



Employee Relations

Outsourcing and financial crisis: evidence from Icelandic service SMEs
Ingi Rúnar Edvardsson Unnur Dilja Teitsdóttir

Article information:

To cite this document:

Ingi Rúnar Edvardsson Unnur Dilja Teitsdóttir, (2015), "Outsourcing and financial crisis: evidence from Icelandic service SMEs", *Employee Relations*, Vol. 37 Iss 1 pp. 30 - 47

Permanent link to this document:

<http://dx.doi.org/10.1108/ER-11-2013-0168>

Downloaded on: 07 November 2016, At: 01:47 (PT)

References: this document contains references to 51 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 555 times since 2015*

Users who downloaded this article also downloaded:

(2014), "Towards a framework for performing outsourcing capability", *Strategic Outsourcing: An International Journal*, Vol. 7 Iss 3 pp. 226-252 <http://dx.doi.org/10.1108/SO-04-2014-0004>

(2015), "Exploring the relationship between organizational citizenship behavior and organizational justice in the Islamic Saudi Arabian context", *Employee Relations*, Vol. 37 Iss 1 pp. 2-29 <http://dx.doi.org/10.1108/ER-03-2014-0033>

Access to this document was granted through an Emerald subscription provided by emerald-srm:563821 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Outsourcing and financial crisis: evidence from Icelandic service SMEs

Ingi Rúnar Edvardsson

School of Business, University of Iceland, Reykjavik, Iceland, and

Unnur Dilja Teitsdóttir

University of Iceland, Reykjavik, Iceland

Received 25 November 2013

Revised 28 March 2014

3 May 2014

Accepted 12 May 2014

Abstract

Purpose – The purpose of this paper is to analyse the application of outsourcing within Icelandic service companies in the wake of the banking collapse.

Design/methodology/approach – Findings are based on comparing surveys conducted in early 2009 (381 answers) and in the summer of 2013 (212 answers).

Findings – In general outsourcing did not increase, but most SMEs had extended their outsourcing in almost every area of operation, such as human resource management (HRM), IT and peripheral tasks. Also, more SMEs gave cost-reduction as a reason for outsourcing in 2013, and more respondents in 2013 expressed a positive experience of outsourcing. It is uncommon for companies to outsource human resources or lay off staff. Instead, outsourcing mainly focuses on aspects of information technology as well as administrative and peripheral functions.

Research limitations/implications – The research highlights service firms in one country by survey methods. Further research is needed in other sectors and countries, and more varied research methods are recommended.

Originality/value – Research on outsourcing in SMEs in the wake of the financial crisis is rare, and very few studies have focused on the HRM implications of outsourcing in SMEs. This study can inform researchers and practitioners on critical aspects of outsourcing.

Keywords Outsourcing, Financial crisis, Resource-based view, Human resource management, Small to medium-sized enterprises (SMEs), Iceland

Paper type Research paper

Introduction

A severe economic crisis hit the world in the autumn of 2008. Banks went under, public spending and social welfare programmes were cut, and access to finance became severely restricted. As a consequence, a great many firms were closed, while others were reorganised, unemployment rose dramatically and demand shrunk. It is estimated that large companies will use outsourcing and offshoring to cut costs and increase competitiveness in the years ahead (Iqbal and Dad, 2013). Outsourcing has been used due to its potential for cost reduction, increased effectiveness, competitiveness and focus on core competencies, as well as for gaining access to a global talent pool and the global market (see Bryson, 2007; Di Gregorio *et al.*, 2009; Iqbal and Dad, 2013; Kakabadse and Kakabadse, 2002; Tradelis, 2007). Only few studies have been done on outsourcing in SMEs such as on offshoring, human resource management (HRM), service firms, the footwear industry and broadband use (Arbore and Ordanini, 2006; Belso-Martinez, 2010; Di Gregorio *et al.*, 2009; Edvardsson, Oskarsson and Vesteinsdóttir, 2011; Galanaki and Papalexandris, 2005; Sheehan, 2009). This is a serious drawback, given the importance of SMEs for employment, economic growth, and innovation (Cassell *et al.*, 2002; O'Reag and Ghobadian, 2004; Rutherford, McMullen and Oswald, 2001).



Larger firms have a variety of means to respond to a financial crisis, such as cutting cost, selling off assets, reorganising the operation, or trying to increase revenues (Hofer, 1980). They have also far easier access to loans from financial institutions than SMEs which have far fewer options and usually have no assets to sell off. SMEs' crisis response mainly relates to financial management, product management and R&D, production management, reorganisation and even seeking niche markets (Latham, 2009; DeDee and Vorhies, 1998). The flexibility of small firms and their close relationship with customers have proven to be a successful adaptation to economic downturns (Bumgardner *et al.*, 2011; Latham, 2009). We only have limited knowledge, however, as to how SMEs respond to economic recessions and whether they use outsourcing as a means to reorganise their operations in order to cope with economic struggles. This paper attempts to fill this gap by looking into outsourcing as part of reorganisation following an economic crisis. The aim of the paper is to analyse whether there has been a change in the outsourcing pattern of Icelandic SMEs in the service sector between early 2009, shortly after the financial crisis hit the world, and in the summer of 2013. By means of two surveys we ask the following questions: has the extent of outsourcing changed? second, are the reasons for outsourcing different? what kinds of activities have been outsourced? and have the benefits from outsourcing in small and medium-sized service firms in Iceland changed?

As suggested by the resource-based perception of companies, it is our opinion that outsourcing by companies in the service sector has the main purpose of improving their competitive position. The focus here is on outsourcing of peripheral and administrative tasks as well as low knowledge activities. The importance of human resources in SMEs, however, suggests that those are unlikely to be outsourced to any significant extent.

Our definition of SMEs is modelled on that of the European Union (2005), which specifies that micro undertakings should have fewer than ten employees and a maximum turnover of €2 million; small businesses are those with 10-49 employees and a turnover of less than €10 million; and medium-sized firms have 50-250 employees and a maximum turnover of €50 million. We also keep in mind Torr s and Julien's (2005) small business model which sees SMEs as comprising small size, centralised management, limited worker specialisation, initiative and short-term strategy, loose internal and external organisation and products and services chiefly focused on regional markets.

In the next section, the theoretical framework is presented, whereas the research methods are described in the third section. The findings of the study are presented in the results section, followed by a discussion and conclusions.

