

FACTORS IN COMPANIES' DECISIONS ON OUTSOURCING:
AN EMPIRICAL STUDY IN TURKEY



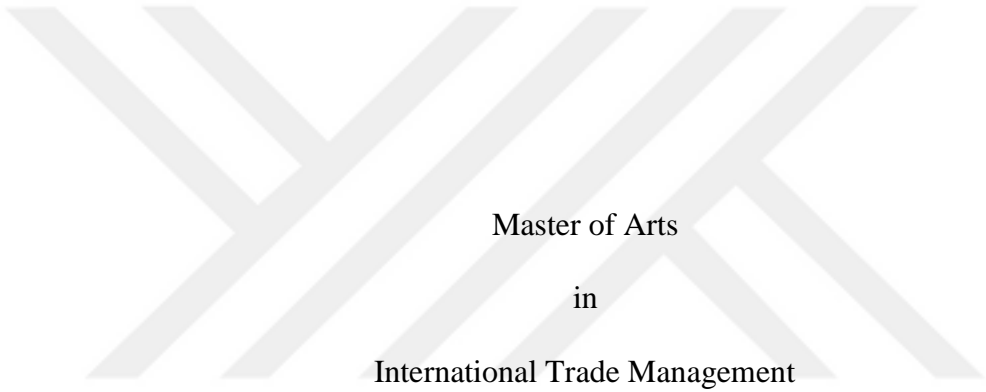
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FACTORS IN COMPANIES' DECISIONS ON OUTSOURCING:
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Factors in Companies' Decisions on Outsourcing:
An Empirical Study in Turkey

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DECLARATION OF ORIGINALITY

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ABSTRACT

Factors in Companies' Decisions on Outsourcing:

An Empirical Study in Turkey

Outsourcing has been widely used by organizations as a means to reduce costs, increase flexibility, and achieve efficiency. However, in the past few decades outsourcing has moved beyond a simple purchasing process and become a strategic tool for companies. In this transition process, soft factors such as trust and cultural compatibility have become superior to the factors that have traditionally affected the outsourcing decisions most such as price. This study aims to explore the factors that affect the outsourcing decision of companies in Turkey and examines whether there are specifically important factors for different outsourced functions. The purpose of this study is to determine which stage of the abovementioned transition process the Turkish firms are in and what they seek for in their suppliers. Data have been collected from 45 companies that operate in Turkey via online-administered questionnaires and analyzed by reliability, linear regression, and ANOVA analysis. The results show that regardless of the function that is being outsourced the most important three factors for Turkish firms are price, quality, and strong references. Trust, cultural compatibility, and open communication were found to be the least crucial factors when making the outsourcing decision. Findings imply that companies in Turkey still use outsourcing mainly for cost-cutting purposes. Our study sketches the general outsourcing environment in Turkey and presents applicable findings for both outsourcing companies and suppliers.

ÖZET

Şirketlerin Dış Kaynak Kullanımı Etkileyen Faktörler:

Türkiye Üzerine Ampirik Bir Çalışma

Dış kaynak kullanımı, kuruluşlar tarafından maliyetleri azaltma, esnekliği artırma ve verimliliği sağlama aracı olarak yaygın şekilde kullanılmaktadır. Bununla birlikte, son birkaç yılda dış kaynak kullanımı basit bir satın alma sürecinin ötesine geçerek şirketler için stratejik bir araç haline gelmiştir. Bu geçiş sürecinde güven ve kültürel uyumluluk gibi yumuşak faktörler önem kazanmaya başlamıştır. Bu çalışma, Türkiye'deki şirketlerin dış kaynak kullanım kararını etkileyen faktörleri araştırmayı ve dış kaynak kullanılan farklı alanlar için özellikle önem arz eden faktörlerin olup olmadığını incelemeyi amaçlamaktadır. Bu çalışmanın amacı, Türk firmalarının yukarıda belirtilen geçiş sürecinin hangi aşamasında olduğunu ve tedarikçilerinde ne aradıklarını belirlemektir. Çevrimiçi yönetilen anketler aracılığıyla Türkiye'de faaliyet gösteren 45 şirketten veri toplanmış ve güvenilirlik, doğrusal regresyon ve ANOVA analizleri ile analiz edilmiştir. Sonuçlar, dış kaynak kullanılan alandan bağımsız olarak, Türk firmaları için en önemli üç faktörün fiyat, kalite ve güçlü referanslar olduğunu göstermektedir. Dış kaynak kararını verirken güven, kültürel uyumluluk ve açık iletişim en az önemli faktörler olarak bulunmuştur. Bulgular, Türkiye'deki şirketlerin hala maliyet azaltma amacıyla dış kaynak kullandığını göstermektedir. Çalışmamız, Türkiye'de dış kaynak kullanımı ile ilgili genel çerçeveyi çizmekte ve hem dış kaynak kullanan şirketler hem de tedarikçiler için uygulanabilir bulgular sunmaktadır.

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CHAPTER 1

INTRODUCTION

In the era of globalization where competitiveness and mutual interdependence is high, supply chains, their improvement, and successful management have become more essential than ever. On one hand, unexpected and dynamic changes are occurring in the global economy, on the other hand, product life cycles and demand patterns are becoming hard to manage (Soosay, Fearne, & Dent, 2012). In order to be able to quickly respond to these changes, supply chains need to be highly efficient and proactive. One of the management trends that help companies to achieve this efficiency and flexibility is outsourcing. Outsourcing has long been used by different industries merely for cost-cutting purposes. It also helped companies to access goods and services of better quality and focus on their core competence. Thus, outsourcing decision-making process and the factors that affect this process have always been on the spotlight. There is a vast amount of literature that explores the rationales behind outsourcing decision, how they differ from one industry to another, and how outsourcing contributes to the overall firm success. Traditionally it was suggested that sourcing decisions were made based on comparing costs between internal and external production. However, since outsourcing has become a management approach which can offer strategic advantages to the firm, its drivers and rationales have changed as well.

Purchasing or procurement is a process through which an organization buys essential resources for performing its activities; sourcing, on the other hand, is the whole set of processes required to purchase goods and services (Chopra & Meindl, 2007).

Nowadays, one of the challenging decision that companies face is whether to outsource a function or keep it in-house. Some combination of both, namely hybrid strategies, is also used. During the last two decades, destinations for outsourcing have globally expanded, especially because it provides companies with strategic advantages (Hitt, Tihanyi, Miller, & Connelly, 2006).

In order to adapt to changes, get less influenced by fluctuations and benefit from recent technology and information it is important to be able to utilize outsourcing (Keskin, 2006). Moreover, ambiguous demand patterns increase companies' reliability on outsourcing (Kouvelis & Milner, 2002). According to Koçel (2001), skills other than the core competence of the company can be outsourced from professional goods or service providers that meet certain quality standards. As long as it does not significantly increase risks, outsourcing is a reasonable way to increase supply chain surplus (Chopra & Meindl, 2007).

As a concept outsourcing arose in the 1950s with a sharp focus on costs, however, it was accepted by most companies only in the 1980s when it became a cooperative issue rather than a cost issue (Hatonen & Eriksson, 2009). Formerly, organizations have long tried to perform all activities in-house, which was the sign of dominance then. With the development of technology and prevailing globalization, organization structures have become more complex which led to the emergence of core competence and outsourcing terms (Ataman, 2002).

Although there have been numerous studies worldwide to investigate the factors that affect the outsourcing decision of companies, this topic has been previously assessed only to a very limited extent in Turkey. Furthermore, existing studies cannot be considered conclusive because they have focused on a traditional

approach to outsourcing, namely a cost-cutting tool. Thus, this study aims to contribute to the gap in the scientific literature.

This thesis is divided into five chapters all of which are in accordance with the purpose of our study. The structure of the thesis is described below.

The first chapter presents an introduction to our study. In Chapter 2, we performed an extensive literature survey taking a funnel approach. We started by exploring supply chain management and outsourcing literature. After the definition of our core concepts, we looked at the brief history of outsourcing and key trends for the time being. Then, we reviewed different outsourcing models and theories along with the stages of the outsourcing process and we discussed the advantages and disadvantages of outsourcing as well as the factors to consider when making the outsourcing decision. Later in this chapter clarified why we chose Turkish firms as a unit of analysis and reviewed outsourcing literature in Turkey and focused on culture and its impact on outsourcing decision.

Chapter 3 explains the research design, methodology, scale development, data collection method, and analysis used to explore the research questions. In Chapter 4, we discussed and summarized the findings of the study. First, descriptive statistics about the respondents and reliability analysis for the instruments are provided. Then, we presented the results of linear regression and ANOVA analysis, which were performed via the IBM SPSS Statistics 25 package. Last, we discussed important factors when making the outsourcing decision function by function.

In the last chapter, the final discussion regarding the outcome of this study is provided. We conclude with the practical implications of the findings, limitations of our study, and recommendations for further research on this topic.

CHAPTER 2

LITERATURE REVIEW

Before starting the literature review, we would like to define our core concepts.

Outsourcing has become a trending topic in business economics and management literature over the past decades. In literature, outsourcing has also been referred to as “contracting out”, “offshoring” or “nearshoring”. In some academic papers, we see “disintegration” or “de-verticalization” words instead of outsourcing.

First, we need to make a differentiation between outsourcing and offshoring. Outsourcing refers to moving some activities out of the boundaries of the firm either to a domestic or overseas location (Bahrami, 2009). However, offshoring means transferring activities to another country or continent while maintaining ownership (Chopra & Meindl, 2007). It is possible to outsource but not to offshore; for instance, employing an outside provider inside the country to handle the security functions of the firm. To put it simply, “*Outsourcing of work is across organizational borders, while offshoring of work is across geographical borders*” (Singh & Kehal, 2006). Both outsourcing and offshoring are realized mainly because of expected cost savings, specialization and flexibility. In offshoring, it is also possible to benefit from different tax and tariff regimes. On the other hand, nearshoring is a form of offshoring in which companies contract out their functions to an entity in a near country: Canada is a nearshore country for the USA, for example. In this paper, we will use the term outsourcing both for the domestic and international context.

Outsourcing is used either in the absence of capability within the firm to perform certain activities or when it is profitable to transfer the in-house activity to an outside contractor. However, the first case is usually called procurement, not

outsourcing. Thus, outsourcing is when you have the alternative of producing the product in-house, however you deliberately choose to contract it to outsiders.

Gilley and Rasheed (2000) have suggested a different approach which differentiates core and peripheral outsourcing. Core outsourcing is about outsourcing strategically important activities, while peripheral outsourcing deals with non-core functions which do not have much potential to offer a great competitive advantage in the long run. However, there is not a clear line between core and non-core functions and it depends on the industry.

Second, we would like to define soft and hard factors in business. Hard factors are the ones that directly affect business practices. They are generally tangible and real. It is possible to measure, analyze and develop a system to arrange and plan hard factors. However, soft factors are those cannot be immediately observed, seen or understood. They are hard to gather, measure, and systemize. Soft factors evolve around people working in the organization and from the overall environment. They are unpredictable in nature and usually underestimated when making decisions.

From the perspective of outsourcing, hard factors are easily measurable ones, such as price, technical equipment, years of experience etc. Soft factors, which are hard to calculate and grasp, include cultural similarity, trust, mutual understanding etc.

Last, we would like to give a description of culture and specify how it has been spelt out in this study. According to the Cambridge Dictionary, culture is a lifestyle of a particular group of people which is embedded in their day-to-day habits, customs, and beliefs. Professor Hofstede, who has conducted one of the most extensive studies about national culture, defines it as a uniquely set up mindset that differentiates one group of people from the others. For the purpose of our study, we

will use this definition and two of six culture dimensions calculated by Hofstede. Although these dimensions are called “national culture dimensions”, since his research has been done in IBM, the company with a strong corporate culture, those dimensions have also been used to measure organizational culture.

2.1 Supply chain management

Supply Chain is explained by most researchers as the process in which raw materials are transformed into final goods and delivered to the end customer (Beamon, 1998; Bridgefield Group, 2006). According to Lee & Billington (1993), the supply chain is a network consisting of manufacturers and distributors which involves crude materials and their transference into ultimate products. Another common definition explains the supply chain as a cluster that involves suppliers, logistics service providers, manufacturers and material, information and finance flows among them (Ayers, 2006; Mentzer, et al., 2001; Anderson, Sweeney, Williams, Camm, & Cochran, 1997).

Nowadays, one of the key trends among supply chains is concentrating on sustainability (Tseng, Lim, & Peng Wong, 2015). Since the number of barriers is increasing, especially in developing countries supply chains should manage to integrate economic, social and environmental aspects (Bendul, Pivovarova, & Rosca, 2017). Social aspects of sustainability include to meet customer expectations and achieve customer satisfaction, create long-term employment and contribute to the local economic growth, especially in emerging countries (Ras & Vermeulen, 2009; Reefke & Sundaram, 2017). Integrating social values and business ethics to collaborations and being transparent are also profound to socially sustainable supply chains (Dubey, Gunasekaran, Papadopoulos, Childe, Shibin, & Wamba, 2017; Erol,

Cakar, Erel, & Sari, 2009). In literature, economic aspects of sustainability refer to collaborative relations efficiency, optimization, diversity and steady growth (Soosay, Fearne, & Dent, 2012; Dubey, Gunasekaran, Papadopoulos, Childe, Shibin, & Wamba, 2017). Producing environment-friendly, safe, and healthy products, decreasing greenhouse emission, waste reprocessing etc. comprise the environmental aspect of sustainability (Hopwood, Mellor, & ÓBrien, 2005). Not only the sustainability of the supply chain's own activities, but also a long-term collaboration with partners and synthesis of three pillars of sustainability will allow supply chains to endure (Barbosa-Póvoa, Silva, & Carvalho, 2017). On the other hand, it has become an organizational challenge to achieve and maintain profitability and sustainability at the same time (Bastas & Liyanage, 2018).

