International management: A conceptual framework for comparison of offshoring and outsourcing strategies by UK and German multinational corporations.

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Abstract
This paper outlines research by a doctoral candidate exploring differences in approach to outsourcing and offshoring by multinational corporations. In particular, a comparison is drawn between German and UK headquartered organizations in the airline / transport and also the engineering sectors. A novel conceptual framework is developed that uses differing varieties of capitalism (VoC) to compare and contrast a series of criteria. Underlying theory that is drawn from the resource based view (RBV) of the firm and global production networks (GPNs) are also considered. The initial findings from two case studies are that German organizations are less inclined to outsource (in both sectors) preferring to retain control as a wholly owned business offshore. The UK businesses were less risk adverse and seemed to be more flexible and agile in their sourcing policies being prepared to outsource, offshore and partner or acquire as appropriate, even using competitors when there is a sound business case. The relationships' with trade unions / works council was also found to be very different, with reluctance by management in Germany to progress radical initiatives. A favorable economy in Germany has also created an environment in which overseas expansion could take place without a significant loss of jobs at home. Further research is required to better understand when the driving force to restructure and grow is to lower labour or total costs, seek market entry to support customer needs or a combination.

1 Introduction

Offshoring and outsourcing represent an on-going and accelerating (at least until recently) trend in the reorganization and restructuring of firms and has become a major part of (although not an exclusive driver of) the globalization trend. Offshoring can be defined as the performance of tasks in a different country to that where the firm's headquarters is located; while outsourcing may be regarded as the performance of tasks under some contractual arrangement by an unrelated third party (Harms, Lorz and Urban, 2009). Mergers and acquisition have a high risk of failure (Mitchell, 2004) and in recent years organizations have therefore sought alternative means of non-organic growth such as partnerships, joint ventures and alliances (Financial Times, 2011). While the initial justification to offshore is typically to arbitrage labour costs, the rapid growth in demand for outsourcing may lead to cost increases (Economist, 2011) and justification increasingly becomes a complex balance of proximity to markets, suppliers, ability to innovate and institutional factors such as governance and immigration policy (Pisano, 2009). Further, there is an increasing trend to outsource and offshore activities that demand higher levels of skills. According to Kirkegaard (2008) few topics in international economics have risen faster to the top of the political agenda, while also being so poorly understood and quantified as has outsourcing. Recent economic pressures have led governments in the United States and Europe to 'encourage' multinationals to return jobs and investment back to home markets (BCG cited in Economist 2011); beyond this, backshoring and reverse offshoring have been motivated by poor or disappointing experiences in host countries, and declining economic conditions at home.

However, the institutional aspects of offshoring are under-explored and this research aims to compare the practices, strategies and outcomes for case study firms from the UK and Germany, which are characterized by different capitalist models (Hall & Soskice, 2001; Lane, 1998). It is suggested that German firms for example, typically have stronger institutional links than typical UK competitors (Lane, 2006 cited in Morgan, Whitley and Moen). Furthermore, UK and German economies have different comparative advantages and industrial infrastructures, yet both countries also play host to a number of successful multinationals (MNC). The institutional context here can be understood as *both* the configuration of formal institutions (government, banks, trade unions and other firms) or as deeply embedded business practices and norms and 'ways of doing business'. This will shed light on how UK and German competing organizations differ in managing global expansion, and take advantage of the various resources and support available. Following German reunification (1990) a period of austerity and strict wage control took place in Germany, and this helped to drive investment at home together with a strong export led economic revival. In 2012 German productivity was assessed to be 24 percentage points ahead of the UK in terms of output per hour (Financial Times, 2013). UK productivity is also currently 16 percentage points below the G7 average – the widest gap since 1994. A contested area is that the UK has been retaining employees rather than losing jobs to offshoring, while new work is created by UK outsourcing providers. Throughout the 2008-9 recession, increased part-time working in the UK and even the hiring of new employees occurred at a time of minimal growth (Financial Times, ibid).