Theoretical framework

Outsourcing and cost reduction

There are many different definitions of outsourcing. In all cases, outsourcing requires third party involvement (Jagersma and van Gorp, 2007). We share the definition of Manning *et al.* (2008, p. 35) where they state: "Outsourcing [...] denotes the delivery of products or services by an external provider – that is, one outside the boundaries of the firm". Whether to outsource or not is a strategic decision, that is, to buy in products or services or produce within the company (Edvardsson *et al.*, 2011).

Among the most frequently cited rationales for outsourcing is cost reduction, while maintaining identical or improved services, the assumption being that current in-house expenses exceed the expected expenditure of purchasing the services externally.

The items in question comprise labour costs, less-restrictive work rules abroad, transport, travel, reduced capital expenditure, cheaper raw materials and other costs. Another motive for outsourcing may be the wish to cut indirect costs, for example by reducing staff and simplifying infrastructure, and applying stricter cost control (see Kremic *et al.*, 2006; Lacity *et al.*, 2008; Di Gregorio *et al.*, 2009; Quinn, 1999; Van Gorp *et al.*, 2007). Cost driven outsourcing is relevant to transaction cost economics (Williamson, 1979), emphasising that organisations will not only focus on the immediate expenditure of obtaining goods or services, but also the costs related to monitoring performance, managing contractual obligations, and supervising staff (Klaas, 2008). As a result of specialisation and economics of scale, outsourcing can achieve sufficient savings to perform a task more economically than another company already carrying out the same function. The volume of work, however, has to be large enough to cover additional transactional costs, so that overall savings can be achieved (Lacity *et al.*, 2008). According to transaction cost economics (Williamson, 1979) small firms usually have low negotiation power and are more subject to higher opportunity risks, and more reluctant to outsource. This has been shown in former research where larger firms tend to outsource more in general than smaller firms (Belso-Martinez, 2010; Edvardsson *et al.*, 2011).

From these observations we hypothesise the following:

- H1. Firms will outsource activities primarily on the basis of cost; i.e. they purchase services from outside providers when they are cheaper than their in-house equivalents.
- H2. Cost reduction reasons for outsourcing carry much greater weight after the financial crisis.
- H3. Small firms outsource less than larger firms due to higher opportunity risks.

Strategy-driven outsourcing

Strategy-driven outsourcing has become more common in recent years, which may result in improved business performance and effectiveness. Perhaps the most prominent strategic reasons for outsourcing involve allowing organisations to better focus on their core competencies that other firms have difficulty in copying. This is due to intense competition, forcing organisations to reassess and redirect scarce resources towards their core functions that enable them to expand to worldwide reach. Yet another widely cited rationale for outsourcing is to gain access to unique resources, skills and talents, and capabilities possessed by other firms, such as the latest technology and infrastructure. Costa (2001), for instance identified a focus on core activities and lack of resources, skills and time as the main reasons for IT outsourcing in Australia. Greater flexibility in managing demand swings, and reducing company risk by sharing it with suppliers are also mentioned as motives for outsourcing (see Kremic *et al.*, 2006; Di Gregorio *et al.*, 2009; Lacity *et al.*, 2008; Quinn, 1999; Tam *et al.*, 2007; Vietor and Veytsman, 2005).

The strategy-driven outsourcing model is linked to a resource-based view of the firm. This examines those resources and capabilities of companies that enable them to generate above-normal rates of return, as well as a sustainable competitive advantage which other enterprises find it hard to imitate (Barney, 2001). Quinn (1999) maintains that these tend to be intellectually-based service activities or systems at which the

company excels and are of particular importance to customers. Rare and precious resources which are not easily copied form the key to a company's success and are regarded as core competencies. According to the RBV-theory such resources are difficult to imitate because of their special historical origin, their link to long-term competitive advantage is not easily explained, especially since they may be socially complex, for example with a foundation in interpersonal relations, organisational culture and a well established reputation in their client circles (Barney, 1991). Such resources should be supported, while others are more suitable for outsourcing.

Earlier studies have shown that some functions are more amenable to outsourcing than others. Thus, the less complex, and the more structured the function, the more of a candidate it is for outsourcing. Similarly, functions involving less asset specificity and impacting a fewer number of employees could well be regarded as prime choices for outsourcing (Kremic *et al.*, 2006). Quinn (1999) suggests that functions carrying low strategic risks and low potential for a competitive advantage (buy off the shelf where little control is needed) should be considered for outsourcing. Similarly, Mithas and Whitaker (2007) conclude that functions with high information intensity are best suited for outsourcing, since such activities can easily be codified, standardized, and separated into individual components. Companies should be wary, however, of outsourcing service activities where physical presence and high skills are of particular importance.

The outsourcing of knowledge and information-related tasks has increased recently where sophisticated processes such as valuation and investment research, product development, medical diagnostics, etc. have been outsourced and offshored. This trend is encouraged by the fact that companies want to be able to access a global supply of highly skilled labour (Iqbal and Dad, 2013; Manning *et al.*, 2008).

Earlier research has revealed that larger firms have more of a strategic vision towards outsourcing and seek to find partners throughout the world, while smaller companies use selective outsourcing in local markets (Edvardsson *et al.*, 2011).

From these observations we hypothesise the following:

- H4. Companies will mainly outsource for strategic reasons, for example to be able to focus their activities on core competencies, simplify their operational structure and improve their access to knowledge and ideas from wider sources.
- H5. Companies will, first and foremost, outsource routine activities based on explicit knowledge. Such activities do not require a physical presence and can be conducted independent of central functions, such as administrative and peripheral tasks and information technology.
- H6. Larger firms tend to have a more strategic vision towards outsourcing than small firms.

HRM and outsourcing

Human resources are often seen to be of decisive importance in significantly improving a company's competitive situation. According to core and periphery theory, the core activities of HRM include top-level strategy, HRM policies, employee relations, and line management responsibilities, e.g. evaluation and discipline, whereas other activities are considered peripheral. Strategic parts of HRM should, therefore, remain under company control while administrative and transactional functions are more likely to be

successfully outsourced (Shen, 2005). Although HRM functions can contribute to the competitive advantage of firms, especially training and development (Galanaki *et al.*, 2008), HRM outsourcing has nevertheless increased in Western Europe in recent times. This is particularly true in the USA, where most companies outsource certain HRM functions (Klaas, 2008; Galanaki and Papalexandris, 2007; Galanaki and Papalexandris, 2005). Surveys show that the most often outsourced HRM functions are training and development, recruitment and selection, pay and benefit, performance assessment, workforce downsizing, matters relating to law, and retirement schemes (Galanaki and Papalexandris, 2005; Quinn, 1999; Schlosser *et al.*, 2006, Sheehan, 2009; Shen, 2005). This list indicates that outsourcing can cover any aspect of HRM, and a clear-cut borderline is not revealed between “core” and “periphery” functions (Shen, 2005).