With the beginning of the new millennium, an increasing number of suppliers, improved communication and technology together with decreasing transaction costs enable organizations to reconstruct their businesses (Doig, Ritter, Speckhals, & Wollson, 2001).

Organisations are trying to find ways to stay alive in the complex, highly competitive and integrated environment. One possible way to survive and maintain their profitability is to have a competitive advantage that is sustainable and cannot be imitated. General Manager of IBM's Managed Business Process Outsourcing, John Lutz states that nowadays companies are in search of ways to differentiate themselves from competitors (Sperling, 2009). Approximately, from %50 to %66 of Fortune 500 companies are outsourcing or offshoring to emerging countries, such as India and China (Singh & Kehal, 2006).

2.2 Definition of outsourcing

In order to adapt to the changing global competition process, outsourcing is the generally accepted strategy used by, especially, developed countries such as the USA, Japan and Italy (Bakan, Fettahlıođlu, & Eytmiř, 2014). There are various definitions of outsourcing in literature mainly defining it as purchasing goods and/or services from an outside partner.

The Cambridge Dictionary defines outsourcing as a situation where a company employs another company to perform some of its tasks (Cambridge Dictionary).

According to Quelin and Duhamel (2001), outsourcing can be defined as assigning an activity to an outsider partner via a long-term contract.

Outsourcing is transferring a function outside the borders of an organization via purchasing goods and services from external providers rather than producing them in-house (Munjaj, Requejob, & K.Kundu, 2018).

Some resources define outsourcing from a strategic perspective, such as the strategic utilization of external resources to handle activities previously performed by internal resources (Handfield, 2006).

Previously, outsourcing was considered as a cost-cutting tool, however, nowadays it has become a way of strategic cooperation in which the risk is shared mutually. Firms can outsource activities previously done in-house or previously did not exist in the organization.

Strategic outsourcing involves decisions such as doing the tasks alone or with a partner. It also decides the extent of control and partnership duration (Quinn & G. Hilmer, 1994).

Outsourcing lets to limit activities other than your core competence and downsize which together allows companies to gain competitive advantage (Koçel, 2001). The decision to outsource or not depends upon the advantages and disadvantages, motivations and risks, also the functions that are being outsourced (Kremic, İçmeli Tukul, & O. Rom, 2006). All necessary materials, service and information can be obtained via outsourcing in order to perform, maintain and manage the companies' main activities (Weele, 2005).

2.3 History of outsourcing

In the period of the Roman Empire, to make the process of collecting tax more organized and systematic, it was given to outsiders. With the introduction of the industrialization process, this became more prevalent. In England and France, some public services were being outsourced as well (Kakabadse & Kakabadse, 2002). Outsourcing was once considered the purchase of materials only; however, it includes many other functions nowadays (R. Miller & G. Dess, 1996).

Outsourcing is increasing as more and more organizations are trying to focus on their fundamental activities, which lead to an increase of partnership and networking among organizations. This enables organizations to move forward expeditiously (Koçel, 2001).

Outsourcing should not be considered a simple "buy-in", but an essential decision, which can offer superiority in some strategic fields. Utilization of outsiders' goods and services are getting more and more common in different fields of all stages of the supply chain (Ataman, 2002).

It was not until 1989 that outsourcing was accepted as a business strategy (Mullin, 1996). Handfield (2006) explained the evolution of outsourcing as

following: First, companies began to outsource some functions they had no competence in, which was then followed by outsourcing non-core services as a cost-cutting tool. The final stage of outsourcing is building and managing the strategic partnership with vendors.

There are vast differences between traditional and modern outsourcing. Nowadays, firms outsource in order to add value to their organization and achieve strategic goals. Using multiple suppliers via short-term contracts and realizing collaborative management have become the new pattern (Weiss & Drewry, 2016).

2.4 Key trends in outsourcing

In order to comprehend the changes that have occurred in outsourcing, Deloitte has surveyed 140 organizations from 30 different countries (Deloitte, 2014). According to survey results, the first development that affects outsourcing is technology. Improvement in technology has resulted in new service offers, like cloud computing. Over half of the respondents in the survey claimed that novelties in cloud services, big data, business process as a service etc. will enhance outsourcing. The second factor is the location. At the time, the most popular sourcing locations include India, China, Poland and the U.S. regardless of time and language differences, currency fluctuations, and taxes and regulations. However, other countries like Romania, Mexico and the Philippines are expected to achieve higher rates of growth because of not only low labour costs but also profound operational factors and business strategy. Most of the respondents are against the enactment of anti-offshoring rules and laws, some even declaring to absorb the costs through profit reduction. Moreover, regulations related to privacy and security is expected to boost outsourcing.

Another trend has been establishing close relations with sourcing partners for pursuing common goals and achieving innovation. The fact that innovation is a rapid process and requires a wide range of information makes companies work together with their sourcing partners (Oshri, Kotlarsky, & Gerbasi, 2015). Moreover, outsourcing enables managers to go beyond the mindset of their organization and reach out that of external companies, which together create a favourable environment for innovation (Chesbrough & Crowther, 2006).

International research comparing the US and Europe outsourcing practices shows that the US companies engage in strategic outsourcing more for the purpose of value creating, while European organizations benefit from outsourcing mainly because of achieving economies of scale (Kakabadse & Kakabadse, 2002).

The Boston Consulting Group has compared production costs across countries and concluded that difference in production costs in developed and developing countries, particularly the USA and China, is decreasing which means that some goods are even less expensive to manufacture within the USA than to source them (Sirkin, Zinser, & Jose, 2014). This may be the evidence that costs will no longer be the driving force for outsourcing in the future and decisions will be made upon comprehensive evaluations. In their research paper, Cohen et al. (2018) mention that access to automation, product quality and other supply-chain related dimensions such as flexibility and speed rather than low labour costs are main driving forces of increase in production volume in China.

2.5 Outsourcing models

The decision to outsource is complex in its nature because of numerous factors, advantages and challenges it includes. Therefore, various models have been developed in order to build a baseline for successful decision-making. If generalized, all outsourcing models fall into one of these three categories: matrix-type, factor-based and process-based (Singh & Kehal, 2006). Matrix-type models are two-dimensional and easy to implement. What matrix-type models do is determining the strategic importance of the function and the degree of firm's competence in performing that function compared to other firms. Then based on these factors the model offers clear guidelines on how much to outsource. Factor-based models, however, are multi-dimensional in their nature and try to include all the influencing factors. Since they also attempt to highlight the possible dynamics that may occur in the market in future, factor-based models fail to provide clear patterns on how to outsource. Last, process-based models consist of multiple stages ranging from deciding what to outsource to relationship management.

In this part, we will discuss the most popular three outsourcing models about geographical location choice: Global Delivery Model, Global-Shared-Services (Captive) Model, Build-Operate-Transfer model.

Global Delivery Model (GDM) has emerged because of improvement in IT sector and the popularity of global outsourcing. This model refers to contracting specific activities out to external providers, often locating in the different geographical zone in order to achieve labour and fixed costs savings (Ahuja & Sinclair, 2012). A bit more enhanced perspective of GDM involves onsite teams at sourcing company location in order to check the appropriateness of provided product

or service, equip offsite vendors with necessary information and manage relationship (Ahuja & Sinclair, 2012; Robinson & Kalakota, 2004).

GDM enables companies to minimize risks and achieve reasonable cost savings, as they do not make infrastructure investments. Moreover, multicultural business environments may help both sides to improve their understanding and communication skills. However, working with an offshore provider requires a constant commitment to coordination as there can be misunderstandings and challenges because of cultural and business style differences.

In the Captive Model, organizations build offshore branches or shared-service points through which they can benefit from cost reduction while preserving their control over the activities (Ahuja & Sinclair, 2012). In the beginning phase, companies may start with building joint ventures in the offshore location or opening up their independent local bureaus (Robinson & Kalakota, 2004). Building a captive center requires some initial investment and high risks because of currency volatility, taxes and government regulations. However, at the end of the day, you have complete control over your performance. Taking all into consideration if a company expects to achieve cost savings in a short period, utilizing the Captive or Global-Shared-Services method may not work out.

In Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) model, client and provider found a company in the offshore location as a form of a joint venture or strategic alliance (Ahuja & Sinclair, 2012). This partnership may also involve public investment, trustee banks, insurance and consultancy companies (Acar, 2009).

In the BOT model, both sides achieve efficiency as they share investment costs and risks. Moreover, via the BOT model economy of countries, especially

emerging ones, may enjoy the foreign capital flow and realization of projects, which cannot be achieved any other way (Acar, 2009).

Drawbacks of BOT model lies within time, money and complex processes requirements from both sides in order to agree upon a great variety of dimensions. Furthermore, these kinds of projects are highly vulnerable to the changes in the political and economic environment. Parties should work cooperatively at every stage of the project, especially in decision-making, since one choice of any party may adversely affect both sides.

2.6 Outsourcing stages

In the literature, there are various ways of explaining the process of outsourcing. Bosnjak & Lewandowski (2010) state that outsourcing process begins with an analysis of alternatives, the next stage is selecting your partner according to some set of criteria followed by transfer phase in which you move your activities out of your firm's boundary and end with operation stage when implementation begins. When outsourcing decision is made, the next steps include but not limited to determining and choosing suppliers, designing the outsourcing contract, design collaboration, purchasing process and evaluation (Chopra & Meindl, 2007).

According to Carmel and Agarwal (2002), there are 4 stages of IT outsourcing which are described in Table 1.

Table 1. Sourcing of IT Work Offshore Stage Model

Stage 1	Offshore Bystander	The company is not outsourcing and performs activities in-house.
Stage 2	Offshore Experimenter	The company is doing pilot projects in order to evaluate outsourcing options.
Stage 3	Proactive Cost Focus	The company is outsourcing non-core functions via short-term relationships aimed at cost reduction.
Stage 4	Proactive Strategic Focus	The rationale of outsourcing has moved beyond cost reduction and related to long-term collaboration with vendors for strategic purposes.

Source: Carmel and Agarwal (2002)

Dibbern et al. (2004) have applied Simon’s Decision-Making model for outsourcing. Here, intelligence in the decision-making model is related to “why” question of outsourcing and involves analysis of rationales and weighing pros & cons. Design factor is related to “what” in outsourcing meaning outsourcing options, level of outsourcing and ownership. The choice is concerned with “which” side, setting instructions, procedures and making the evaluation. Lastly, implementation phase in decision-making model is about “how” to outsource (choosing a vendor, creating and managing the relationship) and what “outcome” (pay-off, success, learning) to expect.

According to Güner (2004) and Yağmur (2007), before making the outsourcing decision strategic and non-strategic functions should be separated; functions should be decided to be outsourced or to be kept in-house; organizational

goals should not conflict with outsourcing but aligned with it. In addition, the type of contract and organizational structure should be chosen. Finally, checking the trustworthiness of outsourcing provider and its capability to meet desired cost and quality standards is essential.

2.7 Theories on outsourcing

In outsourcing literature, different theories have been referred to in order to explain different aspects. Agency theory for optimal contractual relationships (Jensen & Meckling, 1976), game theory for decision making (Kreps, Wilson, Milgrom, & Roberts, 1982), relationship theories for effective communication (Klepper, 1995), transaction cost theory for cost-benefit analysis (Coase, 1937), and so on. For the purpose of this study, we will focus on transaction cost and agency theories.

Transaction cost approach was first used by Ronald Coase in his book “Nature of the Firm” in order to explain the reasons of the existence and expansion of firms and was then contributed by Oliver Williamson (Yılmaz & Bedük, 2014). Basically, transaction cost theory explains institutions as mediums to coordinate transaction costs. Therefore firms are analysing the costs of swapping resources with the environment versus performing tasks inside the organization. This theory argues that firms will continue to grow unless the cost of organizing a specific activity becomes larger than performing it in an open market or partnering with other organization (Coase, 1937).

If the costs of producing in-house and managing that system exceed the same costs of sourcing then using external markets is more efficient (Yılmaz & Bedük, 2014). Transactions costs depend on transaction frequency, uncertainty and asset specificity (Thouin, Hoffman, & Ford, 2009).

Other than the direct purchasing costs of outsourcing there are some other costs such as bargaining costs and opportunism costs. Bargaining costs arise when one of the parties is acting with self-interest but in good faith (Williamson O. , 1985). These costs can be in the form of pre and post-contract negotiations costs; costs of managing the relationship such as the cost of communication and cost of ensuring the other party is adhering to the contract or the costs of disputes. However, the introduction of high technology and deregulation have decreased these costs and thus triggered international outsourcing. Opportunism costs, on the other hand, arise when one entity tries to change the agreed terms of an agreement in a way to be in a more profitable position. Thus, before starting the transaction, management should consider the unforeseen costs, as well (Barrar & Gervais, 2006).

There are two factors that affect bargaining and opportunism costs. The first one is product/service complexity. The more complex the product/service, the higher the hidden costs are expected. Here to agree upon practice guidelines can be helpful.

The second factor is the asset specificity. Assets can differ according to the usage types. It can be in the form of equipment needed for the production of a good or know-how needed to provide a service. Assets are called specific if they are for distinct use. Investments done in specific assets cannot be undone, thus they lead to transaction costs. Therefore the investing side expects some kind of promise from the other party before making an actual investment because losing this specific asset may cost a lot to the former (Aubert, Rivard, & Patry, 2004). Generally, these promises, which help the investing party to reduce its risks, appear in the form of long-term contracts, bonds or assurance on volumes (Williamson O. , 1985). The higher the asset specificity, the more complex and more costly the transaction agreement

becomes (Aubert, Rivard, & Patry, 2004). So it becomes more convenient to perform the activity in-house.

