order of questions could make the interview more uncomfortable for respondents and keep them nervous. That’s why we decided to lead semi-structured interviews and support the respondents with auxiliary questions. In contrary to the structured or semi-structure interview, the unstructured interviews have no clear question lists but the questions arise spontaneously,
depending on situation and the direction of the conversation. According to Holme and Solvang (1997), the qualitative method fits well for leading unstructured or semi-structured interviews.

As we have chosen leading the semi-structured interviews, we aim on acquiring more interesting facts about outsourcing in these four companies and find out problems that created a certain pain to the companies during outsourcing and off-shore outsourcing in particular. These facts will help us answering our research question. That structure was also chosen in order to make interviews less formal and more relaxed.

The questions that we addressed to our respondents were based on the theoretical background of outsourcing and off-shore outsourcing. We managed to construct our questions as interrogative-led questions in order to get maximally full answers and get more important information from respondents. They have more freedom in answering these types of questions and therefore these interviews may have unexpected outcome. Basing on Keats (2000), the question that we asked didn’t contain any information concerning the “right or wrong answers” and they were constructed consistent in order to be appropriate for all of the respondents.

We asked all the five respondents for permission to record their voice and put their names in the current thesis. All of the respondents agreed to have their voice recorded. One of the respondents asked not to put his name into the current paper. Keats (2000) stated that anonymity is an important counterpart during the interviews for the scientific research. We recorded the interviews for technical reason, e.g. noting and repeating the most important answers that bear significant importance for the research problem and thesis purpose. We quoted the answers as precisely as possible after the respondents, improving only grammatical mistakes and syntactically wrong word order. It wasn’t a hard challenge for us to arrange five personal meetings with the companies’ representatives. We have also to say that the representatives were quite excited to participate in the research interviews conducted by students from the university, that they knew themselves or even once attended. Yin (2003), stated an important fact that the analysis and interviews’ interpreting process gets more trust-worthy when the gathered empirical data is being analyzed in a similar way. It took us approximately from half an hour to 45 minutes to conduct each of the interviews. The interviews with 3 firms took place in their corporate places. Lernia AB, Tchibo CIS and PostNord AB also gave us little “tour” through their offices and showed the main cycles of production or main aspects of their working processes. The Minnaz CEO gave us an interview in a public place. The tours through the corporate buildings gave a certain impact on visualization on how production processes really run. We also asked the managers to approve the written answers in order to avoid factual mistakes and wrong understanding of their opinions. We wanted make sure that only the factual empirical data will be analyzed.

4.8 The Process of Analysis

May (2002) stated an interesting fact that the new significant facts can be figured out after gathering all the data from all interviews and comparing them with each other. These steps helped us to conduct analysis of the received information. The next step after comparing data with each other is the comparison with the secondary data, academic articles devoted to the problem of outsourcing and outsourcing to the international subcontractors abroad. We presented the sources of the ideas concerning outsourcing projects in order to differentiate between empirical data gathered from interviews and secondary one from the articles. In that way we are
able to figure out if arguments are based on practical experiences of interviewed managers or on the theory.

4.9 The Validity of Research

Ejvegård (1996) stated that the investigation of the research purpose has to meet such demands as the tests, measurement instruments or research methods in order to stay valid for the scientific research and present a value for the science. The instruments for measurement should be chosen correctly and they should provide the trustfulness control of the research as well as proper interpretation of the data (Svensson and Starrin, 1996). Another important point, concerning the analysis of data from interviews was mentioned by Bjöflund and Paulsson (2003), who stated that the questions that are clearly formulated and well thought-trough increase the validity of interview’s empirical data. Validity of the research was divided by Eriksson and Wiedersheim-Paul (2001) into two types: external validity and internal validity. The external validity is about to what or whom the data could be generalized, e.g. to other situations or people. While internal validity proves that the right measurements in the right spheres were done. We tried to conduct interviews in the same way as we planned them in order to increase the external validity, that according to Yin (2003) should help to increase the validity due to leading the interviews in the same ways with each other. We manage to test the questions with other people before interviews and find out if they can lead us to answer of research question.

4.10 Critics

We are convinced that an access to bigger amount of firms and managers would increase the trustfulness of the research. The interview with the several daughter-enterprises on the topic of offshore outsourcing would complete the big picture of the outsourcing on the European and Global market.

5 Empirical Findings

We will discuss in the following chapter the most important results of the made interviews with managers and employees of several Swedish and German firms including family owned firms and start-ups.

5.1 Company A

As a first company for analysis and interviews we took PostNord AB. It is a Danish and Swedesh state owned logistics company. The interview was taken from the Production managers Emma Råberg and Daniel Kahn who are responsible for solving wicked operations in Jönköping and Småland.

5.1.1 Presentation of company

The company PostNord AB was established in 2009 after a merger of Posten AB (Sweden) and Post Denmark. (Government, 2017). Its main occupation is providing logistics and post services throughout Scandinavia and Germany. The office in Jönköping is responsible for logistics around region Småland. At the moment of interview at the 16th of December 2016 the office had 65 permanent employed employees. The managers use a lot of quality measuring programs in
order to analyze the volume of work and calculate the number of required postmen, driver who will manage the workload. The products are not produced by the company itself but the firm uses several service providers mainly in the field of IT and mechanical support of transportation vehicles.

5.1.2 Strategy

The strategy of the company PostNord isn’t outspoken. The customers of the PostNord are both individuals who receive packages and letters and firms who actively use the delivery of goods to the customers who buy online. The quality of the fulfilled operating functions is based on the feedback of managers that they provide to the headquarter through the outsourced software and the stability of vehicles that serve as a main delivery instrument and are being looked after by Atteviks when it is an VW vehicle, or Hedin bil for Fiat vehicles. The company requires from managers an everyday report concerning the delivery volumes, fulfilled tasks and technical condition of vehicles. From the interviews made within a company we found out that PostNord has a flat hierarchy and subordinates feel free to provide feedback upon their tasks, ideas or problems.