Firms tend to have different needs for outsourcing of HRM functions (Galanaki and Papalexandris, 2005). Thus, smaller firms outsource a large part of their HRM function, and they primarily seek unsophisticated and standardised services. In middle-sized companies their own HRM departments cover most of their needs for common HRM tasks, and they tend to outsource some basic HRM services. Large companies, on the other hand, outsource primarily sophisticated and innovative services that they cannot produce in-house, while multinationals tend to cover all HRM services in-house. Other researchers have arrived at different results. For instance, Sheehan (2009) argues that it is mainly larger companies which have sought the outsourcing of HRM functions (Sheehan, 2009). First, this is because increased company size brings more human resource challenges (Klaas, 2008; Pearson *et al.*, 2006). Second, smaller firms are likely to use other measures than the human resource function to influence employee conduct. Among those are direct monitoring of employee behaviour, ongoing communication between the manager and staff and a detailed definition of duties (Singh and Vohra, 2009). For this reason, the small business sector has mainly confined outsourcing to functions such as payroll administration and employee benefit and insurance (Klaas, 2008). Third, economies of scale often prevent SMEs from maintaining professional HRM staff and developing personnel services. As a consequence, a large percentage of SMEs opt to outsource such aspects to professional HRM undertakings (Schlosser *et al.*, 2006; Klaas, 2003).

Grimshaw and Miozzo (2009) point out that the practice to transfer staff to clients, which is common among knowledge intensive firms, alters the HRM dimension in many respects. First, in order to improve services and long-term relationships client firms often influence the selection process, or hiring of staff, that is later transferred to the client. Another challenge related to this is the limited freedom of in-scope workers to choose who to work for, often causing industrial relations conflicts. Second, skill development can be affected. There is a tendency to standardise and simplify outsourced tasks to monitor and evaluate contract performance. Price pressure with renewed contracts tend to decrease investment in skill development. Finally, there is a risk of job loss pre- and post-transfer and job security are related contract security.

Most SMEs are relatively labour intensive, and small scale means that each individual employee represents a significant portion of an SME's workforce and skills. It also takes time to train specialised workers, especially in knowledge intensive firms. Furthermore, service jobs are highly flexible and generally involve direct communication with clients. These circumstances make every HRM decision of vital importance (Brand and Bax, 2002).

From these observations we hypothesise the following:

- H7. Very small firms tend to outsource such functions as payroll, employee benefits, insurance and other administrative tasks.
- H8. Middle sized firms tend to outsource a large part of their HRM function, seeking standardised services.
- H9. Very large firm outsource few HRM functions, seeking innovative services.
- H10. Companies will increase outsourcing of HRM functions by way of responding to critical situations.
- H11. Large companies will lay off staff or transfer staff to clients as a response to critical situations.
- H12. Given the central role of employees in small businesses, they tend not to lay off staff as a consequence of outsourcing, even in times of economic crisis.

Administrative innovation theory and mimetic forces

An additional explanation of outsourcing is provided by administrative innovation theory (Loh and Venkatraman, 1992) which claims that the diffusion of innovative practices is highly dependent on how far a particular group have adopted the innovation. In this context, the degree of outsourcing within firms will depend on the extent of adoption by other companies of such practice.

Most organisations face great uncertainty. In face of this uncertainty, there is high pressure to adapt to change by copying other organisations that seem to cope with uncertainty. This process is referred to as mimetic forces. Accordingly, management practices, such as outsourcing, reengineering, and the balance scorecard have been adopted by organisations in the past years without clear evidence of its effectiveness. Such organisations were, however, perceived as more innovative, and rated higher with respect to management quality (Daft, 2007, pp. 103-104; Staw and Epstein, 2000).

From these observations we hypothesise the following:

- H13. The extent of outsourcing tends to increase with a more general adoption of outsourcing practices in organisations.
- H14. Outsourcing is seen as a successful model of adaptation to environmental uncertainty and is expected to increase as a response to critical situations.

Research methods

A descriptive and analytical research design was opted for, the main purpose being to examine the application of outsourcing within Icelandic service companies in the wake of the banking collapse. The research was in the form of telephone interviews in 2009 and telephone interviews and an online survey in 2013[1]. The use of telephone interviews and an online survey was seen as yielding the greatest potential for a decent rate of response from hard working managers or their deputies. The surveys were carried out in February and March 2009 and June to August 2013.

Sampling strategy

With a view to the overall characteristics of Icelandic firms, where 99.6 per cent are micro, small or-medium sized (Statistics Iceland, 2008), the study aimed at focusing primarily on SMEs. A company listing was received from the Internal Revenue Directorate in Iceland comprising 5,035 enterprises with five members of staff or more in all industries in Iceland and which had paid taxes and labour overheads in 2006 for at least a number of employees. Companies categorised as being in the service sector according to an economic activity classification (Icelandic version of NACE[2]) were chosen from this list by means of stratified random sample technique. The selection criteria confined the research to service undertakings operating in Iceland (50 per cent in the capital area, the remainder throughout Iceland). The original list showed only company addresses; thus telephone numbers and emails had to be obtained from telephone directories or relevant web sites. The final sample of the first study, completed in 2009, consisted of 484 firms. Out of those, 57 were unavailable, 21 refused to answer the questionnaire and 25 firms fell outside the selection criteria. In all, 381 managers or their deputies responded to the questionnaire, yielding a response rate of 78.7 per cent, which provides a telling representation of the population. In 2013 the revised final sample consisted of 392 firms (the same sample as in 2009, but several of the companies were no longer in business). Out of the remaining companies, 22 were unreachable and 158 declined to respond; thus a response rate of 54 per cent was achieved.

Research design

The research instrument comprised a questionnaire designed by the researchers, after interviewing ten managers and experts in Iceland (Edvardsson *et al.*, 2011), and consulting literature reviews, Kakabadse and Kakabadse, 2002 in particular. Background variables originated from an earlier questionnaire format by the authors (Edvardsson *et al.*, 2011). The questionnaire was piloted in 2009, in four companies, and subsequently a few minor revisions were carried out, particularly with reference to concept clarity and whether more response options should be offered.