According to Vinning and Weimer (1988), products and services can fall under one of these categories: search goods, experience goods & post-experience goods. Search goods are the ones whose price-performance characteristics can be identified before the purchase, such as one component of the computer. The price-performance characteristics of an experience good are known just after the purchase, like food or beverage. The quality can be identified after consumption. Post-experience goods' performance can only be determined after a considerable amount of time. For example, assessing the performance of outsourced customer service is difficult in a short period (Ulset, 1996).

High product complexity usually raises information asymmetry, which in turn increase the uncertainty around the contract. Thus, post-experience goods which have higher task complexity may involve more bargaining and opportunism costs. For example, relatively complex components for the aerospace industry (Barrar & Gervais, 2006) and nuclear power plants (Jensen & Rothwell, 1998) are less likely to be outsourced because of the complexity of the products. On the other hand, there is some empirical evidence that shows a positive correlation between the complexity of the product and internalization. To sum up, low complexity and low asset specificity are the best conditions for outsourcing.

Organizations do not perform in an environment where there is perfect information sharing which means they regularly face uncertainty either engendered by uncertain demand patterns or changes in the market. This uncertainty makes it hard or even impossible to sign efficient contracts and close the transaction. Here,

internal management may be more flexible since the employer can adjust the tasks among employees according to the changes (Simon, 1991).

Transactions that happen frequently incur lower transaction costs (Thouin, Hoffman, & Ford, 2009). If the transaction is one-time, investing time and money to its coordination is not efficient. On the contrary, if the transaction is anticipated to happen more than once, then this investment may be justified.

Jensen and Meckling (1976) explain agency relationship as an agreement in which one person, namely principal (firm, buyer, user), employs another person, an agent (employee, supplier, provider), to perform some of its activities and thus transfers some of his decision making authority to him. Here occur some costs derived from the struggle to achieve cooperation and conflict of interests between parties. The authors have defined agency costs as the total costs by the principal on agency audit, costs by the agent on bonding and discrepancy in the welfare of the principal resulted from the split in principal and agent's decisions or residual loss.

From the outsourcing perspective, when a company hires another company to operate some of its functions, the principal is expecting the agent to behave in a way that maximizes his profits or welfare. However, there exists some degree of ambiguity because neither of the parties can surely predict the consequences beforehand (Xiaoli, Ruiqing, & Wansheng, 2014). In this relationship, the agent is afraid of the possibility of not being adequately rewarded and the principal is worried about the possibility of the agent's opportunistic behaviour (Logan, 2000).

Agency problems appear in the following situations (Gligor & Holcomb, 2013): The agent and the principal have different objectives; measurement of the agent's performance is hard or costly for the principal; there exist varieties in risk aversion (Logan, 2000).

In agency theory literature, the focus is on creating the optimum efficacy in contracts in the existence of uncertainty, risk aversion, information asymmetry, and other factors (Eisenhardt, 1989). Contracts are divided into two groups, outcome-based and performance-based (or behaviour-based) contracts. If the agent is evaluated upon what he has achieved rather than how then the contract is outcome-based.

Eisenhardt suggests that if the contract is outcome-based and the principal has the clear information about what the agent is doing, the agent will be more likely to treat towards the interests of the principal (Eisenhardt, 1989).

On the contrary, when the acts of the agent are noticeable by the principal but the results are unpredictable, it is appropriate to apply behaviour-based contracts (Eisenhardt, 1989). Behaviour-based contracts concentrate on the process itself rather than its consequences (Anderson & Oliver, 1987).

There are some methods to apply in order to align the objectives of providers and users through behaviour-based contracts (Zsidisin & Ellram, 2013). The first one is supplier certification which involves providing the supplier with the certificate when exceeding preset goals (Cox & Blackstone, 1998). Then, quality management programs, which have been found to be more powerful when being process-oriented, can be implemented in order to ensure certain quality standards are met in supplier's equipment (Zsidisin & Ellram, 2013; Choi & Liker, 1995). Another technique is called target costing and deals with sharing information about expected sales and agenda in order to achieve overlapping objectives. Lastly, supplier development includes improving your supplier's capability in a way that it can handle your needs better. This may include boosting healthy rivalry between your providers, decreasing costs, giving regular feedback etc.

Companies in the service sector are more likely to utilize behaviour-based management methods than in the manufacturing sector (Zsidisin & Ellram, 2013). There are some situations positively correlated to behaviour-based contracts (Logan, 2000; Eisenhardt, 1989): Information systems are effective; an outcome is uncertain; the agent is risk averse; there is a long-lasting relationship; task programmability is present (It is possible for the principal to specify proper behaviour of the agent beforehand).

In outcome-based contracts, the agent is bearing more risk because the rewards depend upon the outcome, however in behaviour-based contracts, risk shifts to the principal because what is essential is the behaviour of the agent regardless of the outcome. For example, in a transportation outsourcing contract, which is behaviour-based, the agent may be rewarded upon miles travelled, loading or unloading duration, lingering etc., which will ensure him towards traffic or unpredictable delays (Logan, 2000).

According to Sharma (1997), the principal's close participation in the process, the involvement of third-party specialists to monitor the agent, behaviour controls, and long-lasting collaboration may help to decrease agency problems.

Poppo and Zenger (1988) state that principals are less satisfied when they are not able to measure the outcome. That's why agents should permit them to reach out information and cost data about their performance. Users, in their turn, should set precise criteria upon which the providers will be evaluated and request easy and real-time measurement ways. This way boosts information sharing and allows keeping track of the other's behaviours.

Oviatt (1988) proposes that providers and users should agree on behaviour-based evaluations and premiums for performance and surpassing the determined goals.

These measurement and evaluation methods should be analyzed and checked regularly by the upper management of the parties (Logan, 2000).

Literature shows that as the duration of the relationships increases, parties get to know each other closer, figure out problems more effectively, and become better at evaluating each other. However, in outsourcing literature, some scholars argue that as the length of the contract increase it becomes harder to adapt to business and technical changes (Moura & Grover, 2001).

Nowadays, what matters is collaborative relations with partners which can bring change and innovation rather than best quality and price (Vitasek, 2016). The longer the relationship of the principal and the agent is, the less the agency costs will be, because parties will have developed a natural bond and common understanding (Nam, Rajagopalan, Rao, & Chaudhury, 1996).

Short-term relationships may seem easy to enter and exit, at the beginning. Entities may feel no need for long-standing agreements as they can update and renegotiate the existing contracts. Moreover, they can choose short-term deals in order to prevent or minimize risks. However, arranging a new contract or extending it may be costly and time wasting.

Long-term relationships are hard to manage but it creates an environment of reliability, trust and commitment, which altogether boosts achievement (Ishizaka & Blakiston, 2012). They allow achieving stable volumes and profit, the ease with planning and higher convenience for investors (Hirschheim, George, & Fan Wong, 2004).

In their paper, DiRomualdo and Gurbaxani (1998) state that long-range partnerships help both sides to boost their competencies and build new ones. In long-term collaborations, parties develop a degree of trust for each other and are willing to put the effort into figuring out and solving issues (Chopra & Meindl, 2007).

If a company is making a short time or one-time deal, then culture, trust, and mutual understanding are probably not crucial. However, in long-term and large deals, other than technical and professional expertise of outsourcing provider, trust between two of you, business styles, ease of doing job, clear communication and other soft issues appears on the scene. Provider's performance and buyer's trust of him together affects the buyer's long-term orientation towards its provider (Cannon, Doney, Mullen, & Petersen, 2010).

2.8 Benefits, risks, and rationales of outsourcing

Main motivating factors for outsourcing include but are not limited to focusing on core competence and cost reduction. Quality handling issues, performance improvement, taking advantage of recent technology are among the most common rationales for outsourcing. Economies of scope and scale and significant transaction cost reductions can be achieved if an outsourcing provider gathers order (Chopra & Meindl, 2007). According to Chopra and Meindl (2007), effective communication and coordination between partners may improve demand forecasting, decrease safety inventory, and lead to a better match between supply and demand. Companies contract out to benefit either from one or from some combination of these factors (Kern, Willcocks, & Heck, 2002).

One of the main rationales for outsourcing is cost reduction (Cotton, Farmer, Gross, Wilkinson, & David, 1993; Rao, 2004). To obtain and sustain a position in the

market and gain a competitive advantage can be costly (Kroes & Ghosh, 2009). So distilling significant expenditures from unnecessary ones is needed (Tanyeri & Firat, 2005). Most of the outsourcing deals aim cost reduction. Purchasing services via outsourcing instead of performing it indoor will not only diminish costs but will also increase profitability (Kremic, İçmeli Tukel, & O. Rom, 2006). Using external logistics services can be a medium for companies to achieve optimization and take advantage of mass production. Most of the outsourcing providers are producing the same good or service in big amounts, which enables them to benefit from economies of scale. In addition, organizations can utilize auctions through which they can achieve lower prices (Chopra & Meindl, 2007). Empirical research shows that 20% of the production costs can be saved if competitive bidding is used (Hodge, 2000).

Disposing of additional costs like necessary training for employees, office supplies etc. make outsourcing more appealing. Here outsourcing gives the opportunity to achieve nimble and productive establishment with minimum infrastructure (Ataman, 2002). Contracting out software development tasks abroad may allow to access to higher technology and result in cost reduction (Minoli, 1995). Low labour costs in emerging economies further add to the benefits of outsourcing. Furthermore, companies can get rid of some additional costs related to labour costs, for example, health care allowance. Some companies may be obliged to pay health care allowance to their full-time workers, by utilizing outsourcing the company hires temporary or part-time workers for the same job who are not provided with any health care benefit (Abraham, 2006).

According to Deloitte's Global Outsourcing Survey done in 2016, 59% of companies choose to outsource as a cost-cutting tool. This is especially true if the goal is to achieve cost reduction in the short term (Lonsdale & Cox, 1998). Cost-

driven outsourcing occurs when costs of having external supplier are lower than producing in-house even after considering other related costs such as transaction costs (Bers, 1992; Harler, 2000). This performance becomes possible with mass production, economies of scale, and specialization (Roberts, 2001). Via outsourcing another expectation is lowering indirect costs, for instance, moving some functions to low-cost countries and hence reducing labour cost (Leavy, 2004; Kumar & Eickhoff, 2005). However, a global study that has been done across various industries shows that labour costs are not the driving force behind sourcing decisions, but a wide range of dimensions are (Cohen et. al, 2018).

According to Antonicci et al. (1998), most IT companies opt for outsourcing some of their functions because of the resilient characteristic of the industry. Moving information centers to low-cost areas together with cutting staff costs help tech organizations to shrink their costs. Furthermore, companies are better off in financial terms with mass purchasing and utilization of leasing packages.

Organizations need to adjust their offers according to changing market conditions expeditiously. Here, having a foreign vendor that has a wide variety of skills and resources put them one step ahead of their rivals (Frank C., James J., & Antonicci, 1998).

In his research, Ying Fan (2000) has investigated fourteen British companies and found out that what they outsource is mainly minor – additional activities with a fundamental explanation for outsourcing being cost reduction.

In order to benefit from low costs via economies of scale, it is important to sign long-term agreements so the effects can be seen (Manion, Burkett, & Wiffen, 1993).

Core competence is defined as a synergistic capability that is hard to duplicate and learned through experience and information sharing (Butler, 2000). Furthermore, according to the author, the investment made in core competence is fixed and it cannot be undone. Defining and developing your main capability are vital for organizations (Hamel & Prahalad, 1996). Utilization of resources on activities essential to the existence of the organisation enables them to boost their expertise (Özbay, 2004). By that, they are likely to get a competitive advantage in the market (Saruhan & Öncer Özdemir, 2004).

Outsourcing companies will be able to focus on their crucial operations, hence drawing advantage financially via downsizing. Organisations which are trying to perform all activities indoor may stay behind their rivals because of the highly competitive market structure of nowadays. If an organization considers some functions to be not closely connected to its crucial activities, it can outsource those ones in order to be able to focus on the core competence of the organization (Gurtu, Searcy, & Jaber, 2016). In other words, outsourcing enables you to concentrate and spend your time on what is essential for your business and what you are good at, while your partner providing you with non-core functions. Tasks that are directly related to your end product or customer should be kept in-house (Carey, 1995). Here, therefore, it is important to distinguish strategic functions of high importance from unnecessary ones (Bakan, Fettahlıoğlu, & Eytmiş, 2014). Focusing on core-competence indirectly affects employee morale as well by introducing them the chance to be promoted in their position in order to focus on high-value activities instead of repetitive ones (Çiçek & Özer, 2011).

One study done in the hotel sector reveals that half of the surveyed hotel managers do not plan to outsource services that are closely related to their core

competence such as order taking, reservation, reception etc.; however, other functions such as human resources, technical service and training are being outsourced (Tetik & Ören, 2007).

Most firms do not hire personnel for peripheral functions like security and cleaning and outsource those to outside providers (Karakaş & Çiçek, 2013).

Quality is a necessary component in consumers' mind, which includes producing and delivering goods in time with reasonable price. Achieving steadily growing quality is the main aim for organizations by minimizing costs and defects and maximizing productivity and efficiency (Tanyeri & Fırat, 2005). Goods and services can be of high quality when produced by qualified entities (Bakan, Fettahlioğlu, & Eytmiş, 2014). Therefore, companies seek for quality improvement when they outsource some of their functions and expect their providers to be the master of their field and produce better quality products than they can do in-house.