5.1.3 Outsourcing

According to Horgby (2005), outsourcing has lots of disadvantages for the companies. Production managed by someone else accordingly to author is lacking in quality when it is separated from development apartment. The outsourcer is called a “coward” in the article. Many companies who decide to delegate production functions to service providers often bear in mind not the total cost of outsourcing but only a product cost. Before launching an outsourcing project the project managers have to analyze and decide which functions then can improve and further fulfill within their firm.

5.1.4 Pros and Cons of Outsourcing

According to project manager Emma Råberg from PostNord, the costs of the outsourced services would definitely increase, but the time and efficiency that the service providers spend on fixing vehicles, software and computers overcome those fulfilled by PostNord itself. She also mentioned that the lack of communication between the Stockholm’s head-quarter and the Jönköping’s department has appeared due to the provided software of ATEA which doesn’t give the project managers of regional departments the opportunity to share the innovative ideas or critics that could be useful for company’s development. We assume that the outsourced software is a weak point in PostNord outsourcing actions. On the example of PostNord AB we can see how outsourcer loses flexibility and feedback options that are necessary for quality development and innovativeness of a firm. Besides that, we found out during the interview with Daniel Kahn, second project manager that such auxiliary function as cleaning of office is being outsourced to international professionals named ISS Cleaning.
5.2 Company B

The next company that we chose for interviewing was the Swedish start-up named “Minnaz”. The company founders created an application based on Google Translate and electronic dictionary “Lexin”. Together with two translational engines the app Minnaz allows Android and iOS users to create the language cards that they can flip in their free time having a look on the new vocabulary and its meaning in mother tongue. The monetization of start-up didn’t take place yet. In the perspective the founders plan to offer full packages of their e-learning software to academic institutions and private language courses whose main activity is foreign language teaching.

5.2.1 Presentation of the company

Minnaz was found by two JIBS Graduates in 2016 as a IT-project that was launched on the base of Science Park and uses international specialists in order to support its functioning in the field of foreign language learning. During the interview with one of two founders we stated that unlike other learning soft programmers the directors decided to take the vocabulary learning in the main focus and make learning new words process as visual and interesting as possible. At the moment the company office is based in Science Park and personnel is represented by two directors while the most important programming functions are being outsourced abroad to India. Both founders are able to introduce innovation projects and after discussion and analysis put online orders for offshore IT-service providers.

5.2.2 Strategy

The founder asked not to put his name in the current thesis but he shared with us with the current strategy of the company. According to director, the strategy of the company is to stay the absolute leader in its niche and base translational activity on the strong engines as Google translate engine and Lexin. The founders are convinced that the key to the success is in the shorter range of functions. From the interview we found out that after the application gets more stable and the design of the learning cards will be improved to a desired state the founder responsible for marketing and sales starts online campaign introducing the app on the platforms like YouTube, Facebook and Instagram. In order to reach a higher amount of app users the directors will contact such institutions as English First, Lernia and Goethe Institut offering premium packages for businesses.

5.2.3 Outsourcing

International outsourcing can be described as delegating of some functions to low-cost countries. The fact that the project managers managed to find contact with Indian IT-service providers has saved them a lot of money. During the start-up development the founders were holding to the bootstrapping strategy in order to minimize all the app developing costs. Outsourcing the app development to India helped them to get the same orders fulfilled with shorter budget.

5.2.4 Pros and Cons of Outsourcing

The benefits of the international IT-outsourcing made it possible to run the business with minimal expenses. That is definitely one of the strongest aspects of IT-Outsourcing. The second aspect was a high-level of professionalism that could be chosen as subcontractors for short-term
and urgent orders. The founders of Minnaz read the feedback about different service providers and were able to choose the most proper developers for their needs, regarding the operating system and programming language.

The interviewed founder of the Minnaz told us about the plan to outsource inside Sweden. Strong communicational problems occurred different the company and service providers. Due to different time-zones, peculiarities of language and culture and difficulties in communication the Minnaz founders could hardly explain the way they wanted to see the application. The communicational aspect remains a strong drawback of outsourcing. Bad experience of communication and as a result low quality of a IT product raises such questions as, either hire an own programmer or find professional IT-freelancer living in the same city in order to make negotiating and task-explaining process more fast and efficient.

We can see that firms of different business occupations may experience problems that can be easily taken in one category that we will name “Communication”.

5.3 Company C

As a third company for outsourcing analysis we have chosen the private company named Lernia AB that provides educational services as well as recruiting and re-qualification of personnel. The interviews were taken on the 27th of January 2017 from a teacher and a technical assistant of the company. They provided us with their experience of using electronic platform “ItsLearning” and shared their opinion concerning drawbacks and strong sides of outsourcing IT-platforms in the educational sphere.

5.3.1 Presentation of the company

The company was found in 1993 as an institution for teaching people with non-Swedish origin Swedish language and is being financed from the budget of the local Swedish municipalities, that send students for classes in order to re-qualify them and integrate them into working life in Sweden. The company’s headquarter is located in Stockholm. Lernia was created by the company AmuGruppen 1993 and is owned by 100% by the Swedish state (Lernia, 2016). According to corporate website the mission of the company is to change Sweden with the help of innovative solutions and ideas. The company provides education and re-qualification for adults and also works as staffing company finding jobs for unemployed people according to their qualification and professional skills and competences.

5.3.2 Strategy

The strategy of Lernia is to occupy the most international students in the local region. From the interview with Jenny Bernström, system administrator and Swedish teacher in Jönköping’s department of Lernia we figured out that in order to achieve a higher quality of educational and job hunting process the company outsources the digital platform provided by “ItsLearning” company. According to Bernström, the platform allows the students to work not only in class but also fulfill language tasks and written assignments from home. Jenny also mentioned that the outsourcing of ItsLearning helped them to reduce the amount of teaching hours during the week. “First, we have experienced some difficulties with the platform, because it didn’t look how we have expected it, so we negotiated with the company to customize it for our teachers and students” (J. Bernström, personal communication, 30-01-2017)
Jenny explained, that having an external platform provided by other company was the right decision that was taken in the headquarter in Stockholm. The company itself was not professional in programming and had focus on the main functions, e.g. teaching, seeking employees for Swedish firms and vice versa. Outsourcing IT tasks for professional IT-company was an important step in order to get competitive advantage over opponents, who didn’t introduce teaching platform in their educational system yet.