This research should be of interest to researchers, students and business managers. Also to those who are interested in globalization, the role of the multinational corporation, the relationship between a headquarters and its divisional or national subsidiaries. A further challenge is the extent to which offshoring and outsourcing practices have created wealth for shareholders, the host country and employees. Added interest is generated by challenging popular questions and criticism made of multinationals and their role in globalization together with the debate by politicians and others on policy towards domestic employment and wealth creation at home at a time of prolonged economic uncertainty.

1.1 The overall aim of the research is:

To examine the extent to which the offshoring and outsourcing strategies of UK and German based multinational corporations (MNCs) are embedded in the institutional contexts of their respective home countries. This gives rise to a number of sub – questions:

1. What are the differences between UK and German based MNCs in the geographical, functional and temporal patterns of outsourcing and offshoring?
2. How far do mechanisms such as ownership, control, coordination and the degree of autonomy differ between the UK and Germany?
3. How is this reflected in divergent international divisions of labour regarding the employment of indigenous or ex-pat managers from the home country?
4. To what extent do preferences for cultural proximity affect location choices?
5. What is the influence of trade unions in the process of outsourcing and offshoring and how is this reflected in the structuring of the firms' labour markets?
6. What evidence is there of a reversal in policy – backshoring / reversed offshoring / outsourcing and why may it be occurring?

2 Literature Review

The purpose of the contextual stage of the literature review is to review the varying definitions, challenges with measurement, recent trends, background issues to, and the debate around outsourcing and offshoring. This will help in understanding the motivation for offshoring and outsourcing. Firstly, some definitions because the two terms outsourcing and offshoring are sometimes confused and deployed in very different scenarios. This will then provide a context for the changes that have been taking place at the level of a firm in response to globalization and competition.

Offshoring means that work is moved outside the home country and therefore has geographical connotations, usually to a country which can perform the work at lower cost, or perhaps has special skills; although there might also be a business case for offshoring around new market entry and moving operations closer to the country of destination. Outsourcing currently implies that an organization decides to move selected activities from in-house (inside the organization) to a third party or external supplier through a formal contract arrangement. The supplier may or may not be in the same country of origin as the organization undertaking the outsourcing. The reasons for doing this may be multiple, but the usual starting point is to reduce costs, often labour and associated overhead charges. In so doing, the instigating organization can be said to be re-organising its value chain and moving either core or support activities to the responsibility of another organization.

Measurement difficulties often arise from problems associated with the identification beforehand and the allocation of costs and/or poor recording of government statistics. Offshoring work in particular may be outsourced to a third party or indeed undertaken through a wholly owned subsidiary business (adapted from Contractor, 2010). Questions continue to be raised about the value of multinational expansion (Contractor, 2012). While sourcing costs may be reduced locally, and foreign knowledge and intellectual property may be acquired in rapidly developing markets as can the hedging of currency risks. There are a number of other costs to consider; e.g. R&D and headquarter costs, often retained in the home market may increase substantially. Each foreign affiliate may have to incur substantial reorganization costs and change for example to incorporate group information and accounting systems, there may also be increased overheads to facilitate group controls and quality systems. Central costs of coordination will increase as the number of foreign markets rise, along with supply chain and inventory costs, risks of stock-out, supply failures. Institutional and cultural distance issues again add complexity, communication challenges and potential cost.

Offshoring and outsourcing could be analyzed as global disaggregation of the value chain and as an attempt to combine comparative advantages of geographic location with an organization's resources and competencies to maximise competitive advantage (Mudambi, 2010). The interplay of comparative and competitive advantages determines the optimal location of value chain components (offshoring decisions) as well as the boundaries of the firm and the control strategy (outsourcing decisions).

Three different but interrelated strands of theory have also been explored. From the fields of:

1. Operations, geography, economics and strategy, (Coe, N.M. et al, 2004) the concept of Global Production Networks (GPN).
2. Business and economics, (Barney, J., 1991) the Resource Based View (RBV).
3. Geography and economics, (Hall,P. and Soskice,D, 2001) the concept of differing Varieties of Capitalism (VoC).