Outsourcing has become an appealing technique in the management of organizations because of its potential (M. Lankford & Parsa, 1999). Although there is no direct causation between outsourcing and performance expansion, there is a positive correlation, which makes outsourcing an attractive strategy for improving performance (Kroes & Ghosh, 2009; O.F.Bustinza, Arias-Aranda, & Gutierrez-Gutierrez, 2010). Contracting some of the activities out to outside vendors may boost the delivery speed of the product if vendors have enough expertise and experience.

According to Bakan et al. (2014), one of the main reasons for outsourcing is having the capability to meet changing demand patterns and market uncertainty. This way allows organizations to prevent potential risks and threats by the external forces. Moreover, outsourcing decreases the number of decisions that have to be made by the company, transferring some of them to the vendor.

Technology is one of the vital resources of companies which can both offer advantages and threats to them. In order to survive in a highly competitive market, one cannot endure without following recent developments (Tanyeri & Fırat, 2005). For keeping track of the latest technological advancements, it is needed to build up a technological structure and keep it up to date which requires high expenditures (Özbay, 2004). Some advantages that can be taken via catching up technological developments include but not restricted to adaption to rapidly changing markets, lower response time to customers, more markup, and higher reputation (Tanyeri & Fırat, 2005).

Organizations can get access to the newest technology and knowledge with which they can use their capacity more efficiently (Kroes & Ghosh, 2009). Especially for high-tech companies outsourcing is more important. Organizations can acquire technology from an outsider partner that would otherwise be too costly for them (McCarthy, 1996). For example, BP outsourced its IT services to different companies with short-term contracts in order to prevent supplier negligence. This shift resulted in a sharp decrease in labour and service cost (Cross, 1995).

Implementation of outsourcing to technological functions can make the budget needed to purchase technological products more predictable. Furthermore, access to technical resource and personnel, risk sharing with partner, and reduction in fixed investment in technology are among the benefits of outsourcing (Udo, 2000). It takes longer to see the real benefits of fixed investments, that's why companies may consider outsourcing their technology or R&D functions (Bakan, Fettahlioğlu, & Eytmiş, 2014).

Outsourcing may provide benefits other than the above-mentioned ones. Downsizing is one of the modern management techniques used especially in crisis

periods for organisational change and development (Bakan, Fettahlıođlu, & Eytmiş, 2014). Outsourcing leads to the downsizing of companies which creates an environment for cost minimization, quicker decision-making process, result-oriented actions, focus on customer needs, higher productivity, acceleration of the implementation of new ideas, and reduction in information distortion. Although downsizing is a by-product of outsourcing, there are various other ways to achieve downsizing as well such as simplifying operations or removing undesirable part of the job (Butler, 2000).

Via outsourcing, it is possible to invest in vital operations and dispose of unnecessary expenditures. This results as a reduction in investment expenditures and an increase in profitability (Quinn & G. Hilmer, 1994)

Companies aim to be flexible enough to quickly respond to the changes in the markets and economy overall. Competitiveness is gaining more and more importance in today's globalizing world, which makes it crucial to decide and act quickly. That is why companies are trying to move their non-core operations outdoor and become simpler which result in a reduction of hierarchies and increase of responsiveness.

The more you invest the more risk you take. Concentrating on your core competence and leaving the rest to your outsourcing partner will lessen risk proportionately. Another convenience of outsourcing is risk sharing which enables both parties to get less affected. If contracts are designed appropriately, both sides can be better off in terms of risk sharing and profitability (Chopra & Meindl, 2007).

Organizations may benefit from outsourcing via a reliable and effective partner. However, this partnership may include some time, price, and partnership related risks both to client and supplier (Mintzberg & Brian Quinn, 1998). These risks may have adverse consequences such as delays in orders, high procurement

costs, and disruption in supply chain operations etc. Here, the relationship becomes more important. Despite the convenience outsourcing may provide to companies, there are some critical risks such as dependence on outsourcing, loss of control and main skills, conflict of interests etc. unless it is managed effectively. Wüllenweber (2007) categorized perceived risks as performance, financial, privacy, security, time, psychological and social risks.

One of the long-term risks of outsourcing is becoming over-dependent on the supplier. As time passes, the strategic importance of outsourcing may increase which may direct companies to have more dependent and less flexible infrastructures. Simple transactions are easy to transfer from one supplier to the other; however, as procurement process becomes complex and involves strategic functions, buyers mostly end up with becoming co-dependent on their providers (Vitasek, 2016). This will result in being disadvantaged in the market. Companies may be left with no choice but agreeing to the conditions offered by their external supplier (Özbay, 2004). In order to minimize risks, managers can conduct market research in the initial phases of outsourcing process (Van Doorn, 2010). According to the research done by PA Consulting Group, nearly half of companies experience dependency problems with their outsourcing providers (Singh & Kehal, 2006).

If the outsourcing partner is unable to meet the quality criteria set by the company, there will be a hardship to perform the task in-house (Quinn & G. Hilmer, 1994). The company may find it difficult to develop new products if it does not focus on the main tasks. Furthermore, the supplying firm learns the necessary skills of the company and in the future, it may appear as its rival in the market.

Traditionally, at the beginning stage of outsourcing deals, relationships are built quickly. After a while, the sides cannot manage to compromise and agree easily

which turns it into a zero-sum game. Conflicts of interests arise as both sides try to maximize their profitability (Ataman, 2002). Organizations try to reduce costs in the short run via outsourcing, however, due to the unforeseen indirect costs, they may end up worse off in the long run (Özbay, 2004).

Other than above-mentioned reasons, there may occur some other risks. It is important to provide a third party with the right performance metrics and motivation. In some cases it may be appropriate to introduce clear performance measures; however in others it may be better to be clear just about the desired service level (Chopra & Meindl, 2007) Furthermore the control over the agreement should not be neglected since it is possible to fix problems within the framework of the agreement (Özbay, 2004).

When another firm enters the supply chain, generally underestimated effort is the cost of coordination between partners (Chopra & Meindl, 2007). Having two or more firms in the same line, aligning company goals and strategies with each other and achieving a win-win deal may not be as easy as it seems.

In the long-term relationships, the outsourcing partner becomes familiar with the plans and strategies of its customer, which retrieves some risks. The supplier may acquire sensitive information and play its trump card in the trenches (Keskin, 2006). Especially, if there is an intellectual property rights issue it may be better to keep the function in-house.

Differences related to culture and physical infrastructure of the organizations may pose threats to the relationship (Ataman, 2002). Ventures are exposed to language, time, and cultural issues which are challenging to handle (Hirschheim, George, & Fan Wong, 2004). Offshoring may harm company prestige, may lead to a rise in customer dissatisfaction and a decrease in brand loyalty (Sharma, Mathur,

&Dhawan, 2009). Offshore outsourcing creates a distance – interaction distance in the words of Stringfellow et al. (2008) – which makes it hard for client and vendor to communicate.

With the liberalization in trade, developed countries have faced with job losses, since most of the functions are being outsourced to developing countries where labour costs are low (Barrar & Gervais, 2006). Most non-core tasks are being offshored result in domestic job losses. Moreover, it is bad for employee morale as well; if in-house workers are afraid of that their function will be outsourced. Some scientists are worried about the adverse results of local job transference to offshore locations on the overall economy of the country (Elmuti & Kathawala, 2000).

Outsourcing will help to reduce costs, simplify operations, and concentrate on vital activities. To simplify, keeping an activity in-house or outsourcing it is a trade-off between the possible growth of supply chain surplus that the third party may provide to the organization and risks of it (Chopra & Meindl, 2007). When we look at operations management literature, we see mainly conceptual and mathematical researches. The latter deals with optimizations schemes and particular conditions, while the former discusses the relevant factors to take into consideration when making the sourcing decisions (Cohen et. al, 2018). There are several factors to take into considerations while making the outsourcing decisions and they vary across time, industry, and region. First, it is essential not to be influenced by the fact that outsourcing is a trend nowadays. John Hendry (1995) states that outsourcing has become a management fashion so the real costs of it are remaining concealed. Institutional theory suggests that organizations exist in the surroundings of similar organizations, thus over time, they become homogenous in terms of their strategies, structures, and practices (Barrar & Gervais, 2006). If other organizations outsource a

specific activity, then firms may feel pressure to imitate this behaviour and outsource the same function. In their study, Ang and Cummings (1997) have found that IS outsourcing is affected by peer influence. The next step is to evaluate your position in the market and analyze outsourcing opportunities. Then all direct and indirect costs should be assessed before weighing up the pros and cons of the possible partners. It is crucial to come up with certain criteria and performance measurements.

Lastly, companies that decide to outsource should be open to change and embrace it (M. Lankford & Parsa, 1999). Outsourcing process is far more difficult than the typical purchasing process and it requires a strategic partnership (İlter, 2002).

Outsourcing organizations can focus on their strategic duties and goals thus perform better in their essential tasks (Koszewska, 2004). While successful outsourcing may benefit the company, likewise the unsuccessful one may do considerable harm.

There are myriads of advantages, risks and motives to outsourcing. Before making the final decision, some questions should be answered. The exact meaning of core competence and competitive advantage for the company should be clarified. Special conditions, costs, and benefits should be considered (Quinn & G. Hilmer, 1994). The key factor for outsourcing strategy is to define activities that can generate competitive advantage both for now and for the future.

Companies have strong rationales to outsource certain functions, however, due to ineffective methods and difficulty of choosing the right partners, outsourcing deals fail (Peng, 2012).

One large-scaled research about outsourcing has been done by Deloitte (2016) in order to learn why companies are outsourcing, which functions they prefer

to outsource and how they do it. Results show that the main reasons for outsourcing include cost reduction, concentrating on the core competence of the company, and dealing with performance problems. Top functions that enterprises are currently outsourcing are information technology, human resources, and finance. Findings also illustrate that value creation in outsourcing deals is achieved during the early stages of partnership and by means of innovation, effective relationship management and strategic fit.

Companies must be clear about their objectives in the outsourcing process (Kovanci, 2005). In order to benefit from outsourcing, the process should be managed effectively. Following there are common stages (Ataman, 2002): to start with the definition of vision and mission; to decide the core competence and activities to outsource; to prepare the offer to vendors; to assess alternatives; to make the agreement; to communicate for network building.

In order to choose the right partner, some essential factors are its expertise in the field, experience, reliable references, strong infrastructure, clearly defined procedures, ease of doing the job, commitment to quality, responsibility, flexibility, financial power, overlapping values, up-to-date skills (Özbay, 2004).

Companies should be attentive while opting for their partners. In long-term partnerships, trust comes first as private information and plans are shared mutually. Background and future commitments should be discussed. Here constant cooperation is important to create the win-win situation. Also, the general economic situation, unmanageable and risky functions, strategic configuration, focus points and needs of both sides are better to be discussed (M. Lankford & Parsa, 1999).

Firms prefer outsourcing when they believe that it is more efficient to outsource an activity than to perform it indoor (M. Lankford & Parsa, 1999). Upper

management of companies is aware of the fact that getting a job done is easier when it is outsourced, without dealing with hiring employees (Harkins, 1996). Another reason is the expertise in the field offered by the outsider partner (Davies, 1995). Lankford and Parsa (1999) mentioned in their paper that outsourcing may offer short-term operational or long-term strategic benefits to organizations.

Sometimes corporations find it difficult to cope with routine tasks, so they built partnerships according to their needs to handle those transactions (Runnion, 1993). Contracting out some functions will improve productivity thus save time and money (McCarthy, 1996).

There are also some other things to take into consideration such as the influence of outsourcing on the competitiveness of the company, the number of suppliers to be used, possibility to return functions back to in-house, trustworthiness, and flexibility of the vendor (Behara, Gundersen, & Capozzoli, 1995).

A research paper focus on the factors for successful long-term outsourcing authored by Ishizaka and Blakiston (2012) has suggested the 18C model which is illustrated in Table 2 and Table 3. In their model, they have put importance mainly on soft issues related to the user, provider and the interaction of two.

When making the outsourcing decision, hard and soft factors related to the organization, the environment in which it runs and future prospects should be taken into consideration (Talwar, 1999). According to Talwar, hard factors are the outsourcing scope, functions to be outsourced, costs, contract type. Soft factors include cultural issues, communication, relationship and expectation management, and direction setting.

Amant (2010) explains hard factors as costs, exchange rates, business milieu, physical proximity, skilled personnel, and technological capability, the factors that

are quantifiable, while defining soft factors not objectively measurable as cultural issues, working styles, and relationships. According to him, hard factors play a more essential role when making the decision as they are directly related to costs, however, neglecting soft factors may lead to hidden costs. Successful outsourcing decision needs to consider some combination of both factors.

Physical challenges such as communication lines, infrastructure etc. seem to have been overcome nowadays; however, soft issues, especially, cultural differences will endure for the anticipated future. These differences become obvious when organizations apply multi-sourcing methods and deal with multiple vendors from various cultural backgrounds (Kvedaraviciene & Boguslauskas, 2010).

In activities that do not involve intense customer interaction culture may be not as important as in activities that do. If the outsourced function is closely related to the customer service, then the impact of outsourcing on customers should be evaluated besides that on costs (Guilbault & Omanwa, 2014).

Research depicts that purchase of services is far more difficult than that of goods because of the complexity of evaluation (Smeltzer & Ogden, 2002; Perner, Sieweke, & Werr, 2018). Furthermore marketing literature shows that one of the main distinctions between the marketing of services and the marketing of products is inseparability of services from its providers, which means that customer perceives the service together with its provider (Guilbault & Omanwa, 2014).