5.3.3 Outsourcing

The lack of communication with service provider - ItsLearning lead to system failures. Lernia’s Swedish teacher Maria Hjelmqvist expressed her attitude towards the delegation of digital platform to the company ItsLearning. “We had dialogue with our team concerning working quality of the platform ItsLearning and Jenny had to contact them in order to fix the system mistakes and make it better fitting for our academical program.” (M. Hjelmqvist, personal communication, 27.01.2017)

The Outsourcing of IT-services became the only one function that has been delegated to other company by Lernia AB. Lernia started Outsourcing in order to broaden their own services that they provide to their customers – students. The enriched functional of the learning process made the state-owned company competitive against private courses that often implement digital solutions and innovative techniques into their teaching methodology. According to IT-administrator and teacher Jenny Bernström, it was an important step to fit the modern trends of digitalizing educational process and letting professional IT-company develop the platform for Lernia was the better option than creating the website by Lernia’s employees, from the perspective of quality.

5.3.4 Pros and Cons of Outsourcing

In case the outsourcing of IT-services would be made to an offshore or foreign IT-company, the urgent fixes of platform’s functions and bugs would be impossible. Due to availability of ItsLearning in Sweden, IT-administrator managed to report and improve the bugging functions of the website and clearly explain what expectations the teachers have from the Lernia-customized ItsLearning. Doing in-shore Outsourcing is a more expensive but definitely easier way of delegating auxiliary functions to specialized service provider. Except better communication with service provider, outsourcing also reduced the amount of working hours of teachers and IT-administrator.

5.4 Company D

As a fourth company we decided to take family business named Tchibo, in particular their foreign department based in Russia. In Moscow “Tchibo C.I.S” headquarter represents only the coffee-trading branch. We managed to get in touch with one of the representatives of the Russian department of this well-known brand and figure out which benefits and drawbacks the outsourcing projects has brought to them.
5.4.1 Presentation of the Company

The Company itself is a family-owned business with the headquarter in Hamburg. The department, responsible for coffee sales in the CIS was registered in the year 2003 in Moscow (Emis, 2017). The main duties of the Russian daughter company in Moscow are wholesales of Tchibo coffee beans to the organizations in the C.I.S.-states. On their official Russian website, the company’s mission is presented as delivering high-quality coffee products to the consumers in order to make them enjoy different coffee sorts from elite plantations. (Tchibo, 2017). Since the founding year in Moscow the daughter managed to get access to the key customers through such large distribution groups as Auchan Group and X5-Retail Group as well as through smaller supermarkets, single entrepreneurs and HoReCa. Being a daughter of Hamburg-based family business, Tchibo CIS adopted most standards of backoffice working process. In the following we will present the empirical data concerning outsourcing of Tchibo CIS that were collected during the personal interview with accounting manager Igor Pobedenny, which took place on the 14th of January 2017.

5.4.2 Strategy

From the interview with accounting manager Igor, we found out that the strategy of Tchibo CIS is to reach more potential customers through advertising on TV and digital media and increase the demand of Tchibo products from the retailer chains.

Project managers send out monthly so called optimization questionnaires on the corporate e-mails of the subordinates in order to receive feedback from employees of different positions, who share critics and improvement offers for their working place, working cycles of their department and some creative ideas. In order to have the similar working processes as in the headquarter office in Hamburg the company is outsourcing the same IT Services as the German motherfirm. From Manager Igor Pobedenny we figured out that “SAP Solutions” is actively used as accounting and planning services provider. In the following we are going to speak about the most important subcontractors of Tchibo in Russia and Germany.

5.4.3 Outsourcing

It is important to start with the outsourcing of packaging to the Russian company Grand-NN. The company Grand-NN is based in the city of Nizhniy Novgorod and provides a factory for several companies, one of them is Tchibo. The fact is that the Tchibo CIS doesn’t do the packaging for the coffee beans from the third quarter of 2014. They outsource the factory for packaging coffee beans that are delivered from Hamburg in large palettes and then transported to the city of Nizhniy Novgorod that is located relatively close to the headquarter, based in Moscow. After the delivery the large coffee palettes are being packed into the 75, 125 gram glass jars as well as 250 or 500 gram vacuum plastic bags on two automated factory lines (I. Pobedenny, personal communication, 14.01.2017). The daughter company “Tchibo started outsourcing the production from the year 2014, after we decided to close our factory because of higher costs of Tchibo own factory in the Moscow region.” (I. Pobedenny, personal communication, 14.01.2017). The decreasing demand for premium coffee beans in the years 2014-2016 made the managers decrease the production and as a result made the production on a locally outsourced factory more profitable and less resource demanding. Thus, we can observe an example of strategic
outsourcing based on the bootstrapping strategy and maximal cost optimization because of harsh economical and political business environment.

SAP Solutions is a second biggest service provider of Tchibo CIS as well as of the Tchibo Hamburg. In order to have unified format of accounting and project budget planning, the accountants and project managers use relatively expensive software with a broad functional options both in Germany and in Russia. According to Mr. Pobedenny, the software could be simply replaced with more affordable “1C”-budget planning software that is widely used in many CIS based companies and is easier to manage. The functional and interface of “1C-Accounting” is better fitting for the local legislation and taxation systems. The accounting departments led long negotiations with Tchibo Hamburg, insisting on outsourcing more affordable and adjusted analogue software instead. The headquarter though insisted on usage of “unified accounting and planning software for every Tchibo-daughter enterprise” (I. Pobedenny, personal communication, 14.01.2017). This case is an interesting example of the way how international outsourcing can increase costs and decrease the efficiency of the document production, tax reports and project planning.