The questionnaire was made up of 25 items. At the outset of the interviews, the following definition was read to the respondents: Outsourcing is defined as “the purchase of components, specific services or expertise from entities outside own company”. The first question focused on whether the firm had outsourced service activities in the past three years, followed by items examining whether the firm had an outsourcing strategy, which functions had been outsourced, the location of outsourcing, its motives, choice of suppliers, whether the outsourced activities were regarded as core or supporting functions and whether outsourcing had impacted human resources or reduced cost. These questions were of nominal scale character. Subsequently, the managers’ opinions were sought on eight propositions with a view to their experience, using a five-fold Likert-scale. In addition, the questionnaire also contained background variables, such as size, location, corporate profit, managers’ education, gender and age.

It would appear that the questionnaire is of a high reliability as indicated by its pre-testing, the high response rate, the few missing answers in each question, and the fact that the respondents seemed to readily comprehend the questions and answer them. The research is valid to quite a high degree for service firms in Iceland, but less so for other types of enterprises in and outside Iceland.

Data analysis

The sample was described by means of descriptive statistics, and a χ^2 test was applied for group comparison. Divergences between groups were regarded as statistically significant with a p -value of < 0.05 . Since data are not normally distributed, the nonparametric Kruskal-Wallis test was conducted to determine significant differences between groups with regard to mean values, with a p -value of < 0.05 taken as statistically significant. The Mann-Whitney U-test was conducted as a post hoc test, applying a Bonferoni correction, which means that a reduced p -value of < 0.017 , was taken as statistically significant when comparing three groups (Field, 2005). If a p -value was less than 0.001 it is reported as < 0.001 ; in other cases the exact value was reported. Data were analysed using the Statistical Package for the Social Sciences (SPSS 21.0).

Results*Characteristics of service firms*

Table I indicates the characteristics of responding managers and companies as presented in the two surveys. According to official statistics (Statistics Iceland, 2009), male managers in Icelandic firms in general were 81.0 per cent and female managers 19.0 per cent. Information on the education and age of managers is not available in any national register in Iceland. Thus it is hard to determine whether responding managers represent the national average. In general, the firms in the survey resemble average Icelandic companies, with a mean number of 20.6 employees (Statistics Iceland, 2008). The responding enterprises are covered by the European Commission's (2005) definition of the size and turnover of a small company.

Table II shows the classification of firms in the survey according to the Icelandic classification of NACE. The greatest number of firms in the survey operated in wholesale, retail trade and repairs, while fewest were in public administration and education. There are a few differences between the surveys, some of which can be related to the fact that certain sectors were more seriously hit by the recession than others, and some are due to response error.

	2009	2013
<i>Managers</i>		
Males	74.3%	80.7%
Females	25.7%	19.3%
Average age	48.4	51.0
Average years in the company	11.7	13.5
Primary education	9.0%	5.9%
Secondary education	33.9%	29.4%
University education	57.1%	64.7%
<i>Firms</i>		
Private companies	75.3%	85.3%
Co-operatives	11.8%	2.1%
Other	12.9%	12.6%
≤10 employees	56.2%	49.2%
10-49 employees	34.3%	39.2%
50-250 employees	9.5%	11.6%
Average	20.6	24.5
Annual turnover ^a	€3.5 million	

Table I.
Characteristics of
managers and
service firms
participating in
the surveys

Note: ^aA change was made to the 2013 survey in such a way that it was impossible to calculate a mean

ER
37,1

38

Table II.
Classification of
firms in the survey
according
to the Icelandic
classification of
NACE

	2009		2013	
	Number	%	Number	%
Wholesale, retail trade, repairs	99	26.1	69	36.1
Hotels, restaurants	46	12.1	18	9.4
Transport, communication	31	8.2	16	8.4
Financial intermediation	33	8.7	17	8.9
Real estate and business activities	88	23.2	12	6.3
Public administration	2	0.5	5	2.6
Education	6	1.6	3	1.6
Health services, social work	19	5.0	12	6.3
Hi-tech- and knowledge intensive ^a	33	8.7	28	14.7
Other services	23	6.1	11	5.8
Total	380		191	

Note: ^aThis category was added by the research team, and deviates from the Icelandic classification of NACE

Extent and reason for outsourcing

Extent of outsourcing

The vast majority of the service firms in the survey have outsourced some activities in the past three years. Outsourcing has not increased. In 2009, 79 per cent of the companies reported that they had been involved in outsourcing, compared to 73 per cent in 2013. The main reason given by the managers of firms that did not outsource was that outsourcing did not fit the firm. Table III indicates that 71.8 per cent of micro enterprises had outsourced certain functions in the three years before 2009, while 91.7 per cent of firms with a staff of over 50 had done so. The difference is significant ($\chi^2(2) = 16.08$, $p < 0.001$). The table reveals extensive outsourcing, even down to the smallest businesses. In 2013, however, no difference could be found between firms of different sizes. *H3* was confirmed in 2009, not in 2013.

Reasons for outsourcing

Only about 22 per cent of the managers in both the surveys reported that their companies had made a strategic plan for outsourcing. Those who did have a strategy, focused first and foremost on core competencies, cost reduction and gaining access to

Table III.
Proportion of firms
outsourcing by
survey year and
firm size

	Yes (%)	No (%)	$\chi^2(1)$	<i>p</i> -value ^a
<i>Year</i>				
2009	79.0	21.0	2.77	0.096
2013	72.9	27.1		
<i>Size 2009</i>			$\chi^2(2)$	
< 10 employees	71.8	28.2	16.08	< 0.001
10-49 employees	87.7	12.3		
50-250 employees	91.7	8.3		
<i>Size 2013</i>				
< 10 employees	68.5	31.5	2.55	0.280
10-49 employees	79.2	20.8		
50-250 employees	77.3	22.7		

Note: ^a χ^2 test

expert knowledge. No difference was found between firms of different sizes in both surveys regarding strategic plan for outsourcing ($\chi^2(1) = 0.27, p = 0.61$). $H6$ was rejected. In the rest of the paper, the authors will focus only on the firms which are outsourcing their activities.

In the 2013 survey, the outsourced operations are seen as non-core functions. The responding managers defined outsourcing as supporting functions in 62 per cent of instances, as core competencies in 17 per cent of instances, and a combination of core and support functions in 21 per cent of instances[3]. No divergence was found in this respect between different-sized companies ($\chi^2(2) = 5.3, p = 0.26$). The results for the 2009 survey were nearly identical.