Table 2. 18C's Model for a Successful Long-Term Outsourcing Arrangement - I

Commitment from upper management	Regular monitoring, encouragement and support are needed from top management.
Clear goals and targets	Both sides should have a crystal clear understanding of the other side's expectations.
Confidence	The provider needs to be confident enough in his job so that the client feels no better performance could be done in-house. This kind of confidence triggers further interactions, as well.
Comparative behavior	Everyone in both of the organizations should be treated equally in order to get the highest benefit.
Capability to perform and monitor	An appropriate structure in order to perform tasks and constant control from the management team need to be provided.
The calibre of the company	It is essential having qualified personnel in the supplier organization and providing training to them when needed.
Consistency and clearly set duties	Roles of individuals should be defined clearly, and they need to be persistent on what they are doing.
Continuous development	Companies expect their providers to continually improve themselves. Therefore, some companies utilize scorecards, certificates or other documents in order to measure progress.

Source: Ishizaka and Blakiston (2012).

Table 3. 18C's Model for a Successful Long-Term Outsourcing Arrangement - II

Continuity and succession planning	There is a need for human skills to provide continuity in the outsourcing process when faced with unpredictable problems such as integration of the provider company with another company.
Customer focus	At the end of the day what matters most is customer satisfaction, thus supplier-buyer relationships should be built in a way to please customers.
Client information	In order to achieve the previously mentioned relationship, clear understanding of client needs, preferences and values are needed.
Competence	One of the main rationales when outsourcing is focusing on your core competence, in a similar way, companies expect their vendors to be good at what they are doing.
Communication	Since most of the problems stem from poor communication an appropriate level of conversation with the right person and at the right moment is important.
Contract scale and connection at the top	Achieving the optimum contract scale and routine communication between the upper management teams will boost accountability and pay-off.
Contract flexibility	Flexible contracts are better at conforming to changing business environments.
Cultural Fit	It is crucial to have a cultural fit between organizations.

Source: Ishizaka and Blakiston (2012).

Therefore, any problematic behavior of service provider – which stems from the culture of service provider – affects customer satisfaction of buyer company employee, in other words, of the company itself (Kobayashi-Hillary, 2004).

Cultural differences matter more in outsourcing deals of services, which can be explained by the fact that there is a lot of uncertainty in those deals, especially from the perspective of the buyer (Pemer, Sieweke, & Werr, 2018). This uncertainty is further fueled by information asymmetry between parties (Sharma A. , 1997). In business fields that involve close interaction with customers, culture communication style, mutual understanding, and related soft issues are more important because services and their providers are perceived as one. However, in the manufacturing industry, the main goal is to produce the best quality products with minimum costs. Customer service is still important, but since it is far away along the supply chain, tangible issues like price, technical background, and quality of your partner seem to be more important.

Previously, we have mentioned four phases of outsourcing defined by Carmel and Agarwal (2002) which starts with no outsourcing at all, followed by some degree of outsourcing with cost reduction purposes and end with strategic collaboration, which moves the process beyond cost focus. In the last stage, the main rationale is having long-lasting relationships with a strong partnership in order to attain the strategic goals of the company. As the company's engagement in outsourcing increases, costs and other hard factors become more stable and fixed, thus attention shifts towards improving the relationship in which soft factors like trust and culture alignment are more important.

Following the literature discussed above Table 4 and Table 5 provide a summary of important factors for outsourcing as discussed by each paper.

Table 4. Factors to Consider for Outsourcing - I

Factors to Consider When Outsourcing	REFERENCES														
	(Deloitte, 2016)	(Özbay, 2004)	(McCarthy, 1996)	Behara et al., 1995)	(Ishizaka & Blakiston, 2012)	(Goles & Chin, 2005)	(Peng, 2012)	(Guo & Li, 1999)	(Jiang & Han, 2001)	(Ma, 2002)	(Sebesta, 2013)	(Hendry, 1995)	(Kvedaraviciene & Boguslauskas, 2010)	(Mehta, Armenakis, Mehta, & Irani, 2006)	(Winkler, Dibbern, & Heinzl, 2008)
Costs	X		X				X	X	X	X	X	X	X	X	X
Core Competence	X											X			
Access to tech&skills	X						X	X		X				X	
Quality	X						X	X	X	X				X	
Performance (delivery, speed, flexibility)	X	X		X		X	X		X	X		X			X
Trust				X		X									X
Background (expertise, infrastructure)		X											X		
Reliable References		X													
Cultural Fit (Overlapping Values, Business Styles)		X			X						X		X	X	X
Continuous Development					X									X	

Table 5 Factors to Consider for

Factors to Consider When Outsourcing		REFERENCES													
		(Hsu & Liou, 2013)	(Geis, 2013)	(Rao, 2004)	(Nicholson & Sahay, 2001)	(Hirschheim, George, & Fan Wong, 2004)	(Çiçek & Özer, 2011)	(Aasi & Nunes, 2012)	(Goles & Chin, 2005)	(Karahan, 2009)	(Çatı, Çömlekçi, & Zengin, 2015)	(Bakan, Fettahlıođlu, & Eytmiř, 2014)	(Akyıldız M. , 2004)	(Nazlıođlu & Yar, 2016)	(Nyameboame & Haddud, 2017)
Costs	X		X	X	X	X	X	X	X	X	X	X	X	X	X
Core Competence					X	X	X		X	X	X	X	X	X	X
Access to tech&skills	X		X	X	X	X			X	X	X	X	X	X	X
Quality	X	X			X	X			X	X	X	X	X		
Performance (delivery, speed, flexibility)	X	X		X		X		X	X	X	X	X	X	X	X
Trust						X		X			X				
Background (expertise, infrastructure)		X	X		X					X	X	X		X	X
Reliable References						X				X	X				
Cultural Fit (Overlapping Values, Business Styles)	X		X	X	X	X	X	X			X				
Continuous Development			X												

2.9 Outsourcing in Turkey

In this section, we are going to review outsourcing literature in Turkey. Most of the research findings do align with those of other countries; however, we observe some location-specific factors, as well. The focus has been on exploring which functions can be outsourced and their effects on overall firm performance.

Companies in Turkey use outsourcing in many different fields including logistics, human resource functions, maintenance, security, cleaning etc., however mostly used services are information technology and finance – accounting (Özcan, 2015). If we look at the development of outsourcing in Turkey, it started in construction sector via using subcontractors and is utilized by giant companies like Koç, Sabancı, and Turkcell because of cost advantages (Bakan, Fettahlıoğlu, & Eytmiş, 2014).

In his research, Turgut (2012) has attempted to explain the impact of a partnership between vendor and client on outsourcing success. Surveys were done in four or five-star hotels in Turkey, which are outsourcing their human resource functions. Results indicate that there is a positive correlation between collaboration quality and success of outsourcing.

Çatı, Çömlekçi, and Zengin (2015) have surveyed SME managers in order to see differences in their viewpoints on outsourcing derived from their educational background and experience. Education seemed to have no importance on outsourcing perspective of managers, while experience showed meaningful differences only in cost and quality factors.

Özcan (2015) has introduced some key points for firms in order to draw benefits from outsourcing. According to him, choosing the appropriate vendor and signing a clear contract is profound to any outsourcing deal, which will not only

reduce costs but also lead to experience and capacity improvements. Moreover, having sustainability and perseverance in these relationships may enable both sides to build long-lasting strategic partnerships.

In a survey of 125 manufacturing companies in Turkey, Akyıldız (2004) has investigated development in logistics outsourcing and its usage forms in Turkey. Results show that firms in Turkey utilize outsourcing just for purchasing purposes rather than strategic goals. However, this is not only caused by client firms' perspective but also the incapability of logistics firms. Findings also show that in the future there will be an increase in transportation, logistics information systems, order process and traffic management outsourcing.

Trying to find the perspective of organizations on outsourcing, factors to consider when outsourcing, and drawn benefits, Zalluhoğlu and Dedeoğlu (2015) have conducted another research focused on outsourcing on supply chain operations in automotive industry collecting questionnaires from 51 firms. Results show firms that have a foreign partner and foreign capital have higher outsourcing levels. Furthermore, companies in the automotive sector are outsourcing mainly with the purpose of cost reduction.

Aktas and Ulengin (2005) have studied the extent to which logistics and transportations functions are outsourced by Turkish companies and what the selection and evaluation criteria are. Results show that Turkish firms do not place great importance on using 3PL firms. They see outsourcing similar to “using a carrier for transportation”. Furthermore, 95% of the companies which outsource their logistics activities have foreign capital. The general criteria when selecting the carrier is his reputation and ease of the collaboration.

Another study in which hotels that use outsourcing in Antalya region were researched shows that there is a positive correlation between the effective cooperation with the vendor and organizational performance. Improvement in organizational performance can be seen when the outsourcing decision is made rationally and the whole process is accomplished properly (Bolat & Yılmaz, 2009).

2.10 Culture and outsourcing

Generally speaking, culture is used by scientists as a set of criteria that differentiates one group of individuals from others in a logical way.

Culture has been explained by Hofstede (2011) as "... the collective programming of the mind that distinguishes the members of one group or category of people from others", Culture is a combination of rituals, beliefs, symbols, practices and values prevailing in a group of society (Schwartz, 2006). These values explain and justify the behaviours of individuals in that society. For example, the cultural value of an organization emphasized on success may be reflected in a highly competitive promotion system.

GLOBE Group has defined culture as common experiences of society depicted in shared values, motives, and identities, which were derived from the analysis and judgment of past events and passed through generations (House, Javidan, Hanges, & Dorfman, 2002). According to Trompenaars & Hampden-Turner (1997), culture is "the way in which a group of people solves problems and reconciles dilemmas" and cultural differences affect the style and management of doing business.

There are various cultural dimensions defined by scholars in literature the most popular one belonging to Hofstede, which were collected from a survey done

on IBM employees in different countries. These dimensions are about distinct responses of societies to similar fundamental challenges (Hofstede, 1983). Originally there were five dimensions, then Michael Minkov recalculated these dimensions using the data from World Value Survey and added the sixth one (Hofstede et al., 2010).

The first dimension power distance is about an uneven distribution of power within the society depicted in the hierarchy, obedience and fear (Hofstede G., 2011). The more a country scores on the power distance dimension, the more dominant the executives are.

In order to explore the correlation between power distance and outsourcing, we will first look at their relationship with trust. We see an extensive literature emphasizing the importance of trust in relationships. When there is a need for working together in inter-organizational relationships, trust happens to be an essential factor (Meer-Kooistra & Vosselman, 2000). Based on the agency theory, one of the problems occurs when one party employs an agent to perform some of its tasks is that there is a risk of opportunistic behaviour by the agent. When there is trust, this threat may be minimized (Krishman, Martin, & Noorderhaven, 2006). Thus, when making outsourcing decisions it is important to have mutual trust, especially when the contract is large-scale and long-term.

In high-power distance societies, people live in a hierarchical order and expect their supervisors to make decisions rather than involving in the decision-making process. However, in low-power distance societies, supervisors are expected to communicate and collaborate with people before making any decisions which lead to closer relationships. The more perceived equality, the more trust exist in the environment (Huff, Joanne, & Jones, 2002).

Since trust is a crucial factor in outsourcing decisions and negatively related to the power distance dimension, we believe high power distance organizations utilize outsourcing less.

The way society handles obscure situations is reflected in uncertainty avoidance dimension (Hofstede G., 2011). Low uncertainty avoidant cultures experience low anxiety when facing ambiguous and chaotic situations, tolerate differences, and accept uncertainty as the inherent feature of life.

This dimension is a crucial factor in decision-making styles and behaviour patterns. High uncertainty avoidant individuals and societies take as less risk as possible and try to avoid changes (Grove, 2005). For example, the research by Frijns et al. (2013) shows that high uncertainty avoidance CEOs have more risk perception which makes them engage in cross-border acquisitions less.

Outsourcing process involves a lot of ambiguity, as there is an information asymmetry between parties. It is also difficult to predict potential results beforehand. Also, high uncertainty makes it hard for the buyer to evaluate the provider's behaviours. In his work, Inglehart (1997) mentions that high uncertainty avoidance societies trust themselves and their closed ones more than they believe outsiders. Firms prefer to perform tasks in-house rather than contract out in order to avoid risks in high uncertainty avoidance cultures (Al-Shammari, 2004). In their cross-cultural research, Perner et al. (2018) argue that high uncertainty avoidance cultures count on outside consultants less and guess that they will behave opportunistically. Some authors empirically show that organizations in high uncertainty avoidance cultures use professional services less than low uncertainty avoidance cultures. Thus, we believe that low uncertainty avoidance companies to engage in outsourcing more than high uncertainty avoidance ones.

We also think that uncertainty avoidance has a relation with the contract duration choices of companies. Contract duration has an important role as a safeguard mechanism in reducing risks and achieving cost savings (Gorovaia & Windsperger, 2018). In literature, the main rationale for writing short-term contracts is avoiding potential problems that may occur in later stages of the relationship (Akatwijuka & Hart, 2015). Also, fluctuations in sales, exchange rates, and rapidly changing economic situation make organizations take precautions. Creating detailed contracts becomes more difficult and costly as this ambiguity increases in the environment (Hendrikse, Hippman, & Windsperger, 2015). Empirical research done by Goroviaia and Windsperger (2018) shows that the contract duration is adversely affected by environmental uncertainty. Thus, we believe that high uncertainty avoidance entities are vulnerable to risks and prefer short-term contracts.