The third subcontractor of Tchibo is the “M. Marketing”. “M. Marketing” is Russian-based company that helps to promote the products and Tchibo products in the Russian speaking countries. The German headquarter met this strategic decision to outsource the marketing and advertising, including marketing in the digital media and social networks to a Russian-based company who can always consult them about the modern trends on the digital platforms. The own marketing department of the Tchibo CIS meets key decisions on the marketing campaigns and sends their plans to the “M. Marketing” so that they could use their ideas and concepts and run the campaigns with the help of their drafts, slogan and advertising message. The “M. Marketing” provides advertising of Tchibo products on the Russian speaking customer segment taking into account the main cultural peculiarities of the key customers – Russian speaking coffee consumers with high and middle income. This interesting phenomenon of outsourcing advertising and marketing tasks to subcontractor was described by Mr. Pobedenny as “the right decision that keeps Tchibo products recognizable on the shelves of retail store chains.

5.4.4 Pros and Cons of Outsourcing

Pobedenny is convinced that outsourcing of production and marketing has increased the speed of coffee packaging and ads customization in accordance with the cultural customs of local digital media users and TV-viewers. Though he strongly doubts the efficiency of IT-Outsourcing of expensive program software provided by SAP Solutions that doesn’t completely meet the needs of outsourcer and creates certain difficulties in producing and signing documents. Because of this some accountants has to manage larger scope of workload dealing with some wicked functions of SAP. We find that Tchibo CIS manages all-in-all outsourcing projects successfully, due to lower production costs and increasing brand recognition on the Russian-speaking market.
6. Data Analysis

In the following chapter the author will compare the empirical findings with the theory and provide the summary of ideas towards the outcome in the end of the chapter.

6.1. Strategy of Data Analysis

First of all, we figured out during our personal interviews with project and production managers that the behind outsourcing projects stand concrete strategic goals that are connected with the mission of the businesses and help to focus on the main types of company’s occupation, delegating auxiliary function to those subcontractors, who are able to fulfill them faster and better.

Thinking over the results of the interviews we came to conclusion that outsourcing problems and difficulties can be grouped into several groups. The categories of these problems are “grounded” in the empirical data and according to Charmaz (2014), they can be identified from the collected data and systematized. Grounded analysis will be used in the following in order to have explanation for the received data. We figured out that in companies Tchibo CIS, PostNord and Minnaz several outsourcing problems appear in the field of IT-Outsourcing and communication with subcontractors.

Taking Saldana’s (2009:12)”code-to-theory model for basis we managed to categorize the problems of outsourcing that appeared before project managers and CEOs during outsourcing their functions abroad and locally.

![Diagram](image-url)

*Figure 4. Created by author. Based on Saldana’s (2009) “codes-to-theory model.*
“ATEA provides us with servers and support of Computer Software for planning and reporting the volumes of deliveries and fault reports, but the software that we outsource to ATEA doesn’t always have necessary report functions and besides that we have to contact them often to fix the IT-problems” (Daniel Kahn, PostNord’s Production Manager, Personal communication, 27.01.2017)

“In order to control the quality of IT-Outsourcing, we have to keep contact with the Indian developers and as soon as we find a problem in the installation file, we have to write or call them, usually it is a second day after they present the finished order. The IT-Outsourcing creates communicational difficulties. We also started thinking of having own IT-developers in Sweden” (CEO of Minnaz, Personal Communication, 30.03.2017)

The following problem in the sphere of IT-Outsourcing was presented by Tchibo’s Accounting Manager Igor Pobedenny (Personal Communication, 14.01.2017): “SAP Solutions provides us with accounting and planning software, which is not good enough customized for the accounting and taxation standards in the CIS-states and besides that is a significantly more expensive software then the analogs like “1C-Accounting”, which is easier to handle for any accounting manager in Russia”. We can decode this thought into “Higher costs of IT-Outsourcing and lower level of speed and efficiency”

Jenny Bernström, system administrator and the teacher of Swedish language in Lernia AB, shared her experience in communication with “ItsLearning” platform: “I am responsible for implementing ItsLearning in the classes and first of all it was a platform which we had to optimize in order to make it easy for teachers and students to use: I contacted ItsLearning several times in order to make them fix the bugs and customize the user interface” (J. Bernström, personal communication, 30-01-2017). The process of contacting the service provider and fixing the platform was time demanding and Lernia AB, didn’t decide to outsource IT-services abroad, being afraid of having spent longer time for communicating and technical fixing of content on the learning portal.

From the “codes-to-theory model” of Saldana (2009:12), customized for our Outsourcing cases we figured out that challenges connected in first line with IT-Outsourcing can be grouped in several categories depending on the specifics of Outsourcing problem. Our respondents named us problems of communication with the service providers, high costs of outsourcing (economical problems) and technical problems of the provided services, like malfunctions, bugs and system failures.

Strategies of most interviewed businesses were not publically outspoken but they are clearly connected with their short-term and long-term goals. Mintzberg and Waters (1985) mentioned the three main types of corporate strategies, which are emergent strategies, deliberate strategies and mixed strategies. The project managers that mix the deliberate and emergent strategies let themselves more flexibility in contact with economical business environment and are more likely able to implement their preferred managerial styles. “Lernia AB” and “Minnaz” definitely apply fundamental elements of emergent and deliberate strategies.

Both emergent and deliberate strategies are described by Porter (2004): either the firms decide to achieve differentiation and uniqueness of their products and their quality, or they tend to focus on cost optimization and try to overrun the concurrents in the same segments offering the
customer similar service or product for lower price. Speaking about PostNord and Tchibo CIS, it must be underlined that both firms tend to choose the second option, while Minnaz and Lernia AB use a mixture of both strategies. Minnaz aims to become a unique learning app in its segment, providing vocabulary learning opportunities having based on such famous translational platforms such as Google Translate and Lexin. Meanwhile Lernia AB is willing to achieve the get the majority in the number of international Swedish learning students, sent by the Swedish communes with the help of their efficient learning program and usage of modern IT-platforms outsourced to other firms. At the current moment of app development the Minnaz outsources the programming functions abroad but is strongly controlling the quality of application development. By remaining as close as possible with the development processes the managers obtain the ability to figure out newly appearing outsourcing problems and correct the working process of service providers. According to Beal and Yasai-Ardekani (2000), there are several options available for CEOs and project managers to differentiate the ways of effective production. Differentiation strategy is to our mind actively used by Tchibo CIS, who decided to solve main managerial tasks and organize sales in-house and delegated marketing to local subcontractors and IT-services to international digital platform SAP Solutions. On the other hand Minnaz and Lernia AB constantly strive for production improvement and decrease the costs as much as possible. According to Porter (2004), economies of scale and sufficient level of quality are a part of so called cost leadership. Speaking about cost leadership, the strong investment into the production equipment must be mentioned. And here PostNord as well as Tchibo CIS could fit as a perfect example of beating the opponents with the higher levels of production equipment that is being outsourced to vehicle repairing service providers (PostNord) and production lines at coffee packaging factory (Tchibo CIS). The board of directors in Minnaz aims to solve the upcoming problems on the early stage and they have enough flexibility to contact the service provider on the stage of beta-product presentation. They tend to develop the quality expretises by hiring short-term beta-testers for better quality control of the planned products.