As for the 2009 outsourcing location, 78.7 per cent of participating service undertakings in Iceland outsourced within the same municipality, 15.6 per cent outsourced to larger towns outside the capital region and 16.3 per cent took their business to small places outside the capital area, while only nine firms (3 per cent) whereof eight are knowledge-intensive firms, headed abroad in search of outsourcing. In 2013 59.1 per cent of the responding service firms in Iceland outsourced within the same municipality, 16.1 per cent outsourced to larger towns outside the capital region, 25.3 per cent outsourced to places outside the capital area, while only six firms (3.8 per cent) whereof five are knowledge-intensive firms, opted for outsourcing abroad. In this respect, the same pattern is found independent of company size.

The managers in the survey were asked to give reasons for outsourcing in the company. The most common cited reason in the 2009 survey is outsourcing to simplify the operation of the firm (41.5 per cent); to increase expert knowledge (37.5 per cent) and to reduce cost (33.2 per cent). In 2013 the reasons for outsourcing have changed. The respondents mentioned increasing expert knowledge in 57.8 per cent of cases, cost reduction (45.2 per cent) and simplifying the operation (37.8 per cent).

The authors then grouped these reasons into two categories. The first one is related to lowering cost (cost reduction, reducing investments, and minimising risk). The second is more or less related to strategic aspects of outsourcing (reduce labour turnover, increase external expertise, focus on core competencies, increase service to customers, and simplify the operation of the firm). When this classification is used, 76.7 per cent of the managers in the 2009 survey give strategy-related reasons for choosing outsourcing, while 36.5 per cent mention cost-related reasons. In 2013, 79.3 per cent responding managers mention strategy-related reasons for outsourcing, while 63.7 per cent mention cost-related reasons. The change in cost-reduction between the surveys is significant ($\chi^2(1) = 25.195, p < 0.001$). $H2$ is supported. $H1$ is rejected for both surveys. $H4$ is supported as the majority of respondents gave strategically related reasons in both surveys. As multiple answers were allowed in the original question, the total percentages exceed 100 per cent.

Kind of activities outsources

In 2009 accounting was the most strongly favoured outsourcing function in service SMEs in Iceland. No less than 46.5 per cent of firms had outsourced that activity. Close behind came information technology (45.5 per cent), security aspects (35.5 per cent) and cleaning services (30.9 per cent). In 2013, information technology was the most outsourced activity (53.6 per cent), followed by cleaning services (39.1 per cent), security (32.6 per cent), consulting (23.9 per cent) and accounting (22.5 per cent). Multiple answers were allowed and thus total percentages exceed 100 per cent.

ER
37,1

40

The authors later classified the outsourced activities into four groups: Administrative tasks (accounting, wages and salaries, finance, back office processing, and call centres, Bryson, 2007; Klaas, 2008); peripheral tasks (cleaning, security services, canteen, and transportation, Edvardsson *et al.*, 2011); IT and information processing (information technology, and telecommunication services, Kakabadse and Kakabadse, 2002); and (HRM, training, consulting, Klaas, 2008; Sheehan, 2009). Table IV reveals that there has been an increase in all aspects of outsourcing except in administrative tasks. *H5* is supported and this gives support to .

In 2009, larger firms tend to outsource more peripheral tasks and IT functions, while smaller firms outsource more administrative tasks (see Table V). The differences are significant ($\chi^2(2) = 10.6$, $p = 0.006$; $\chi^2(2) = 16.0$, $p < 0.001$ and $\chi^2(2) = 14.7$, $p = 0.001$). In 2013, larger firms only outsource more peripheral and HRM functions than smaller firms ($\chi^2(2) = 8.0$, $p = 0.02$; $\chi^2(2) = 5.9$, $p = 0.05$). *H7* is supported for the 2009 survey, but rejected for the 2013 survey. *H8* is supported for 2013.

Human resources

In the responding firms, outsourcing only affected human resources to a limited extent. In both surveys, the majority of managers stated that outsourcing had no or trivial impact on employment levels (91.1 per cent in 2009 and 91.8 per cent in 2013), and very few businesses had laid off employees (5.8 per cent in 2009 compared to 8.2 per cent in 2013), or transferred staff to suppliers. *H12* is supported. In the 2009 survey larger firms tend more often than the smallest firms to transfer staff to suppliers (12.1 per cent of firms with more than 50 employees compared to 1.3 per cent in firms with less than

Table IV.
Areas of outsourcing
in 2009 and 2013

	2009 (%)	2013 (%)	$\chi^2(1)$	p -value ^a
Peripheral	49.2	57.2	2.27	0.132
IT	45.8	62.3	9.88	0.002
HMR	15	29.0	11.70	0.001
Administrative	52.2	37.0	9.16	0.002

Note: ^a χ^2 test

Table V.
Areas of outsourcing
by survey year and
size of firms

	Peripheral	IT	HMR	Administrative tasks
<i>Size 2009</i>				
< 10 employees	42.5%	36.6%	11.8%	62.7%
10-49 employees	51.8%	50.9%	17.5%	43.9%
50-250 employees	72.7%	72.7%	21.2%	33.3%
p -value ^a	0.006	< 0.001	0.243	0.001
$\chi^2(2)$	10.6	16.0	2.8	14.7
<i>Size 2013</i>				
< 10 employees	50.0%	58.1%	22.6%	41.9%
10-49 employees	57.1%	66.1%	30.4%	32.1%
50-250 employees	88.2%	64.7%	52.9%	29.4%
p -value ^a	0.02	0.65	0.05	0.45
$\chi^2(2)$	8.0	0.9	5.9	1.6

Note: ^a χ^2 test

ten employees). The difference is significant ($\chi^2(2) = 9.1, p = 0.011$). No such difference was found in the 2013 survey. *H11* is confirmed for 2009, but rejected for 2013. It should be noted that several of the participating firms had outsourced from the beginning; hence, patterns of employment had remained stable for the most part. Service SMEs in Iceland are unlikely to lay off staff as a result of outsourcing.

Benefit of outsourcing

A specific emphasis was placed upon asking the managers whether outsourcing has brought about cost reductions, given the central importance of this aspect of company operation in the outsourcing discussion. As a matter of fact, cost had been reduced in 46.8 per cent of the firms in the 2009 survey, compared to 45.2 per cent in the 2013 survey. No significant difference between firm sizes was detected ($\chi^2(1) = 0.1, p = 0.76$).