In high certainty avoidance cultures, what is different is perceived as a risk. As uncertainty avoidance increases societies prefer clear and known situations. When making the outsourcing decision, especially at the beginning phases, there is a lot of ambiguity which makes it hard for organizations to assess possible results. Firstly, companies are concerned about the control they have over their product or service when they contract some functions out. Another issue is even when the provider is chosen based on complicated and multidimensional evaluations it is still unknown whether he will meet quality expectation or not. Moreover, buyer companies may become dependent on their suppliers and find it hard to change them when suppliers develop some knowledge and skill accumulation that are specific to the product or service of the buyer. Last but not least, loss of core competence and leakage of sensitive information are among other prevalent concerns when utilizing outsourcing.

Individualism/Collectivism is the degree to which the members of society conform and harmonize into groups (Hofstede G., 2011). In individualistic cultures, people look after themselves and their close family members only and have a high sense of privacy and freedom. Collectivist cultures perform better when working within groups, while individualistic culture performs better alone (Earley, 1993).

Femininity dimension is related to emotions, care and modesty while masculinity is related to rationality, assertiveness and competitiveness (Hofstede G., 2011). These dimensions are about value distribution among male and female members of society and often disapproved in masculine cultures (Hofstede, 1998).

Time orientation is concerned with society's attitude towards time. This dimension is added to the former four in the 1990s and refers to the degree to which the society rates long-standing traditions (Hofstede, 2011). In short-time oriented cultures, the emphasis is on the past and now, while in long-term oriented cultures future is more important. Also, making a continuing and durable relationship is more important in long-term oriented cultures (Bosnjak & Lewandowski, 2010).

Finally, the last dimension added in 2010 is Indulgence versus Restraint, which refers to the amount of freedom that society has in order to perform acts to fulfil basic human desires (Hofstede, 2011). In indulgent societies, people take control of their lives and place higher importance on leisure activities and freedom, however, restrained societies differ with strict sexual norms, perceived helplessness and less importance on free time activities.

Above mentioned dimensions are cited in the name of national culture in the literature. However, since Hofstede's research has been done in one of the largest multi-national company, IBM, these dimensions are appropriate to organisational culture, as well.

We can refer to organizational culture as a small form of national culture, which is explained by Aasi & Nunes (2012) as the accepted approach among members of the organisation. According to Jones (2007), there are four ingredients of organizational culture and it is hard to change it because of the existing interconnection between these four: individual features of its members, organisational ethics, property right system, and the structure of the organisation.

Schein (2010) describes organisational culture as artefacts, espoused values, and basic underlying assumptions prevailing in the organisation. He also adds that organisational culture is ingrained in the national culture of the country where the organisation runs.

Globalisation processes in outsourcing created a need to bring national and cross-cultural contexts up to date (Nicholson & Sahay, 2001). Companies are trying to move some part of their activities offshore, especially where they can benefit from low labour costs, such as China and India. When making the outsourcing decisions usually hard issues such as costs, quality, and performance are being analyzed carefully, while soft issues such as trust and cultural fit are neglected. This leads to unseen costs in the later stages of the partnership. Management of outsourcing deals is challenging because of physical distance and cultural differences (Hirschheim, George, & Fan Wong, 2004).

Adler (1983) has argued that there are both culture-specific and culture-free aspects of outsourcing. Al Shammari (2004) suggested that power-distance and uncertainty avoidance dimensions of culture may be relevant to the study of outsourcing. According to him, firms operating in high uncertainty avoidance cultures may engage in outsourcing less than the ones in low uncertainty avoidance environments.

When companies neglect cultural differences and try to apply methods, which have previously been successful in their home countries, difficulties in their cross-cultural teams occur (Balan & Vreja, 2013).

Cultural differences are distinctions between two clusters in terms of their values, norms and speculations about their environment (Robert & Wasti, 2002). These differences become more obvious in offshore outsourcing since entities from different nations try to collaborate (Bosnjak & Lewandowski, 2010). Cultural differences may lead to behavioural differences, which in turn affect the overall quality of the relationship (Winkler, Dibbern, & Heinzl, 2008). Despite the importance of cultural variations, they are hard to measure in quantitative terms.

In their research paper, Carmel and Agarwal (2002) interviewed executives of frequently offshoring U.S. companies and one of the main problems stated was the existence of cultural differences which lead to misunderstandings and lack of reliability.

Differences in language, time zones and work styles raise complex issues that offshoring entities should be careful about (Hirschheim, George, & Fan Wong, 2004).

Amount of cultural differences between countries affect the amount of time needed to achieve expected savings (Hutzschenreuter, Lewin, & Dresel, 2011).

The overall success of the organisation is significantly affected by organisational culture and the manner of individuals towards each other working in that organisation (Aasi & Nunes, 2012). For example, offshore outsourcing of CRM requires considerable attention when making the decision since it may have negative effects on customer-oriented issues (Kalaiganam & Varadarajan, 2012).

However, there are some studies in literature which have not found any significant relationship between cultural compatibility and outsourcing success (Lee & Kim, 1999).

Table 6 summarizes previous literature on the relationship between culture and outsourcing.

Cultural compatibility can be explained as having overlapping values, beliefs, and perceptions between parties. Inharmonic cultures can engender difficulties in relationships (Goles & Chin, 2005).

Cultural differences may increase the likelihood of MUM effect which happens when one of the sides is aware of problems in the project and know that it is going to fail, however, decides to remain silent (Ramingwong & Sajeev, 2007).

Table 6. Literature Review of the Relationship Between Culture and Outsourcing

Findings	Source
Cultural factors have a significant effect on the technical features of IS projects. Demographic factors do not play an important role in these differences. Compatibility between IS structure and culture affects the overall IS success.	Ein-Dor, Segev, & Orgad (1992)
Cultural compatibility needs to be included in customer service offshoring checklist. Cultural distance between countries affects the success of an outsourcing deal.	Guilbault & Omanwa (2014)
Cultural factors (Power Distance, Individualism & Collectivism, Universalism & Particularism, Time Orientation) exacerbates the extra costs of the deal.	Bosnjak & Lewandowski (2010)
The more the degree of cultural compatibility between the two countries is, the more outsourcing flow will happen.	Kshetri (2007)
The success of the outsourcing deal is associated with the cultural fit between partner organisations.	Lane & Lum (2010)
Cultural compatibility affects the degree of cooperation, reliability and reciprocal understanding between entities.	Swar, Moon, Oh, & Rhee (2010)
Trust, cooperation, commitment and communication in IT outsourcing deals are affected by organisational culture. Trust is negatively correlated with the degree of cultural differences.	(Aasi & Nunes, 2012)
Cultural fit is one of the eighteen factors that affect outsourcing success.	Ishizaka and Blakiston (2012)

In their research paper, Ishizaka and Blakiston (2012) have proposed an 18C model for successful outsourcing deals one of them being cultural compatibility. One of their interviewees mentions that cultural compatibility does not mean having the

same culture but the right fit between them. Another interviewee states the importance of matching values.

Culture may not be a necessary issue for the outsourcing of functions that do not include customer interaction. However, differences between home and host country in outsourcing may have an impact on customer satisfaction (Guilbault & Omanwa, 2014). Lack of cultural understanding between the agent and customer lowers the desired service level. It is difficult to decrease the customer-centric problems by providing culture training for partners (Thelen, Honeycutt, & Murphy, 2010).

Countries scoring high in power distance and collectivism dimensions are better at performing tasks with strict rules while long-term oriented ones may be more patient to get accustomed to these rules (Guilbault & Omanwa, 2014).

In their research paper, Nicholson and Sahay (2001) investigated the relationship of one British and Indian supplier-provider. One of the managers in Britain states that Indians are inclined to say “yes” and highly affected by what is said by executives, which together with physical distance make it hard to collaborate (Nicholson & Sahay, 2001).

Another problem may occur when an employee from a high power distance country is uneasy with asking questions, which is crucial, especially, in IT outsourcing, to someone from upper management (Rao, 2004).

Nowadays, most of the U.S. based companies offshore their customer service locations to India. These two countries differ in cultural terms, especially in Hofstede’s power distance, individualism, and long-term orientation dimensions. In a call centre, for example, a U.S. customer may expect quick solutions because of his “focus on now” approach, while the Indian employee is tolerable towards slow

results. On the other hand, because of high power distance in India, an employee may anticipate his American boss to give him precise instructions, while his boss from low-power distant country leaves him with plenty of freedom in his activities. Moreover, a low score on individualism in India may result in errors of collective thought in decision making (Guilbault & Omanwa, 2014). That's why some organisations in India have already comprehended these potential issues and begun to employ U.S. workers (Hamm, 2007).

One case study reports that Indian employees are obedient and inclined to say "yes" because of high power distance and this leads to misunderstandings between Indian and German officers (Winkler, Dibbern, & Heinzl, 2008).

From the communication and cooperation perspective, individualism dimension plays a key role. Individualistic cultures are inclined to figure out misunderstandings and conflicts, while collectivistic cultures try their best to escape from clear conflicts (Ohbuchi, Fukushima, & Tedeschi, 1999). One cross-cultural study done in Australia shows that employees from Hong-Kong are prone to collaborate with people from their own culture rather than natives when working in Australia (Chen & Li, 2005). Empirical research by Grover et al.(2015) done with executives of 188 companies shows that reliable and collaborative partner and effective communication are crucial for achieving outsourcing success.

In masculine societies, individuals are ambitious, task-oriented and interested in results, while feminine societies are more empathetic and concerned with the quality of life (Duman, 2012). There is affection for the weak; problems are solved via compromise and discussion. When we look at masculinity versus femininity dimension at an organizational level, the difference occurs between gender roles and job responsibilities (Ohlsson & Ondelj, 2006). Usually, low masculine organizations

put more emphasis on teamwork and equality, while high masculine ones play more assertive and focus on competition and achievement.

Cultural differences matter most at the beginning stages of a relationship as in later stages parties get to understand each other better and adapt to the situation (Kanter & Corn, 1994).



CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

This study explores the factors affecting outsourcing decision-making and the impact of organizational culture on this decision. To this end, we have applied quantitative research methods. Our study is descriptive in its nature and involves hypothesis testing. In order to explain the relationship between different factors and outsourcing decisions, we have used a survey to collect data.

This chapter explains the research design, methodology, scale development, data collection method, and analysis used to explore the research questions. The main source of data collection in this study is primary data gathered via questionnaires administered online, which are provided in Appendix A and Appendix B. The unit of analysis is organizations and the study setting is non-contrived since events are observed as they normally occur.

3.1 Scale development

In this study, we have used three scales for measuring concern levels of companies when outsourcing and their uncertainty avoidance and power distance levels. Some of the items are adapted to the context of our study. All of the items have been previously used in different studies as you can see from Table 7.

Table 7. Details of the Instruments Used in the Study

Dimension/Construct	Number of Items
Concern Level	6
<p>Loss of Control</p> <p>Loss of Quality</p> <p>Unqualified Company Selection (Selected firm does not meet expectations)</p> <p>Loss of Core Competence (Loss of skills/capabilities in the outsourced field)</p> <p>Dependency (To become dependent on the outsourcing provider)</p> <p>Loss of Privacy (Leakage of strategic and financial information about the company/its products)</p> <p>Adapted from İraz, Tekin, & Çakıcı, (2014)</p>	
Power Distance	5
<p>Our company possesses a structure and communication system where all responsibilities of subordinates are specified without leaving any uncertainty.</p> <p>In order to be effective in management, the common sense of the managers are more important than the objective data.</p> <p>Canteen and rest areas in the company are separated based on the status of the employees.</p> <p>Our company has a hierarchical structure which is the healthiest organization model.</p> <p>In our company, the thoughts of superiors about subordinates are more important than those of subordinates about superiors.</p> <p>Adapted from Ülgen, Aktaş, & Aslan (2017)</p>	
Uncertainty Avoidance	4
<p>Our company places great importance on detailed written instructions.</p> <p>In our company, it is important to follow instructions and procedures strictly.</p> <p>Our company uses standardized business procedures that are useful.</p> <p>Rules and regulations are important for our employees in order to know what is expected of them.</p> <p>Adapted from Quintal, Lee, & Soutar (2005)</p>	

In the following subsections, we will briefly discuss scale development from the literature for each of the variables and how they are adapted for the purpose of our study.

Concern level scale consists of six items and has been adapted from İraz, Tekin, & Çakıcı, (2014). In their study, they have used the abovementioned scale for measuring concern level of SMEs in Konya, Turkey when using outsourcing. We have not used two items on the scale. One of them is called “concern of focusing on short-term economic goals” and it is eliminated for two reasons. Firstly, in their research, this item was the least important concern for forty-two companies that filled questionnaires. Secondly, according to Akyıldız (2004), companies in Turkey benefit from outsourcing for their purchasing purposes rather than strategic goals, which means that focusing on short-term economic goals is not likely to be a concern and even can be a rationale for companies in Turkey. The other item we have not added to our questionnaire is called “concern of having problems in the delivery time”. Instead, we have added a brief explanation – “selected firm does not meet expectations” - for the item “unqualified firm choice”. We think that “not meeting expectations” covers delivery time problems as well.

Furthermore, we have added one item to the scale called “Loss of Privacy (Leakage of strategic and financial information about the company/its products)” based on related literature. According to Özcan (2015), companies in Turkey use outsourcing in different fields such as logistics, HR functions, security, cleaning etc.; however, the most outsourced functions are information technology and finance and accounting. Outsourcing is sometimes referred to as risk management because of the difficulty of monitoring the activities of the supplier. For the finance industry, it becomes even harder because any negligence or breach may affect confidential

customer records (Basu & Nikam, 2006). On the other hand, IT functions mean interconnected systems, public networks, shared software, cloud computing etc., which are prone to security and privacy issues. As finance, accounting, and information technology functions are the most outsourced activities in Turkey, we believed that adding “Concern of loss of privacy” was important.