Competitive advantage, according to Chopra and Meindl (2001), could be achieved through the combination of company’s resources with the proper usage of externally lying opportunities. The combination of both authors call a strategic fit. In order to reach the strategic fit, PostNord works on the improvement of logistics trough the higher quality of technical means, such as vehicals support and better task planning. Lernia AB reaches the strategic fit by having the feedback from the students, sharing experience with the headquarter and communication with the subcontractor “ItsLearning”, explaining them their expectations and their idea of a modern digital learning platform. Minnaz reaches the strategic fit by getting a close contact with the active users of their app and carefully reading users’ and beta-testers’ feedbacks. Minnaz’ project managers also focus on the providing of unique digital service of high quality, to be more precisely the visual content that makes vocabulary learning process effective and enjoyable. They try to bring value to a customer and stay unique in their segment, that approach was described by Dobson et al. (2002). The following four necessary resources are, accordingly to Pulic (2004), delivering the uniqueness treats and qualities to a business: solutions, values, skills and the knowledge. At the moment, the Minnaz start-uppers use these resources in a balance which helps them increasing the number of app downloads from the Google Play every month. The proper usage of the resources mentioned above gives the company sustainable advantages above their opponents and allows a business to develop and grow. Barney (1991) mentioned that achieving sustainable advantage is a hard process which is non-substitutable and valuable. The CEO of Minnaz underlined that the sustainable advantage of their product is its user-friendly design and
possibility to use in any part of the world in order to maintain in new vocabulary of any language into the speech. He manages to achieve this competitive advantage even outsourcing the app production abroad to Indian developers. The directors of Minnaz give their best to build a close relationship with the app customers, who are mostly represented by international language learners and build the sense of community. Users of one application are able to exchange their ideas on Minnaz and share their experience of language learning with each other and developers. A great value is being created for the app users while they can easily become members of community of people with similar values and interests, e.g. travelling, reading and learning foreign language. It is a good example of the Barney’s (1991) competitive advantage.

The PostNord’s competitive advantage is the usage of modern technologies, advanced outsourced software provided by ATEA and gradual transition to automated sorting of letters and packages. Outsourcing of vehicles’ repair is also an important counterpart that maintains their competitive advantage above the main logistics opponents on Scandinavian and German market. Understanding the modern trends and the future shift to automatization of post sorting and delivery the company constantly works on the improvement of technical elements of their core activity. The big amount of customers that has been using their services for a long period of time and PostNord’s experience in the field of logistics makes their skills hard to substitute.

The marketing solutions outsourced by Tchibo create a competitive advantage and brand recognition due to the right choice of the marketing services provider. The experience of “M. Marketing” to work with the Russian speaking customer through the classical media as well as through the new appearing platforms and digital media increases brand awareness of Tchibo and allow the company to cover a big share of middle- and high-income customer segment. During the interview with Igor we found out that their company is satisfied with campaigns on both digital platforms and traditional media that “M. Marketing” is realizing. Outsourcing packaging of coffee beans into so called refills (plastic bags) and glass jars decreases the production cost in comparison to the packaging managed by Tchibo itself in the year 2014 and as result the price per item, which definitely adds volume for the coffee consumers. The only one difficult asect of their outsourcing remains IT-Outsourcing. IT services are outsourced abroad to a German company that hasn’t such big experience how accounting, tax declaration and planning in C.I.S-states work and besides that, the SAP Solutions platform is more expensive and not-customized for C.I.S. market. Thus, we can see that outsourcing doesn’t provide only benefits for the outsourcer.

According to Salaman (2002), the strategic decisions are based on complicated analysis of external and internal factors and because of that are often made by the top managers. In PostNord, Minnaz, Lernia AB and Tchibo CIS the decisions of strategic outsourcing are offered by project and production managers and are always agreed with CEO or top manager. None of the interviewed firms rejected the plans to lead offshore outsourcing even though cooperation with international subcontractors leads to certain communicational and cooperation difficulties and a larger time budget is required. Managing outsourcing abroad is an important choice that must be thought trough in advance. Among the four interviewed companies Lernia AB didn’t decide yet to start offshore outsourcing due to their desire to have faster access to their IT subcontractor “ItsLearning”. 
6.2 Outsourcing Abroad