The intention is to synthesize these differing approaches together with an understanding of offshoring to answer the research questions and to explore differences in how German and UK multinationals operate in specific business sectors, and manage offshoring / outsourcing processes in particular. This will also help in developing a conceptual framework. The lack of research on the interdependencies of geography and control is underplayed considering that firms operating in international markets face these decisions simultaneously (Dunning, 1988) and so whilst addressed in part by researchers of GPNs, the field is contested. Making these decisions independent of each other leads to short term, tactical sub-goal optimization. The strategic integration of these decisions can result in significant firm-level performance improvements (Banker et al., 1984). Most of the offshoring literature takes control decisions as a given. Similarly, the mainstream literature on outsourcing usually fails to explore the location decision. Understanding the cost-benefit of offshoring and outsourcing is informed by RBV theory and concepts. This goes beyond the simple assumption of labour cost arbitrage towards the complexities of disaggregating home based processes and deciding what exactly to move offshore and where to locate it. Behavior, whether rational or not, can be explored between buyers, suppliers and third parties in negotiating contracts and rents. If this can be combined with a better understanding of how to ensure that economic goals are embedded into social structures and the subsequent impact on behaviour then we have a compelling approach. There are obvious limitations in clustering nation states, nevertheless broad comparisons seem possible. VoC can provide fascinating insights to the role of governments and institutions in juggling support and resources from the public to the private sector (and vice versa) also the extent to which institutions or the market influence prices and positioning. The real issue is the extent to which this benefits longer term growth and prosperity for firms and their shareholders. Whether coordinated versus liberal, production versus finance dominated, or corporatist versus pluralist private enterprise, most writers on VoC agree on distinct differences between UK and German systems of capitalism. The significant distinction is how German or UK MNCs then coordinate policy and whether they take their lead from the market or influential institutions to coordinate stakeholders. Further understanding of inter-firm linkages, power and competition is provided by the study of GPNs. The role of the lead firm is considered crucial in managing the impact of institutional policy on resource allocation decisions. Once offshore processes are sufficiently embedded that they add value back to the lead firm, further complex decisions are often required on (re)positioning (typically expensive) R&D and innovation resources, along with suppliers and customer markets.

3 Data & Methodology

A mixed methods approach to a case study methodology is adopted with competitive comparisons drawn across airline and engineering sectors for both UK and German headquartered MNCs. Eight semi-structured interviews with nine senior executives in Germany, UK, India and Poland were undertaken for the research. Initial research questions were refined and additional data requested. The methodology can be summarized as:

CRITERIA	SELECTION
Philosophy	**Pragmatism** – combining positivism and interpretivism
Approach	A combination of **deductive and inductive**
Strategy	**Multiple case studies** that are paired by sector with multinational corporations MNCs who are significant market players. Ethnography – exploring customer needs, experiments and action research were not considered to be appropriate. To support the case studies some additional secondary data and / or research of archive material will be required to triangulate the findings.
Choice	**Mixed methods**
Time horizon	**Cross sectional** with some historical perspective to current time
Techniques & Procedure	**Semi structured interviews**, recorded transcripts, analysis using a mixture of quantitative and qualitative techniques, supplemented with additional secondary data collection.

Table 1. Selected Combination of Approaches (adapted from Saunders et al)

3.1 Developing the conceptual framework

It has been suggested that a firm's decisions might evolve from initial cost saving through the outsourcing of support activities as a first stage of disaggregating the value chain and then process improvement and further leveraging of labour cost savings through offshoring. Finally, if the economic circumstances in the home market change then politicians might in some manner influence MNCs to reverse their policy and restore work back into the home market – backshoring or similar (McKinsey, 2012). While this appears logical at a generic level, it may be rather too simplistic, especially at the level of a firm. Let us develop a more rigorous approach.