The most popular and internally consistent scale for measuring national cultural dimensions including power distance belongs to Hofstede, who has done a survey on IBM employees in different countries. Since IBM is a company with a strong corporate culture, those dimensions have been used when measuring organizational culture as well. In our study, we do not have the opportunity to have our questionnaires filled out by all of the employees in the company. Only one person will answer culture related items, thus, it is important to adapt the questions in a way that the respondent does not answer on behalf of him, but the company. Furthermore, in Hofstede’s scale, there are items such as “The eldest male should be the head of the household”, which we cannot adapt for a company context. That’s why we have used questions developed by Ülgen, Aktaş, & Aslan (2017) based on Hofstede’s cultural dimensions scale and statements introduced by Varoğlu, Basım, and Ercil (2000).

Uncertainty avoidance dimension refers to the ways that people deal with uncertainty and ambiguity. According to Hofstede (2001), in high uncertainty avoidant cultures organizations, institutions, and relationships are highly structured so events can be predicted and interpreted clearly. There are different uncertainty avoidance scales that have been used in cross-cultural studies over the past few years. For the purpose of our study, we have chosen the scale developed by Quintal et al. (2005). The items in this scale were tested via a large-scaled online-

administered survey. After elimination of ambiguous or low-scored items, only the items measuring uncertainty avoidance in the workplace remained (Altuncu, Özaktepe, & İslamoğlu, 2012). Furthermore, the wording of the items is quite similar to the items developed by Dorfman and Howell (1988).

3.2 Data collection method

For the purpose of our study, the largest 500 organizations in Turkey have been chosen as a unit of analysis. We have collected their e-mail addresses from the websites of the Istanbul Chamber of Industry and Istanbul Chamber of Trade and sent our online-administered questionnaire. After waiting three weeks, we have sent the second and the third reminder e-mails. Due to the low response rate, we have included some SMEs including hotels to our sample. Then, we have collected LinkedIn profiles of company representatives working in procurement or in the supply chain and sent our questionnaire to them.

3.3 Research questions

To this end, we have explored outsourcing literature in general and specifically in Turkey. There are many studies about outsourcing of different functions, drivers of outsourcing decision and their respective influence on the overall firm success. However, the general outsourcing environment in Turkey, the impact of various factors and cultural dimensions on outsourcing decision of different functions have not yet been clarified. Based on the literature review presented in chapter 2 and 3, we explore the following research questions in this study:

1. What are the factors based on which Turkish companies decide to outsource?

2. Is there any meaningful difference among these factors in regard to the outsourced function?
3. Do cultural dimensions, namely power distance and uncertainty avoidance affect firms' outsourcing level?



CHAPTER 4

ANALYSIS AND FINDINGS

In this section, we start with the presentation of descriptive statistics for our sample. In total, we received 62 responses. However, 15 of the companies indicated that they do not use outsourcing. Thus, they are not eligible for our study. Furthermore, two of the questionnaires contain technical errors such as multiple answers for a single answer question. That is why we end up with 45 responses.

Almost a quarter of the companies in our sample operate in the automotive industry as shown in Figure 1. Firms in the construction sector accounted for 15% of the respondent companies. As can be seen in the pie chart, companies that operate in the durable goods and the textile sector comprise 11% and 7% of our sample respectively. Firms in the food, energy, and chemical industry constitute 9% each of all respondents.

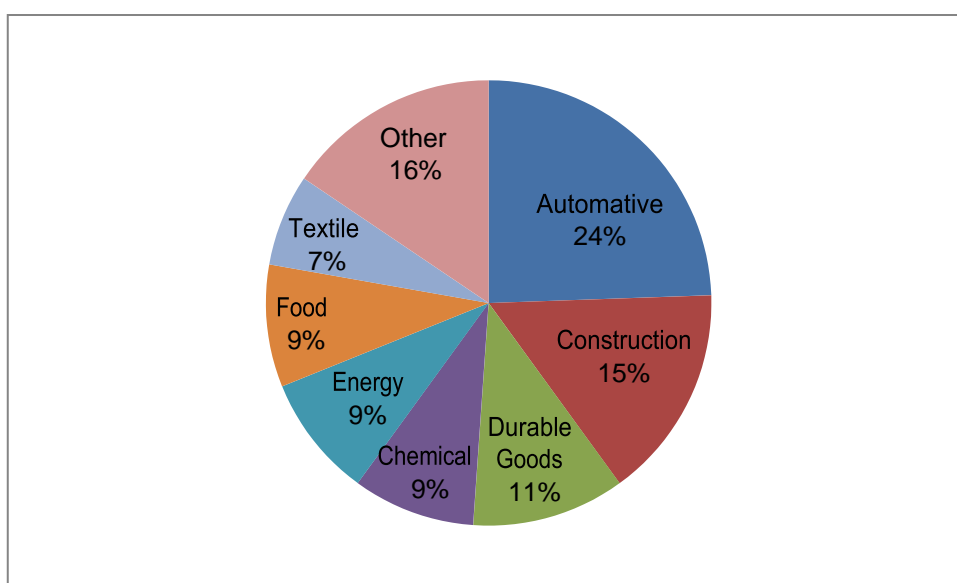


Figure 1. Type of industry

Nearly one-third of these companies have 1001-5000 employees. 58% of them are formed with national capital, while 22% have foreign capital. The rest of the companies are joint ventures. 41 firms in our sample have an international presence, while the other four companies operate in a regional scope. The age of more than 80% of companies in our sample is 21 years or more which is illustrated in Figure 2.

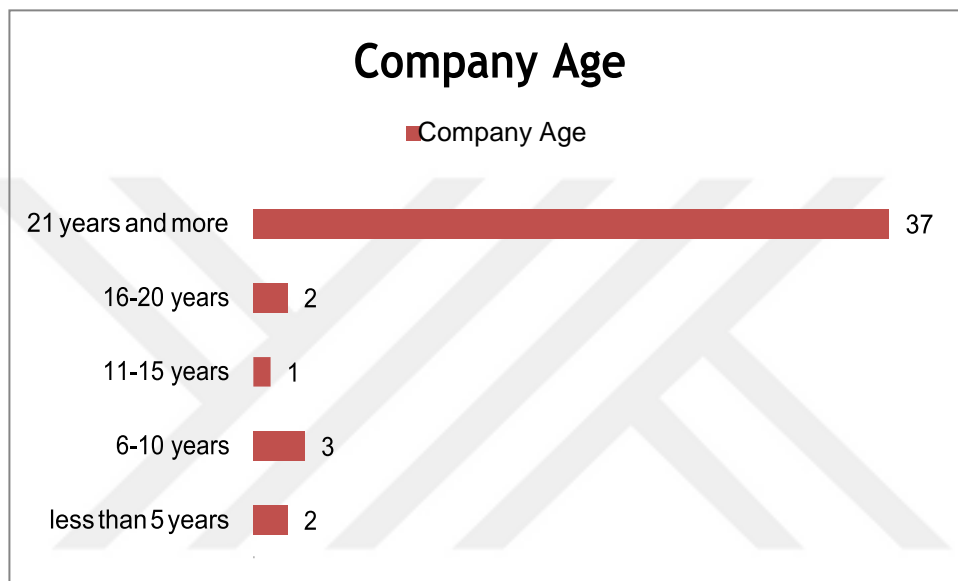


Figure 2. Company age

Most of the individual respondents of the study are working in middle or upper management. Males and females account for 89% and 11% of the respondents respectively. Almost half of them have completed an undergraduate degree, while the other half have obtained a master's degree. As can be seen in Figure 3, approximately three-quarter of the respondents have 11 years or more work experience.

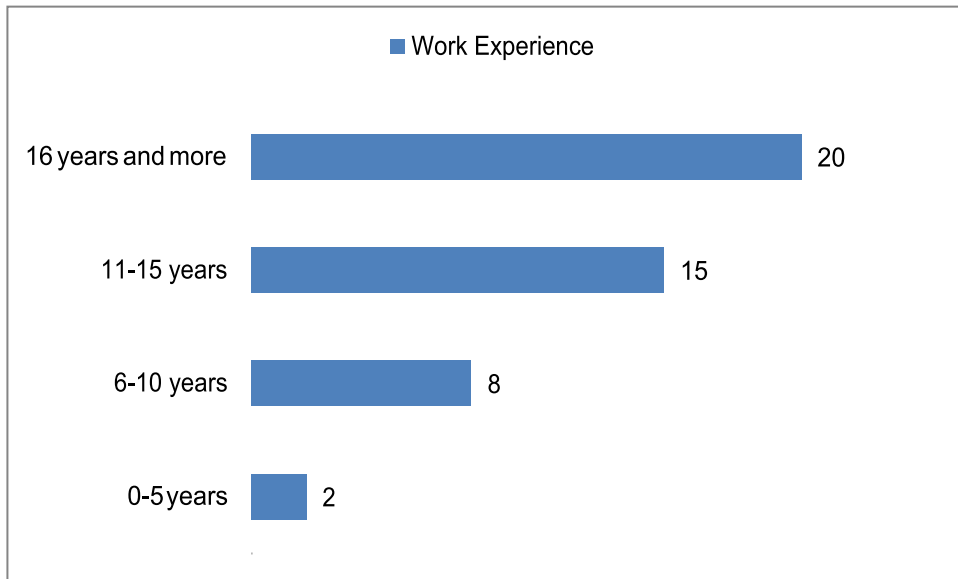


Figure 3. Work experience of respondents

In the second part of our survey, we asked companies outsourcing-related questions. First, we asked respondents to indicate how many years their company has been engaging in outsourcing. As the bar graph in Figure 4 suggests, a third of them is using outsourcing for 21 years or more.

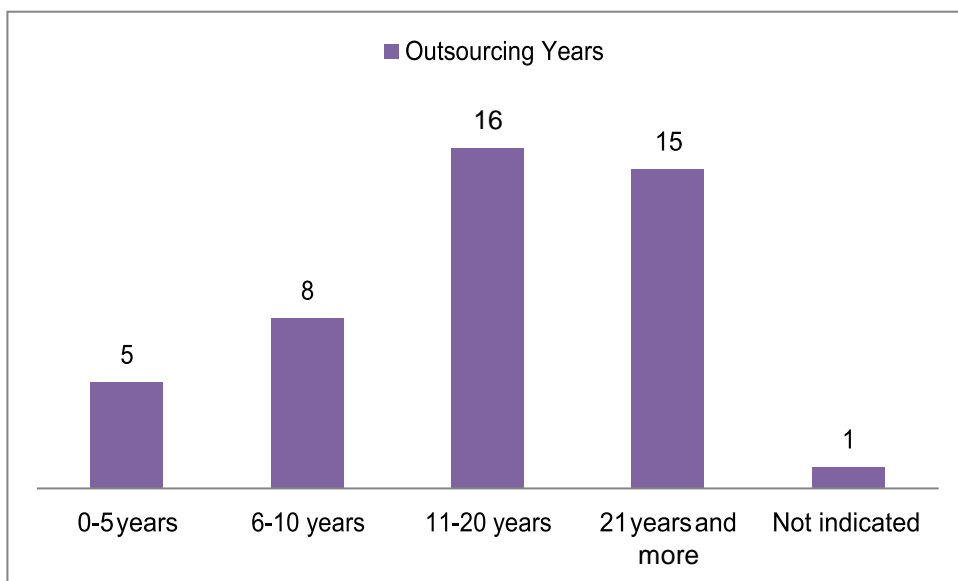


Figure 4. Length of outsourcing

The other third is engaging in outsourcing for 11-20 years. Only five of the companies in our sample are using outsourcing for less than 5 years.

Then, we asked the number of suppliers used for outsourcing activities. As shown in the Figure 5, all companies use two or more suppliers, while most of them prefer to have eight or more providers. Most of the companies (71%) use both local and foreign providers, while more than a quarter of them have only local suppliers. Last, we asked companies to indicate the average contract duration with their outsourcing partners.

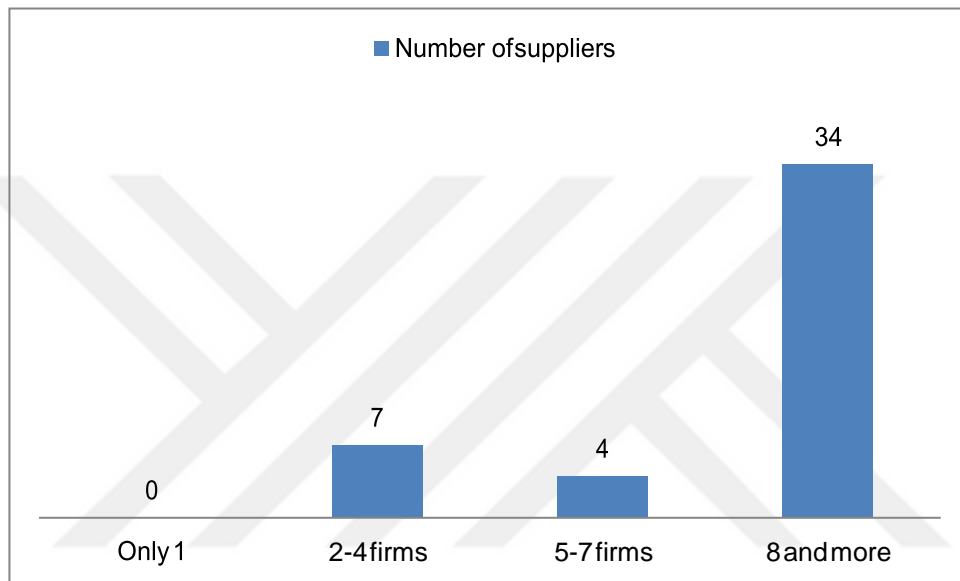


Figure 5. Number of suppliers

Figure 6 shows that most companies avoid signing long-term contracts and prefer contract duration to be 0-3 years. Furthermore, three of the respondents mentioned that contract duration varies depending on the outsourced activity.