On the basis of managers' outsourcing experience, they were requested to indicate how strongly they agreed or disagreed with the following statements: The quality of services has improved; service to customers has improved, expert knowledge has increased; cost has been reduced; improved cost discipline/control; risk has decreased; more focus on core competencies; and value added has increased.

Furthermore, a mean was calculated from the answers to the above mentioned statements on a five-fold Likert-scale, from very agreeable to very disagreeable. A mean close to 5 suggests that managers strongly agree with the statements, while a mean close to 1 indicates strong disagreement. A significant increase was found between the surveys in all the statements in Table VI, except for "Value added has increased". This indicates that in many respects the practice of outsourcing has had a positive result for the responding firms. An analysis of managers' experience revealed that the larger the firms are, the more they agree with the statement in the 2009 survey that cost has been reduced. No other differences were found in the analysis (see Table VII). In 2013, managers of the smallest firms agree more than others with the statement that service to customers has improved.

Discussion and conclusions

The aim of the paper has been to analyse whether there has been a change in the outsourcing pattern of Icelandic SMEs in the service sector between early 2009, shortly after the financial crisis hit the world, and the summer of 2013. In 2013 73 per cent of firms in the survey outsourced certain activities and this trend did not increase from the previous survey. However, most firms had expanded their outsourcing in almost every area of operation, such as HRM, IT and peripheral tasks. Also, in 2013 more firms gave cost-reduction as a reason for outsourcing. Furthermore, more respondents in

	2009	2013	<i>p</i> -value ^a
Improved service quality	3.5	3.7	0.014
Reduced cost	2.8	3.3	< 0.001
Increased expertise	3.4	3.7	0.003
Reduced risk	3.4	3.7	0.001
Improved service to customers	3.5	3.7	0.016
Focus on core competencies	3.6	3.8	0.005
Cost discipline/control	3.2	3.5	0.026
Value added has increased	3.3	3.5	0.070

Note: ^aMann-Whitney U-test

Table VI.
Mean score for
managers on
different statements
regarding their
experience of
outsourcing in
2008 and 2013

Table VII.
Mean score for managers on different statements regarding their experience of outsourcing by year of survey and size

	< 10 employees	10-49 employees	50-250 employees	<i>p</i> -value ^a
<i>2009</i>				
Improved service quality	3.5	3.5	3.4	0.687
Reduced cost	2.6 ^b	2.9	3.4	0.001
Increased expertise	3.4	3.4	3.6	0.341
Reduced risk	3.3	3.6	3.4	0.315
Improved service to customers	3.5	3.5	3.5	0.929
Focus on core competencies	3.5	3.7	3.8	0.070
Cost discipline/control	3.1	3.2	3.5	0.081
Value added has increased	3.2	3.2	3.6	0.068
<i>2013</i>				
Improved service quality	3.8	3.6	3.5	0.325
Reduced cost	3.1	3.4	3.8	0.162
Increased expertise	3.7	3.7	3.9	0.934
Reduced risk	3.6	3.8	3.7	0.463
Improved service to customers	3.9 ^b	3.7	3.4	0.041
Focus on core competencies	3.8	3.9	3.8	0.800
Cost discipline/control	3.5	3.5	3.5	0.981
Value added has increased	3.4	3.5	3.6	0.912

Notes: ^aKruskal Wallis Test using Mann-Whitney U-test with reduced *p*-value as post hoc test; ^bsignificant difference between firms with < 10 employees and 50-250 employees

2013 expressed a positive experience of outsourcing. This indicates that the participating firms have opted for reorganisation as a response to the financial crisis, and eventually used outsourcing for added flexibility. That is in line with former studies (Bumgardner *et al.*, 2011; DeDee and Vorhies, 1998; Latham, 2009).

The theoretical orientation of the paper has focused on the resource-based view of the firm. Our results mostly back this up; companies go on outsourcing non-core functions in about 62 per cent of cases, and although outsourcing is not decided on the basis of a strategic vision they are frequently of a strategic character, such as emphasising core competencies, benefiting from external expertise and enhancing customer service, rather than reducing expenses. In total, 79.3 per cent of participants suggested strategy-related motivation for outsourcing. The chief functions to be outsourced were unsophisticated routine activities, based on explicit knowledge which could be separated from the company's central functions. These included administrative routines, peripheral functions and information technology. These results correspond to those of Di Gregorio *et al.* (2009) and Edvardsson *et al.* (2011) and add value to their argument that service and manufacturing companies outsource for different reasons. Most SMEs struggle against financial restrictions and only have limited resources at their disposal to employ specialist personnel, invest in new equipment etc. In such cases, selective outsourcing could be the appropriate answer, since SMEs cannot unaided provide comprehensive customer services and consequently must enter into partial service contracts with other firms, in order to respond to their customers' requirements. Those opinions were aired by managers of small businesses during telephone interviews in 2009; they stated that they could not do without outsourcing because they lacked the necessary diversity of expertise in their own company. By judicious and carefully managed use of outsourcing, however, SMEs can successfully sustain their flexibility, innovative capacity and competitive advantage in an era of globalisation and economic austerity.

The main change noted in the two studies is that after the financial crisis more managers report that they expect to cut cost by outsourcing activities. We notice a 27.2 per cent increase in this respect between 2009 and 2013. This is in line with much earlier research on outsourcing (see Lacity *et al.*, 2008; Di Gregorio *et al.*, 2009; Van Gorp *et al.*, 2007), and SMEs' response to crisis (Latham, 2009). Cost was actually cut in 45.2 per cent of cases in the 2013 survey. Other benefits of outsourcing noted by the respondents after the financial crisis are the following: customer services have improved and outsourcing has also helped firms to focus on core competences, reduce risk, increase access to specialist knowledge and strengthen cost control. That is in step with the main argument of resource-based theory of the firm (Barney, 2001; Quinn, 1999).

Few explanations might present themselves regarding the steep outsourcing frequency manifested in the survey – involving around seven enterprises out of ten. The first relates to the fact that SMEs lack the resources needed to tackle all important functions in-house. This strategy is further strengthened by the fact that almost nine out of every ten companies do not lay off staff. In SMEs every hand is needed on deck. The second reason for this high outsourcing ratio relates to mimetic forces; that is, managers follow contemporary trends, attempting to copy or model other organisations' apparent success (Daft, 2007, Staw and Epstein, 2000). This is particularly true in times of doubt and uncertainty. The same imitative inclination may also be among the reasons for international trends in outsourcing, and explain why managers in Iceland model their behaviour on colleagues in other countries. The third is related to increased diffusion of outsourcing practices in companies (Loh and Venkantraman, 1979). This is manifested, among other things, in the rising practice of outsourcing entire HRM functions in larger Icelandic companies during the post-crisis period. This has given rise to specialist HRM companies.