In order to lead strategic outsourcing there is no necessity, according to Arbaugh (2003) to launch outsourcing abroad when the necessary capabilities and experience is already present in the business. The project managers and CEOs that we have interviewed are convinced that their businesses already have the necessary skills that create sustainable growth and competitive advantage in their niche. Speaking about PostNord they have a close partnership with their subcontractors and are getting the outsourced services done for a reasonable price and on good level of quality. They outsource abroad for own convenience: in order to get local support on vehicles and software equipment in Nordic countries and Germany. Outsourcing from Sweden to neighboring countries improves quality of their services and increases speed of support services from their subcontractors ATEA, Atteviks, Hedin bil and ISS Cleaning. In opposite to PostNord, the outsourcing projects launched by Lernia AB remain inside the country. Having planned outsourcing abroad would have increased the time necessary for communication with service provider and make the company less flexible in adjusting digital means for educational purposes. Laios and Moschuris (1999) mentioned that economical benefits are not the only one reason for outsourcing. More long-term strategies should be taken into account. Bengtsson et al. (2005) also mentioned that long-term vision and strategies should serve as a reason of strategic outsourcing abroad. Furthermore, according to them the decision of manager not to outsource abroad leads to a closer cooperation with the neighboring inshore suppliers, subcontractors and creates a stronger relation of trust with the key customers. The outsourcing of IT platform by Lernia AB proves that statement. Besides Lernia’s case, “Minnaz” project managers plan to hire Swedish developers and IT-service providers in order to get easier negotiation and communication with them and get all the outsourced tasks made in a way that corresponds with their corporate strategy. According to CEO of “Minnaz”, the closeness with the customers - foreign language learners can be achieved through the inshore development. By the end of April 2017, the downloads of the application “Minnaz” mostly from the Swedish “Google Play”. The PostNord’s outsourcing abroad is also connected with the desire to be closer to the customer. While working in the Nordic countries and Germany, PostNord needs local service providers for their software and transportation vehicles.

6.3 Considerations about Outsourcing Abroad

According to Leavy (2004), the business that decides to outsource puts the quality of the outsourced functions under a certain risk and that’s why the outsourcing decision especially concerning outsourcing abroad should be well analyzed and strategically planned. The loss of knowledge should neither take place after the outsourcing of production and services. Arbaugh (2003) also mentioned the dangers of losing the knowledge during the outsourcing of some important business functions. The managers and CEOs of businesses and start-up that we interviewed were mostly convinced that outsourcing abroad would not lead to any knowledge losses but would possibly increase the difficulties of communication caused by language and cultural barriers, telecommunication costs and different GTM-time zones.

Daniel Kahn and Emma Råberg at PostNord consider that the communicational cost would be not the only problem if they would outsource abroad the repair services. During the offshore outsourcing of car repair the company would lose significantly in repair time (and as a result in the speed of order fulfillment) because of the transportation of motor spare parts to the car parking stations from abroad. The whole repairing process of vehicles from abroad would lose in
speed to the fixing car in the neighboring repair centers. Speaking of IT-Outsourcing of PostNord, that could actually be an option. The company can find an offshore IT-services provider in India, Ireland any other IT-developed country and cut the costs on the cheaper subcontract with it. Having IT-service provider abroad is becoming a modern trend due to lowering costs of internet and increasing speed of connection, that would allow the company communicate with subcontractor. The reason why PostNord outsources IT to a locally based ATEA is that this service provider also provides IT-specialists who can personally come to PostNord’s offices and fix system mistakes. It has been also stated by Bengtsson et al. (2005) that outsourcing abroad should first of all correlate with the long-term strategy of a firm and not only optimize the services costs. By taking wrong decisions to outsource abroad the all-in-all costs of the company may even increase (Kakabadse and Kakabadse, 2000). Speaking about costs, we would like to refer to the Arbaugh (2003), who stated that costs may be seen as the most important outsourcing reason. The costs of outsourcing is directly connected with the level of hour salary in different countries. According to Wallen and Fölster (2003), many international businesses decide to outsource abroad to the countries with the low hour salary in order to get the maximum cost optimization from the offshore outsourcing. On the example of Lernia AB we can observe that the company hasn’t strong need to lower the costs on cheaper labour force. The amount of employees responsible for fixing the ItsLearning platform is very low, approximately one teacher per school, which doesn’t create a need to find an offshore IT-platform provider. In contrary it would increase the number of specialists responsible for communication with subcontractor, located abroad. In other words, the time spent on service provider to learn the needs the transaction costs were the factors here that according to Bengtsson and Berggren (2004) increase the costs and make outsourcing abroad difficult and expensive. According to research lead by Maramonte (1998), a big amount of companies that has been outsourcing their production abroad did not achieve the planned cost optimization because they didn’t take into account the transition costs.

We assume that “Minnaz” project managers decided to outsource abroad from the very first programming order in order to reach the short-term cost optimization. The start-up was supported by money that two co-founders earned working on other jobs and because none of them was programmer they decided to use the cheapest labour-force available on the freelancer websites. Nevertheless, the CEO is still considering of hiring inshore programmers instead.

The next reason that could be the barrier for outsourcing abroad is the risk of losing the control over some important key functions, which was described by Kakabadse and Kakabadse (2000). The other important negative factor is the decreasing level of flexibility especially when the business is connected with planning and production. According to Bellgran and Säfsten (2005), when the production is put abroad while the planning and construction remain in the head-quarter a lot of interaction difficulties between the two departments can take place. In the opposite to them, Corbett (2004) claimed that the flexibility and control over the off-shored production can be easily achieved if the outsourcing is done in right way. Tchibo CIS experience difficulties in the field of accounting and planning because of outsourcing IT services to SAP Solutions. Due to the fact that they don’t outsource abroad the packaging and production they feel more flexibility to introduce changes to the factory of “Grand N.N.”. The process of controlling and correction is easier for them to lead due to the fact that production takes place in the neighboring city to the head-quarter in Moscow. As the storage is also located in Moscow the logistics costs of transportation from the city of Nizhny Novgorod are neither insignificant.
According to manager Pobedenny the company is flexible in questions of production and sales. It can be explained by the statement of Bellgran and Säfsten (2005) who wrote about the closeness of planning and production of goods.