3.2 Proposed theoretical conceptual framework

A novel taxonomy for the relationships between LMEs and CMEs and their predicted approach to outsourcing and offshoring activity is shown below in Table 2. The first column distils the key questions that have been identified towards outsourcing and offshoring. Column 3 lists what are considered to be key dimensions to be explored through the research and subsequent analysis. Columns 4 and 5 represent hypotheses of anticipated responses if the companies conform to the stereotypical national LME model for the UK and CME for Germany.

It is intended that this conceptual framework and taxonomy will help in exploring case study differences in the rationale, success and lessons between the UK and Germany for each of the airline and engineering sectors as an empirical focus. The variables or dimensions chosen include the choice of location for outsourcing and / or offshoring which is essentially the reason or motivation that the company has for making the change, the control and coordination mechanisms in place, the levels of involvement and participation and finally, an ability to cope with changes in circumstances. The UK and Germany are compared using differing concepts of varieties of capital. The assumptions set out below and summarized in Table 2 are drawn from the literature (Lane and Probert, 2009; Whitley, 1997; and

Trompenaars, 1997) in some cases reflecting a view that LMEs and CMEs are polar extremes, in other cases that over time there is some convergence and middle ground.

Taking each in turn, it is predicted that the motivation for outsourcing and offshoring will differ in that an LME will focus on short term cost cutting, budget control and shareholder interests. Initially, arbitrage of lower wages will be an inducement. If offshore they might also have a preference for English language speaking countries and traditional trading zones. On the other hand CMEs whilst also regarding low cost as a 'given' will focus on medium and longer term benefits in quality and performance and therefore a reluctance to outsource losing control and potentially intellectual property, if they offshore preferring central or European locations with a cultural or language similarity. This makes assumptions, such as all companies in a particular country will to at least some extent mirror and practice some of the characteristics associated with that classification of VoC. Also, the model can be regarded as rather static when in reality countries, sectors, markets and individual company approaches are dynamic and adapt to differing economic situations. So for countries such as Poland, Hungary or the Czech Republic the VoC positioning may be regarded by some as having shifted from a 'Transitional' positioning to a 'Pluralist Private Enterprise' (LME) or even to a 'Mixed' central position. Thus there is a link to the second dimension of ownership and related aspects such as control and coordination and degrees of autonomy. This draws on GPN theory to the extent that policy and practice become embedded in the supply chain, the network and the territory. The RBV and associated work on dynamic capabilities helps to inform us on how the lead company will manage core competences and resources. In deciding to transfer work from in-house and the home market are there than sufficient skilled resource to help the business transition work to either a third party or to an offshore subsidiary? One of the key institutional factors to be explored is the role played by the trade unions and works council; and the inter-relationships with employees and management. Finally, we address evidence of a reversal in policy and returning work to the home country. So, a theoretical projection is shown below in Table 2 presenting a series of hypothesis on what we might expect from a MNC headquartered in either the UK (LME) or Germany (CME). We have explored some relevant theory to underpin and construct this conceptual framework. The case studies will provide a 'test' for the conceptual framework of the theory both in use and practice. The first case study comparison is for airlines (UK and German) which will include passenger transport, cargo, maintenance and overhaul (Table 3). The second case study is for engineering and manufacturing (UK and German) this covers products such as pumps, valves and seals for the offshore oil and gas industry together with software / hardware for the automotive components market (Table 4).