The survey suggests that the tendency to outsource grows stronger with increasing company size. Thus large businesses generally outsource more peripheral and HRM functions than smaller firms which, on the other hand, are more likely to outsource administrative tasks. These findings resemble those of previous research (Edvardsson *et al.*, 2011; Sheehan, 2009; Klaas, 2008). The impact of outsourcing on employment in the participating firms was either of limited significance, or none at all, as already noted. This is despite the potential effect of outsourcing on staff layoffs and staff transfer to client organisations. As mentioned before, this is because the few employees constitute the mainstay of SMEs; training service workers is a time consuming task especially in knowledge intensive firms. Besides, service jobs are highly flexible and, in most instances, involve direct communication with customers. Thus, human capital is a more competitive source in service firms than in manufacturing enterprises. This corresponds to results obtained by Brand and Bax (2002) and Klaas (2008).

Very few participating companies appeared to possess a formal outsourcing strategy and they focused their outsourcing on local markets. This absence of systematised vision and attachment to local markets is reflected in the small business model (Torrés and Julien, 2005), where intuition and short-term thinking tends to control decision making to a significant extent. In the telephone interviews in 2009, many Icelandic managers expressed the view that outsourcing was based on short-term convenience, according to the nature of the task to be dealt with at each particular time. A plausible reason for this attitude is that many SME managers are struggling for the day to day survival of their companies, and a support mechanism to develop and implement strategy is unavailable. In addition, the majority of SME

managers do not have the means to hire consultants. As a result, they must resort to haphazard and opportunistic outsourcing.

Notes

1. In total, 149 respondents answered online and 63 via telephone.
2. NACE Code is a pan-European classification system which groups organisations according to their business activities. It assigns a unique five or six digit code to each industry sector.
3. It was left to the responding managers to define which functions are core or supporting. However, the following explanation of core functions was provided in the questionnaire: core functions are activities characteristic for the company, its production, or services in which the company has special knowledge.

References

- Arbore, A. and Ordanini A. (2006), "Broadband divide among SMEs: the role of size, location and outsourcing strategies", *International Small Business Journal*, Vol. 24 No. 1, pp. 83-99.
- Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17 No. 1, pp. 99-120.
- Barney, J. (2001), "Is the resource-based 'view' a useful perspective for strategic management? Yes", *Academy of Management Review*, Vol. 26 No. 1, pp. 141-156.
- Belso-Martinez, J.A. (2010), "Outsourcing decisions, product innovation and the spatial dimension: evidence from the Spanish footwear industry", *Urban Studies*, Vol. 47 No. 4, pp. 3057-3077.
- Brand, M.J. and Bax E.H. (2002), "Strategic HRM for SMEs: implications for firms and policy", *Education & Training*, Vol. 44 Nos 8/9, pp. 451-463.
- Bryson, J.R. (2007), "The 'Second' global shift: the offshoring or global sourcing of corporate services and the rise of distanced emotional labour", *Geografiska Annaler: Series B, Human Geography*, Vol 89 No. 1, pp. 31-43.
- Bumgardner, M., Buehlmann, U., Schuler, A. and Crissey J. (2011), "Competitive actions of small firms in a declining market", *Journal of Small Business Management*, Vol. 49 No. 4, pp. 578-598.
- Cassell, C., Nadin, S., Gray, M. and Clegg, C. (2002), "Exploring human resource management practices in small and medium sized enterprises", *Personnel Review*, Vol. 31 No. 6, pp. 671-692.
- Costa, C. (2001), "Information technology outsourcing in Australia: a literature review", *Information Management & Computer Security*, Vol. 9 No. 5, pp. 213-224.
- Daft, R.L. (2007), *Understanding the Theory and Design of Organizations*, Thompson South-Western Publishing, Mason.
- DeDee, J.K. and Vorhies D.W. (1998), "Retrenchment activities of small firms during economic downturn: an empirical investigation", *Journal of Small Business Management*, Vol. 36 No. 1, pp. 46-61.
- Di Gregorio, D. Musteen, M. and Thomas, D.E. (2009), "Offshore outsourcing as a source of international competitiveness for SMEs", *Journal of International Business Studies*, Vol. 40 No. 6, pp. 969-988.
- Edvardsson, I.R., Oskarsson, G.K. and Vestevinsdottir, S. (2011), "Enhancing customer services and core competencies: outsourcing in Icelandic service SMEs", *International Journal of Entrepreneurship and Small Business*, Vol. 14 No. 3, pp. 313-333.