### 6.4 Consequences of Outsourcing Abroad

The European economy is strongly influenced by the globalization processes and the influence creates both opportunities and challenges for the international businesses based in the EU and outside of it. Speaking about Swedish economy, it makes sense to refer to Wallen and Fölster (2005), who mentioned that the advantage for Swedish-based businesses is the increasing export of services and goods outside the national level and growing customer base. The negative aspect of outsourcing abroad is the fact that the local service providers especially in the countries with high hour salary as Sweden and Germany start losing orders from the neighboring countries, as the outsourcers find cheaper way to manage the production or service abroad. Speaking further about outsourcing processes that lead to off-shoring of production we would like to refer to Bellgran and Säfsten (2005), who stated that technologically developed countries like Sweden in particular the service providers have to get main focus on the knowledge base, competences and innovative development of products. In that way Swedish-based business would prefer leading outsourcing projects without going abroad as the quality of provided services will overrun their price. The CEO of “Minnaz” is convinced that the future of the IT-Outsourcing lies in cooperation with locally working IT service providers, because the communicational issues with off-shore developers create difficulties in the development of functions and even the money saved on the lower hour salary of Indian programmers doesn’t compensate the energy and time spent on discussion and correcting of mistakes. The similar situation is the case with Tchibo’s Outsourcing of SAP Solutions appeared when the outsourcing abroad doesn’t fulfill all the needs of the employees and managers responsible for accounting, tax calculation and financial planning. It is the second company that proves the inefficiency of IT-Outsourcing abroad. Speaking about CSR and idea of supporting the national economy, Wallen and Fölster (2005) stated that Swedish-based firms have to take first into account the benefits and opportunities of the Swedish subcontractors. PostNord holds on to the strategy of getting workforce and subcontractors from Swedish labour market, as they see the advantages in the competences that Swedish companies have. They employ people without university education and take care about national labour market. According to interviewed production managers Emma Råberg and Daniel Kahn, the company sees perspectives in providing Swedes with works and enforcing national economy. It is an important reason of leading outsourcing inshore from the perspective of corporate social responsibility. CSR represents the way how the business delivers its values to the employees, society and customers (Csrnetwork, 2005). Brown (2005) states that integrated CSR in the strategy of the businesses may provide the companies with competitive advantages among the companies that don’t integrate it. Lernia AB and PostNord are the companies that act protecting Swedish subcontractors and have integrated CSR in their corporate strategies.
7 Discussion and Conclusion

In the following the author will present the thoughts toward the done analysis.

Speaking about “Minnaz” we are convinced that outsourcing inshore is a good compromise between cost optimization and high level of flexibility. It will help the start-uppers spend reasonable amount of money on the IT orders and Swedish developers and solve the problem of communication that creates at the moment certain pains, as the developers how work on their app live far away, have different linguistic and cultural background and cannot always meet the needs of the CEOs. Minnaz don’t have any competitors in their niche, according to the interviewed CEO and that creates a great possibility of redirecting outsourcing from India into the homeland. Answering the Research Question: “What problems occur after the project managers start leading outsourcing projects instead of fulfilling the operational functions inside their company?”

Taking into account the conducted interviews we found out that outsourcing abroad the IT-functions helps to manage the business and follow the bootstrapping strategy, while having low budget to develop a company. Speaking about the auxiliary functions that are being outsourced, it is important to mention that the problem of lower corporate social responsibility appears. The possibility to outsource services inshore improves the image of the company and also makes the communication with subcontractors easier. Besides that, in the Minnaz-case the outsourcing of IT-services solved the problem of different qualification of both founders, who have economical and managerial education and working experience and see the delegating of programming functions to the freelancers as an easiest option instead of dealing with programming themselves. Though, with the future monetization from their product the founders will be able to hire contract IT-workers in their backoffice. Due to the founders managed to realize the idea of vocabulary learning app thanks to the outsourcing, without delegating the programming tasks to subcontractors and offshore freelancers the whole project would remain in form of paper draft. Outsourcing helped to make a real working product out of the business-idea.

The PostNord feels a lack of knowledge in such spheres as IT and vehicles repair. The functions have to be fulfilled locally in order to have technicians nearby who could take care of vehicles. Being non-specialists in car-fixing or programming the production managers took the right decision to outsource these two auxiliary functions. After interviewing production managers in PostNord Jönköping we figured out that both of them are quite satisfied with the quality of fulfilled outsourced services and the quality of the working process in their Småland’s department, though Emma Råberg mentioned that she would appreciate if the Stockholm’s headquarter would listen more to the feedback of regional production managers. The communication problems appear not only on the stage of contacting the subcontractors but also on the national level during reports to the head quarter’s top management. The knowledge and long experience of the PostNord AB is connected in first place with logistic solutions and package delivery. The company’s management doesn’t find opening on IT or car repair regional department due to lack of knowledge and experience in these technically driven branches. We are convinced that loosing the focus from the main type of activity that this international company fulfills would lead to the loss of quality in providing the delivery services and to the loss of competitive advantages above the opponents in the logistics branche.
The result of professional managerial work is the efficient transportation of freight and packages among Scandinavia and Germany and fast letter delivery in Denmark and Sweden. Outsourcing auxiliary functions to professionals, PostNord remains a strong player with good quality control mechanisms and shows sustainable profit growth on the Scandinavian market. The improvement of information exchange and feedback between the Stockholm’s department and regional PostNord offices would, to our mind, lead to efficiency of realizing new creative ideas that the regional productive managers cannot deliver to the top managers. After interviewing the Jönköping’s PostNord representatives we found out that these people have to share more feedback with the board of directors but they are only provided with ATEA-based platforms to submit the reports and problems, which is insufficient to implement creative ideas and make them part of the company.

The interview with Moscow-based department of Tchibo, responsible for sales of Tchibo coffee products, as well as their advertising and packaging have given us mixed impressions. The functions that the company should outsource are chosen the right way. Basing on the interview company needs to make a Germany-based coffee brand recognizable among the Russian-speaking consumers, mainly residents of C.I.S.-states. The choice of “M.Marketing” as main subcontractor responsible for promoting and creating advertising campaigns on the digital media and traditional mass media was the right strategic decision and serves as a good example of strategic outsourcing. The other to functions that project managers decided to outsource are accounting and planning functions fulfilled by SAP Solutions and packaging of coffee beans from large palettes into glass jars and plastic refill bags that is currently run by “Grand N.N.” factory. Outsourcing of packaging to “Grand N.N.” was a strategic decision of project managers in 2014 caused by decreasing demand of Tchibo products and as result the company decided to close own factory in the Moscow region that had larger production capacity and production costs were close to the sales profit. Outsourcing the packaging to another factory that didn’t provide packaging services only for Tchibo C.I.S. was a smart and profitable decision. Decreasing demand for Tchibo-products in 2014 was the reason to find a cheaper solution for packaging outsourcing. The reason to outsource accounting and planning is the initiative from the Hamburg head-quarter that required the unified format for all international daughter-departments. Outsourcing advertising and marketing functions to “M.Marketing” is explained with the better experience of this subcontractor in the field of promoting consumer goods and creating media campaigns. The knowledge that this service provider possess made “M.Marketing” from the year 2003 year the main candidate to lead advertising campaigns of Tchibo coffee-products.