4 Discussion and conclusions

4.1 Discussion of the transport sector. (Let us call the UK airline 'A' and the German airline 'B').

The two competitors selected in the airline sector show differences in approach. Both have moved back office support services and administration offshore, but the German organization has set up wholly owned shared service center's 'near-shore'; whilst the UK company moved processes to India, then as the business unit developed it was demerged and contracts are now in place to buy increasing levels of service back into 'A' from the offshore and outsourced provider. With engineering, repair and maintenance work, also catering the approaches are again different. The German company 'B' retains control and manages cost by leveraging labour costs offshore and using agency employees where necessary although this can cause questions around control. The UK business however works through its procurement and contracts team to place work either offshore or outsourced or both to keep costs down. 'A' have now learnt to manage these contracts more effectively and even buy in catering and engineering services from the competitor 'B' when appropriate in best value terms. Where labour costs are less of a concern they have improved processes now to such an extent they are prepared to reverse a previous policy and bring work back into 'A' where it now cheaper following efficiency savings. 'A' aims for flexibility and an ability to react to market changes. The yield and volume of seat tickets sold are carefully monitored with metrics such as unit costs for an available seat per km. With price reductions and discount promotions, again the cost base is carefully monitored (with and without fuel costs that cannot be controlled). Productivity improvements have to fund pay awards; efficiency improvements are regarded as important with large volume activity.

For a summary of findings and comparison with the conceptual framework (see Appendix Table 3). The key challenges for the Airlines include:

- Highly competitive, overlapping segments in the market e.g. low cost passenger travel, and price competition for larger organizations.
- Network of partner and alliance companies for global coverage.
- Passenger transport and engineering businesses can be counter cyclical.
- Profitability is sensitive to fuel costs, economic conditions and competition.
- Customer loyalty is a key factor in a high profile customer service business.
- Differing levels of power, control and influence between management, trade unions and works council.

4.2 Discussion of the manufacturing and engineering sector. (Let us call the UK engineering company 'C' and the German engineering company 'D').

These two engineering organization do therefore provide some early insights on differences in approach with respect to competences, technology transfer around the world and the development of key alliances; as postulated by Lynn and Salzman (2009). There are similarities in focus for both UK and German companies – to initially cut costs, keep prices down and then to improve efficiencies, processes and customers service. The method of delivery however, is different. The UK company 'C' takes a long term view but with short term deliberate steps towards partnership and then integration and acquisition utilizing outsourcing and offshoring where appropriate. The German company 'D' however, prefers to retain centralized control by establishing a subsidiary business offshore from the outset, with no or little consideration of outsourcing. There is also little evidence of synergies across the German group. Both 'C' and 'D' companies have grown and employment has been largely protected, although the United States division of 'C' has reversed a policy to move work to Mexico back into the US. It would also seem that complex work offshored to India by 'D' has subsequently had to be re-worked in India.

For a summary of findings and comparison with the conceptual framework (see Appendix Table 4). The key challenges for the engineering businesses include:

- On-going cost control, especially in the UK company which is Shareholder driven.
- Customers ask for, and expect lower prices and local supply.
- Competitor pressure within the market and industry sector.
- Preferred tendency with 'C' to try a joint venture and then acquisition, integrate and restructure to reap rewards.
- More control if it is a wholly owned subsidiary of 'D', can then avoid issues of IP with a third party.

5 Conclusions

It is well known that Germany has managed its economy in such a way that it has been less exposed to the economic pressures suffered by much of the rest of Europe. To some extent this has allowed management to move operations offshore but not outsource, gain the benefit of lower costs (10 per cent at least, sometimes 30 per cent) without losing jobs at home. However, as costs increase at a faster rate in many overseas markets the search for productivity benefits and efficiency gains continues. The basic components of a 'coordinated market economy' seem to prevail with evidence of institutional coordination, long term planning but also central control and an aversion to risk. The UK companies in both case studies were quicker to outsource, favored short term cost savings but were also more flexible and agile, taking risks with trade unions and suppliers and customers to seemingly favour shareholders. In many respects this is consistent with the 'liberal market economy' capitalist model. In both cases the choice of location was often different, as was the approach to delegation and autonomy suggesting differing views on governance. The underlying theoretical constructs of varieties of capitalism, the resource based view and global production networks were each found to be of value. (Research Questions 1 & 2, Tables 3 & 4). German Companies use expatriate managers for the short term but then mostly rely on local skills. UK companies use local staff from the outset. German companies also place more emphasis on language, near shoring and cultural empathy (Research Questions 3 & 4 , Tables 3 & 4). UK companies may have a tendency to be adversarial with trade unions, forcing job reductions when considered to be essential whereas German companies were cooperative and averse to conflict where possible. (Research question 5, Tables 3 & 4). Only isolated cases of reverse offshoring or backshoring were evident from the four companies. (Research question 6, Tables 3 & 4).