- European Commission (2005), "The new SME definition: user guide and model declaration", available at: www.europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf (accessed 2 March 2006).
- Field, A. (2005), *Discovering Statistics Using SPSS*, 2nd ed., Sage Publications, London.
- Galanaki, E. and Papalexandris, N. (2005), "Outsourcing of human resource management services in Greece", *International Journal of Manpower*, Vol. 26 No. 4, pp. 382-396.
- Galanaki, E. and Papalexandris, N. (2007), "Internationalization as a determining factor of HRM outsourcing.", *International Journal of Human Resource Management*, Vol. 18 No. 8, pp. 1557-1567.
- Galanaki, E., Bourantas, D. and Papalexandris, N. (2008), "A decision model for outsourcing training functions: distinguishing between generic and firm-job-specific training content", *The International Journal of Human Resource Management*, Vol. 19 No. 12, pp. 2332-2351.
- Hofer, C. (1980), "Turnaround strategy", *Journal of Business Strategy*, Vol. 1 No. 1, pp. 19-31.
- Iqbal, Z. and Dad, A.M. (2013), "Outsourcing: a review of trends, winners & losers and future directions", *International Journal of Business and Social Sciences*, Vol. 4, pp. 91-107.
- Jagersma, P.K. and van Gorp, D.M. (2007), "Redefining the paradigm of global competition: offshoring of service firms", *Business Strategies Series*, Vol. 8 No. 1, pp. 35-42.
- Kakabadse, A. and Kakabadse, N. (2002), "Trends in outsourcing: contrasting USA and Europe", *European Management Journal*, Vol. 20 No. 2, pp. 189-198.
- Klaas, B.S. (2003), "Professional employer organizations and their role in small and medium enterprises: the impact of HR outsourcing", *Entrepreneurship Theory and Practice*, Vol. 28 No. 1, pp. 43-61.
- Klaas, B.S. (2008), "Outsourcing and the HR function: an examination of trends and developments within North American firms", *The International Journal of Human Resource Management*, Vol. 19 No. 8, pp. 1500-1514.
- Kremic, T., Tukel, I.G. and Rom, O.W. (2006), "Outsourcing decision support: a survey of benefits, risks, and decision factors", *Supply Chain Management: An International Journal*, Vol. 11 No. 6, pp. 467-482.
- Lacity, M.C., Willcocks, L.P. and Rottman, J.W. (2008), "Global outsourcing of back office services: lessons, trends, and enduring challenges", *Strategic Outsourcing: An International Journal*, Vol. 1 No. 1, pp. 13-34.
- Latham, S. (2009), "Contrasting strategic response to economic recession in start-up versus established software firms", *Journal of Small Business Management*, Vol. 47 No. 2, pp. 180-201.
- Loh, L. and Venkatraman, N. (1992), "Diffusion of information technology outsourcing: influence sources and the kodak effect", *Information System Research*, Vol. 3 No. 4, pp. 334-358.
- Manning, S., Massini, S. and Lewin, A.Y. (2008), "A dynamic perspective on next-generation offshoring: the global sourcing of science and engineering talent", *Academy of Management Perspectives*, Vol. 22 No. 4, pp. 35-54.
- Mithas, S. and Whitaker, J. (2007), "Is the world flat or spiky? Information intensity, skills, and global service disaggregation", *Information Systems Research*, Vol. 18 No. 3, pp. 237-259.
- O'Reagan, N. and Ghobadian, A. (2004), "Testing the homogeneity of SMEs: the impact of size on managerial and organisational processes", *European Business Review*, Vol. 16 No. 1, pp. 64-79.
- Pearson, T.R., Stringer, Y.D., Mills, L.V.H. and Summers, D.F. (2006), "Micro vs small enterprises: a profile of human resource personnel, practices and support systems", *Journal of Management Research*, Vol. 6 No. 2, pp. 102-112.

- Quinn, J.B. (1999), "Strategic outsourcing: leveraging knowledge capabilities", *Sloan Management Review*, Vol. 40 No. 4, pp. 9-21.
- Rutherford, M.W., McMullen, P. and Oswald, S. (2001), "Examining the issue of size and the small business: a self organizing map approach", *Journal of Business and Economic Studies*, Vol. 7 No. 2, pp. 64-81.
- Schlosser, F., Templer, A. and Ghanam, D. (2006), "How human resource outsourcing affects organizational learning in the knowledge economy", *Journal of Labour Research*, Vol 27 No. 3, pp. 291-303.
- Sheehan, C. (2009), "Outsourcing HRM activities in Australian organisations", *Asia Pacific Journal of Human Resources*, Vol. 47 No. 2, pp. 236-253.
- Shen, J. (2005), "Human resource outsourcing: 1990-2004", *Journal of Organisational Transformation and Social Change*, Vol. 2 No. 3, pp. 275-296.
- Singh, M. and Vohra, N. (2009), "Level of formalisation of human resource management in small and medium enterprises in India", *The Journal of Entrepreneurship*, Vol. 18 No. 1, pp. 95-116.
- Statistics Iceland (2008) "Number of employers divided by number of employees, regions and industry 1998-2005", available at: www.hagstofa.is/uploads/files/LH07/L071108.xls (accessed 22 May 2008).
- Statistics Iceland (2009), "Gender of managers and board members of companies by age 1999-2009", available at: www.hagstofa.is/?PageID=638&src=/temp/Dialog/varval.asp?ma=FYR06101%26ti=Kyn+framkv%E6mdastj%F3ra+og+stj%F3rnarmanna+fyirt%26kja+eftir+aldri+1999%2D2008%26path=../Database/fyirtaeki/stjornir/%26lang=3%26units=fjoldi, hlutfall, (accessed 17 July 2009).
- Staw, B.M. and Epstein, L.D. (2000), "What bandwagons bring: effects of popular management techniques on corporate performance, reputation, and CEO pay", *Administrative Science Quarterly*, Vol. 45 No. 3, pp. 523-556.
- Tam, F.Y., Moon, K.L., Ng, S.F. and Hui, C.L. (2007), "Production sourcing strategies and buyer-supplier relationships: a study of the difference between small and large enterprises in the Hong Kong clothing industry", *Journal of Fashion Marketing and Management*, Vol. 11 No. 2, pp. 297-306.
- Torrés, O. and Julien, P.A. (2005), "Specificity and denaturing of small business", *International Small Business Journal*, Vol. 23 No. 4, pp. 355-377.
- Tradelis, S. (2007), "The innovative organization: creating value through outsourcing", *Californian Management Review*, Vol. 50 No. 1, pp. 261-277.
- Van Gorp, D., Jagersma, P.K. and Livshits, A. (2007), "Offshore behaviour of service firms: policy implications for firms and nations", *Journal of Technology Case and Application Research*, Vol. 9 No. 1, pp. 7-19.
- Vietor, R.K. and Veytsman, A. (2005), *American Outsourcing*, Harvard Business School, Boston, MA.
- Williamson, O. (1979), "Transaction-cost economics: the governance of contractual relations", *Journal of Law & Economics*, Vol. 22 No. 2, pp. 233-261.

Further Reading

- Kakumanu, P. and Portanova, A. (2006), "Outsourcing: its benefits, drawbacks and other related issues", *Journal of American Academy of Business*, Vol. 9 No. 1, pp. 1-6.
- Parkhe, A. (2007), "International outsourcing of services: introduction to the special issue", *Journal of International Management*, Vol. 13 No. 1, pp. 3-6.

-
- Priem, R.L. and Butler, J.E. (2001), "Is the resource-based 'view' a useful perspective for strategic management research?", *Academy of Management Review*, Vol. 26 No. 1, pp. 22-40.
- Wernerfelt, B. (1984), "A resource-based view of the firm", *Strategic Management Journal*, Vol. 5 No. 2, pp. 171-180.

Corresponding author

Professor Ingi Rúnar Edvardsson can be contacted at: ire@hi.is

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com

This article has been cited by:

1. Gokhan Cinar, Ferruh Isin, Adnan Hushmat. 2016. Behavioral Trends of Export Firms of Turkey in Crisis Period. *American Journal of Industrial and Business Management* **06:03**, 276-281. [[CrossRef](#)]