

Uncovering the nature of the relationship between outsourcing motivations and the degree of outsourcing: an empirical study on finnish small and medium sized enterprises

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Prior literature has identified several outsourcing motivations, such as cost reduction and access to expertise, and deciphered the influence of these variables on outsourcing decisions. In another stream of outsourcing studies, researchers have gauged the degree of outsourcing, unearthing how companies may choose to outsource a set or processes instead of the whole business function. In this article, we draw on both of these streams of outsourcing research to study the relationship between outsourcing motivations and the degree of outsourcing within a particular business function. We probe the effect of nine motivation items on outsourcing decision through an empirical study using survey data gathered from 337 small and medium-sized enterprises. We find that cost reduction, a focus on core competence and business/process improvements are all associated with a higher degree of outsourcing, but interestingly, access to expertise is negatively associated with the degree of outsourcing. This finding suggests that companies that outsource mainly to acquire external expertise outsource only a limited number of processes within a specific business function. Our main theoretical contribution lies in uncovering the dynamic nature of outsourcing motivations, meaning that as companies outsource a larger degree of their business processes, some motivation items become more accentuated and others fade in importance.