Speaking about Tchibo C.I.S., two of three outsourcing functions are outsourced efficiently and deliver high value to the product, while the outsourcing of SAP Solutions as already mentioned in the Figure 4 creates technical and economical difficulties. The yearly payment for accounting software of SAP Solutions is much higher then on the more efficient user-friendly “1C-Accounting” that many of the accountants at Tchibo were used to work with before being employed to Tchibo C.I.S. The planning optional of SAP Solutions remains insufficient for the company. Our suggestion would be to switch to a more appropriate service provider and outsource the accounting software that meets the needs of accounting department.

Last but not least company that we took under consideration on the question of outsourcing functions was the state-owned educational enterprise Lernia AB that besides teaching Swedish for foreigners also specializes on job-matching and recruitment. During our interviews with
teacher and IT-Administrator at the Jönköping-based teaching institution we figured out some problems in outsourcing that were similar to those of the Tchibo. We categorized them as “Economical and technical problems of outsourcing”. This phenomenon correlates with situation that Tchibo project managers experience during outsourcing expensive program software.

The only one function that has been outsourced by Lernia AB was the IT-platform “ItsLearning” that provides educational interactive content for students and correction options for Swedish language teachers. The company doesn’t have a need to outsource any other functions in the field of teaching. Concerning their second professional function of job-matching and providing recruitment for different Sweden-based firms, the company has created its own departments in the different Swedish communes and doesn’t need an external service provider for improving this function.

Jenny Bernström, system administrator and the teacher of Swedish, mentioned that outsourcing the IT functions helped the company to reduce the workload on the IT-administrators that don’t need to invent a learning platform themselves but can simply use a draft and fill it with the customized content and in case of bugs and system mistakes it is necessary to make just one phone call and report the system failures. The teachers at Lernia school are also satisfied with the quality of “ItsLearning” platform and its simple and user-friendly interface. According to Maria Hjelmqvist, the teacher of Swedish at Lernia Jönköping, whom we interviewed on the 27 of January 2017, the interface of the platform allows the teachers to control the submitted homework, write feedback and not to deal with kilograms of papers. The students get the possibility to study from home or library instead of handing-in paper written documents to the teachers.

Due to outsourcing of learning platform the company that originally didn’t possess any programming experience as a main value creation function got the competitive advantage with the modern language schools and courses who already integrated digital learning platforms in their businesses.

In order to sum up and **conclude** the data analysis in the current paper we want to get answer to the purpose of the thesis: “whether outsourcing of the services in the international businesses can lead to improvement of their competitiveness against the local competitors”. From the interviews with four companies, 3 of which are based in Sweden and one in Russia we figured out that these businesses and start-ups actively use outsourcing in different specific spheres where they feel the lack of own knowledge and professional skills. Outsourcing, especially outsourcing some functions abroad demands a higher attention from the managers on the one hand but increases the speed of production on the other hand. We wanted to mention that outsourcing and off-shore outsourcing is an important tool that in hands of less experienced project manager may harm the company, while being applied correctly and with the right subcontractors outsourcing starts bring value to the company and the stake-holders.

*Competitive advantages and the strategy.*

In order to preserve a competitive advantage in the quality of production above the opponents in high-cost countries such as Sweden the companies tend to implement differentiated strategies.
The examples of these firms would be Lernia AB and PostNord. The reason why the outsource inshore lies is the fact that they have important knowledge or experience that they don’t plan to outsource abroad and prefer keeping in-house. Such companies orient themselves on producing the high-quality goods and providing services on professional level. Services provided in Sweden as well as the products produced in Sweden have a positive image of high quality. In order to start production abroad the firms first analyze the benefits, which they could obtain from off-shore outsourcing and work on developing their capabilities in-shore.

Further considerations on outsourcing

The two of the four analyzed companies didn’t decide yet to outsource abroad. The focus of PostNord and Lernia AB doesn’t lie on strict cost optimization and bootstrapping. Their headquarters are based in Sweden and they don’t follow the low-cost strategies to over-run the same segment competitors. Just in the opposite to them Tchibo CIS and Minnaz are focused on maximal cost optimization. Minnaz for instance take the put orders on the freelancers’ platforms and delegate programming task to the programmers from IT-developed countries like India, who ask for a reasonable price for their services.

The consequences of Outsourcing

The consequence of outsourcing abroad leads to a high cost optimization but often creates difficulties in quality control and leads to connection problems with the service provider. The project managers launch offshore outsourcing projects only if they analyzed the risks and opportunities of taking these actions. Geographical isolation between planning and production decreases the flexibility of the company and increases. Outsourcing functions abroad also decreases the level of CSR in a sense of less employment of people from own country. Alder (2003) also mentioned that outsourcing offshore decreases the level of control above the outsourced functions. According to her, delegating the tasks, even though the auxiliary ones, decreases the concern about the role of these functions and because of the fact that service provider will be able to act in the name of outsourcing company, its actions can spoil the image of the company. (Alder. 2003) Therefore, when the CEO or project managers decide to outsource some functions, they still have to pay attention to the conditions under which they had hired the service provider.

8 Further Research Suggestions

We are convinced that taking one international company that actively outsources several functions to the other firms and another large company in similar segment that opens the departments for all necessary functions and make a comparative analysis on the profitability and flexibility of both companies. Another comparative analysis that would possibly give interesting results would be one between the company that outsources some functions inshore and off-shore.

According to Alder (2003), offshore outsourcing can cover bigger amount of operational services. Besides that, she also mentioned that with the improvement of technology the outsourcing abroad will be improved and will overcome the problems that take place during offshore outsourcing.
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