6 Research limitations and direction for further research

This work is based on a limited number of interviews, and follow-up meetings. Because the case studies inevitably comprise different sections of a business rather than the organization as a whole the 'unit of measure' will be important in making comparisons and drawing wider implications. Access to the host organisations' has been challenging with mixed views on the need for confidentiality. The usual concerns about use of case studies in respect of wider applicability within the sector must apply. Further research is intended with trade unions, and a wider cross section of employees, and also with other related companies who will be interviewed to triangulate the results. More data suitable for quantitative analysis is suggested.

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Appendices

<table>
<tr><th>Research question</th><th>Approach</th><th>Dimensions</th><th>Liberal market economy UK (LME)</th><th>Coordinated market economy GERMANY (CME)</th></tr>
<tr><td>1. What are the differences in the geographical, functional and temporal patterns of outsourcing and offshoring?</td><td rowspan="4">Outsource</td><td>Motivation</td><td>• Cost cutting and employee reduction
• English speaking countries
• Traditional trading zones</td><td>• Quality and performance, cost control is 'a given'.
• Central / Eastern Europe preferred</td></tr>
<tr><td rowspan="3">2. How far do mechanisms such as ownership, control, coordination and the degree of autonomy differ?</td><td>Ownership</td><td>• Shareholder driven</td><td>• Multiple stakeholder</td></tr>
<tr><td>Control & Coordination</td><td>• Arm's length on strategy. Strict cost and budget control</td><td>• Tight HQ control of strategy, policy and resources</td></tr>
<tr><td>Degree of autonomy</td><td>• High – if meet financial targets then local control</td><td>• Low
• Hierarchical structure
• Can be slow to respond to change</td></tr>
<tr><td>3. How is this reflected in divergent international divisions of labour regarding the employment of indigenous or ex-pat managers?</td><td rowspan="2">Offshore

or

outsourced offshore

or

reverse offshore (Backshore)</td><td>Managerial division of labour</td><td>• Low initial use of ex-pat managers who then stay on</td><td>• High initial use of ex-pat managers for set-up and training. Subsequently local management</td></tr>
<tr><td>4. To what extent do preferences for cultural proximity affect location?</td><td>Cultural Proximity</td><td>• Low, flexible, opportunistic</td><td>• High – language, behaviour</td></tr>
</table>

5. What is the influence of trade unions in the process of outsourcing and offshoring and how is this reflected in the structuring of the firms' labour markets?		Relationship with employees / Trade Unions	• None, limited to legal requirements • Push the limits • Can be confrontational to enforce desired changes	• Consult widely • Actively avoid confrontation • Opportunistic – use growth to create additional jobs elsewhere
6. What evidence is there, and why of a reversal in policy – backshoring / reversed offshoring / outsourcing?		Change of policy	• Loss of initial cost-benefit. • Political pressure or economic incentives	• Loss of intellectual property • Change in market focus or strategy

Table 2 Conceptual Framework - Theoretical Projection
Airline case summary

Question	Approach	Dimensions	Liberal market economy UK (LME)	Coordinated market economy GERMANY(CME)
1. What are the differences in the geographical, functional and temporal patterns of outsourcing and offshoring?	Outsource	Motivation	India, South Wales. Cost and reduced employees numbers. Catering, administrative and revenue accounting, engineering, maintenance, repair and overhaul.	Poland, China, Thailand, Mexico. Quality, performance and cost. Shared services, ticket booking, invoicing, maintenance, repair and overhaul.
2. How far do mechanisms such as ownership, control, coordination and the degree of autonomy differ?		Ownership	Outsource: Shareholder value	Retained offshore subsidiary
		Control & Coordination	Offshore and outsourced. Arm's length, market driven. Open book, service level agreements. Procurement led/ contract driven.	Tight HQ organizational control

		Degree of autonomy	Generally high. Maintenance retained at an internal subsidiary.	Low, but Increasing, based offshore or near-shore
3. How is this reflected in divergent international divisions of labour regarding the employment of indigenous or ex-pat managers?	Offshore or outsourced offshore or Reverse offshore (Backshore)	Managerial Division of labour	Local staffs. No ex-pats.	Run by ex HQ managers At start-up managerial level withdraw at operative level as soon as possible and recruit locals
4. To what extent do preferences for cultural proximity affect location?		Cultural Proximity	Unimportant. Global reach.	Important – language & culture. Focus on regions Europe, SE Asia, S America.
5. What is the influence of trade unions in the process of outsourcing and offshoring and how is this reflected in the structuring of the firms' labour markets?		Relationship with employees / Trade Unions	Adversarial, non co-operative. Management offer few concessions. TU members become antagonistic and anti-management but pro-union.	Cooperative, aversion to conflict. Works Council tend to support long(er) Term aim of management. Settlements are quick. Members are anti-union.
6. What evidence is there and why, of a reversal in policy – backshoring / reversed offshoring / outsourcing?		Change of policy	MRO work retained / returned in-house	Not so far

Table 3 UK and German Airlines compared
Engineering Case Summary

Question	Approach	Dimensions	Liberal market	Coordinated market economy

			economy UK (LME)	GERMANY (CME)
1. What are the differences in the geographical, functional and temporal patterns of outsourcing and offshoring?	Outsource	Motivation	UK, Czech republic, China. Less keen on India. Catering, administrative and revenue accounting, engineering, maintenance, repair and overhaul. Cost	India, Vietnam, Czech Republic – 'lead' global roles in Asia, Europe and North / South America. Embedded software applications, IT systems, accounting, call centers. In Czech Republic – the development of new automotive platforms; R&D, Engineering and Manufacturing. Local expertise and cost.
2. How far do mechanisms such as ownership, control, coordination and the degree of autonomy differ?		Ownership	Offshore through Joint Venture then wholly owned acquisition. Financial control via HQ, but freedom to run business locally.	Now wholly owned, offshore subsidiaries, budget control and OEM contact through HQ.
		Control & Coordination	Global operations via HQ.	HQ with OEM, divisional control and global coordination from HQ
		Degree of autonomy	Relatively high – as long as meeting budget.	Relatively high in terms of design and delivery. Close budget and resource planning and monitoring from HQ.
3. How is this reflected in divergent international divisions of labour regarding the employment of indigenous or ex-pat managers?	Offshore or outsourced offshore or reverse offshore (Backshore)	Managerial Division of labour	Kept to a minimum. Local staffs when possible.	Ex-pat initially as senior manager. Replaced with local after 5 years, maybe 5 ex pats out of 10,000 local employees. In Czech Republic initial training of engineers in Germany then on-site over 2 years. Ex pats may stay.
4. To what extent do preferences for cultural proximity		Cultural Proximity	Significant preferences through past experience.	Less important – although with the Czech Republic there are advantages of proximity, similar markets, some ease of language and cultural affinity.

affect location?				
5. What is the influence of trade unions in the process of outsourcing and offshoring and how is this reflected in the structuring of the firms' labour markets?		Relationship with employees / Trade Unions	Redundancies as and when required.	Avoid conflict, timed to coincide with growth to avoid job losses in Germany. Few issues in Czech republic – weak union but also free labour market and plant growth offering security.
6. What evidence is there, and why, of a reversal in policy – backshoring / reversed offshoring / outsourcing?		Change of policy	Mexico back to the US. Quality issues.	Stories of complex work being returned from India to Germany for rework.