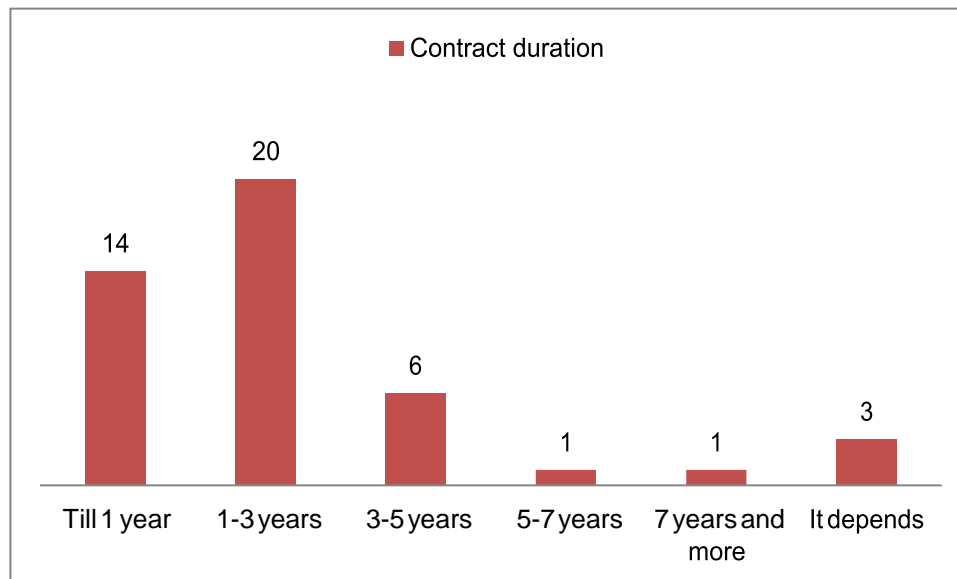


Figure 6. Contract duration

In order to measure the stability and consistency of the instruments, data collected from the questionnaire was subjected to Cronbach’s alpha reliability test as shown in Table 8. The results of the analysis, as shown in the table, indicates that “concern level” and “uncertainty avoidance” instruments are reliable.

Table 8. Reliability Analysis of the Scales

Name of the Variable	Number of Items	Cronbach’s Alpha	Cronbach’s Alpha Based on Standardized Items
Concern Level	6	.863	.865
Uncertainty Avoidance	4	.881	.882
Power Distance	5	.557	.561

As can be seen from the table, concern level scale consisted of six items. The internal reliability of the scale is high ($\alpha = .863$). Uncertainty Avoidance scale was found to be highly reliable as well ($\alpha = .881$). Power distance scale, on the other hand, has less reliability than expected ($\alpha = .557$). In order to explore the reasons behind this low level of reliability, we analyzed questionnaires individually. It turned out that respondents’ answers for the items of the Power Distance scale differ significantly.

Then, we performed component matrix analysis in order to find meaningful groups among the answers to the items which is illustrated in Table 8.

Table 9. Power Distance Component Matrix

	Component		
	1	2	3
PD1	,828	-,382	,083
PD2	,527	,686	-,025
PD3	,506	,461	-,591
PD4	,737	-,547	-,051
PD5	,345	,360	,815
Extraction Method: Principal Component Analysis.			
a. 3 components extracted.			

According to the component matrix analysis, the first and the fourth items in the scale are likely to have higher reliability together. The second and third items are scattered among three components. The fifth item, on the other hand, comprises the third component individually. Then, we explored each question in the power distance scale.

The first and fourth questions are related to the organizational structure of the firms. The first item asks the extent to which respondents agree that their company "... possesses a structure and communication system where all responsibilities of subordinates are specified without leaving any uncertainty", while the fourth item requires respondents to indicate, how much they agreed that; their company "...has a hierarchical structure which is the healthiest organization model". The other question in the scale ask about the behaviours or attitudes within the firm such as "In our company, the thoughts of superiors about subordinates are more important than those of subordinates about superiors".

According to Jackman and Strober (2013), managers think that even their mildest judgements about subordinates will result in tension and anger, that's why everyone speaks up as little as possible. We believe that this attitude can explain the

inconsistent answers of the respondents to the items about behaviours and attitudes within the firm, especially considering the fact that our questionnaires are filled by upper or middle-level managers. They may feel less comfortable with answering questions about the other employees or the organizational environment. On the other hand, the first and the fourth items in the Power Distance scale is about the organizational structure of the companies, which managers may find easy to criticize objectively because in this case what they criticize is some intangible entity rather than real human beings with feelings and emotions.

Based on the discussion above, we calculated the adjusted power distance scale based on the first and the fourth items. Instead of not using the power distance instrument at all, we performed statistical analysis on adjusted power distance. Table 10 shows that the internal reliability of the adjusted power distance scale was high ($\alpha = .794$).

Table 10. Reliability Analysis for the Adjusted Power Distance

Name of the Variable	Number of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
Adjusted Power Distance	2	.794	.794

A linear regression was run to understand the effect of uncertainty avoidance on firms' outsourcing of individual function. Table 11 indicates that the uncertainty avoidance levels of the firms do not influence outsourcing level of eight functions out of nine.

Table 11. Insignificant Regressions with Uncertainty Avoidance Variable

Name of the Independent Variable	Name of the Dependent Variable	R Square	Adjusted R Square	F	Sig.
Uncertainty Avoidance	IT Outsourcing	.025	.002	1.087	.303
Uncertainty Avoidance	Sales and Marketing Outsourcing	.050	.028	2.257	.140
Uncertainty Avoidance	Logistics Outsourcing	.008	-.015	.368	.547
Uncertainty Avoidance	HR Outsourcing	.011	-.012	.458	.502
Uncertainty Avoidance	Production Outsourcing	.009	-.014	.384	.539
Uncertainty Avoidance	Customer Service Outsourcing	.005	-.018	.213	.647
Uncertainty Avoidance	Outsourcing of Auxiliary Functions	.030	.008	1.351	.252

According to Al-Shammari (2004), high uncertainty avoidance cultures prefer to perform the activities in-house rather than contracting them out. Not only the outsourcing decision itself but also the relationship between entities is affected by uncertainty avoidance (Popoli, 2017).

We believe that there are two reasons why Turkish firms' outsourcing is not affected by their uncertainty avoidance level. First, when companies use outsourcing as strategic tool uncertainties and ambiguities become more important. Thus, they try to reduce vagueness in their relationship with the supplier or they prefer to avoid outsourcing. However, previous literature indicates that firms in Turkey utilize outsourcing for purchasing purposes rather than strategic goals (Akyıldız, 2004). This tendency explains why we see no correlation between uncertainty avoidance and outsourcing levels of firms in Turkey. Second, as will be discussed later, most of the respondents stated that the price is the most important factor when making the outsourcing decision, which means that the outsourcing process of Turkish companies has not moved beyond cost focus. Since most of the cost-related to ambiguities can be clarified during the contracting phase, outsourcing process does not involve much uncertainty.

The only function that is influenced by uncertainty avoidance level of the companies is finance and accounting. Model Summary in Table 12 shows that the uncertainty avoidance level of the firm accounted for 12.8% of the variation in finance and accounting outsourcing with adjusted R Square= 10.7%, a medium size effect according to Cohen (1988).

Table 12. Regression Model – Finance Outsourcing and Uncertainty Avoidance

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.357	.128	.107	.892
Predictors: (Constant), Uncertainty Avoidance			

At the regression row in Table 13, we see that the statistical significance of the regression model is .016, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable ($F(1, 43) = 6.29, p < 0.05$).

Table 13. Regression ANOVA – Finance Outsourcing and Uncertainty Avoidance

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	5.000	1	5.000	6.286	.016
Residual	34.200	43	.795		
Total	39.200	44			
Dependent Variable: Finance			Predictors: Uncertainty Avoidance		

The coefficients presented in Table 14 provides us with the necessary information to predict finance and accounting outsourcing from uncertainty avoidance variable.

According to the table, we can present the regression equation as:

$$\text{Finance and Accounting Outsourcing} = 3.476 + (- 0.418 \times \text{Uncertainty Avoidance})$$

Table 14. Regression Coefficients - Finance Outsourcing and Uncertainty Avoidance

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.476	.682		5.100	.000
Uncertainty Avoidance	-.418	.167	-.357	-2.507	.016
Dependent Variable: Finance					

Findings of the importance of uncertainty avoidance on finance and accounting outsourcing support the previous literature, which indicates a negative relationship between uncertainty avoidance and outsourcing. However, the variation that uncertainty avoidance accounts for is only 12.8% and not quite impressive.

Then, we ran a linear regression analysis in order to see the relationship between power distance and outsourcing.

It can be seen from the Table 15 that adjusted power distance seems to have no impact on outsourcing of different functions. The way we explained the relationship between power distance and outsourcing in our research is through trust. According to Huff, Joanne, and Jones (2002), trust and power distance are negatively correlated. The more equality, which means less power distance, leads to more trust. Thus, it was expected that high power distance firms would have less trust towards outsiders and would engage in outsourcing less. However, in Turkey, firms see outsourcing as a simple purchasing decision rather than a strategic tool and trust is not an important factor in this kind of cost-oriented relationship.

Table 15. Insignificant Regressions with Power Distance Variable

Name of the Independent Variable	Name of the Dependent Variable	R Square	Adjusted R Square	F	Sig.
Adjusted Power Distance	IT Outsourcing	.155	.024	1.063	.308
Adjusted Power Distance	Sales and Marketing Outsourcing	.035	.013	1.571	.217
Adjusted Power Distance	Finance Outsourcing	.001	-.022	.035	.853
Adjusted Power Distance	Logistics Outsourcing	.005	-.018	.225	.638
Adjusted Power Distance	HR Outsourcing	.002	-.022	.071	.791
Adjusted Power Distance	Production Outsourcing	.014	-.009	.597	.444
Adjusted Power Distance	Customer Service Outsourcing	.008	-.015	.337	.565
Adjusted Power Distance	Outsourcing of Auxiliary Functions	.001	-.023	.029	.865

Table 16 indicates that there is no statistically significant relationship between companies' concerns related to outsourcing and their actual outsourcing. The only two functions that are influenced by the concern level are sales and marketing and auxiliary functions such as security, catering, and cleaning.

Table 16. Insignificant Regressions with Concern Level Variable

Name of the Independent Variable	Name of the Dependent Variable	R Square	Adjusted R Square	F	Sig.
Concern Level	IT Outsourcing	.040	.018	1.796	.187
Concern Level	Finance Outsourcing	.040	.017	1.776	.190
Concern Level	Logistics Outsourcing	.000	-.023	.005	.942
Concern Level	HR Outsourcing	.096	.075	4.575	.038
Concern Level	Production Outsourcing	.021	-.001	.936	.339
Concern Level	Customer Service Outsourcing	.025	.002	1.098	.301
Concern Level	Outsourcing of Auxiliary Functions	.001	.023	.865	.029

In Table 17-22, we have presented the linear regression analysis of the two functions that are affected by the companies' concern level.

Table 17. Regression Model – Sales and Marketing Outsourcing and Concern Level

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.394	.156	.136	.970
Predictors: (Constant), Concern Level			

The model summary presented in Table 17 shows that firms’ overall concern about outsourcing is responsible for the 15.6% of the variation in sales and marketing outsourcing with adjusted R square = 13.6%.

The linear regression in Table 18 was statistically significant meaning that the concern level of companies predicted the level of sales and marketing outsourcing ($F(1,43) = 7.92, p < 0.05$).

Table 18. Regression ANOVA – Sales and Marketing Outsourcing and Concern Level

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.451	1	7.451	7.919	.007
Residual	40.460	43	.941		
Total	47.911	44			
Dependent Variable: Sales and Marketing			Predictors: Concern Level		

We can find the necessary information in the Table19 to predict sales and marketing outsourcing from firms’ concern level towards outsourcing. According to the table, we can present the regression equation as:

$$\text{Sales and Marketing Outsourcing} = 0.879 + 0.93 \times \text{Concern Level}$$

Table 19. Regression Coefficients - Sales and Marketing Outsourcing and Concern Level

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.879	.439		2.006	.051
Concern Level	.093	.033	.394	2.814	.007
Dependent Variable: Sales and Marketing					

We expected to find a negative relationship between concern levels and outsourcing, which means the more concerned the company is, the less outsourcing it will use.

However, we see that the β coefficient is positive, meaning that the relationship is positive.

According to our sample, almost 90% of the companies operate in the manufacturing industry, such as automobile and construction. Thus, we can assume that sales and marketing activities are not their core competence or not available within the firm, which is why they may prefer to outsource them in spite of their concern. However, in order to explore this correlation, more research is needed.

According to Table 20, Concern levels of the firms account for 16.6% of the variation in the outsourcing of auxiliary functions with adjusted R square = 14.7%.

Table 20. Regression Model - Outsourcing of Auxiliary Functions and Concern Level

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.408	.166	.147	1.239
Predictors: (Constant), Concern Level			

Table 21 demonstrates that the regression is statistically significant ($F(1,43) = 8.59$, $p < 0.05$).

Table 21. Regression ANOVA – Outsourcing of Auxiliary Functions and Concern Level

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.182	1	13.182	8.586	.005
Residual	66.018	43	1.535		
Total	79.200	44			
Dependent Variable: Auxiliary Functions			Predictors: Concern Level		

According to the details of the coefficients in Table 22, we can illustrate the regression equation as the following:

$$\text{Outsourcing of Auxiliary Functions} = 5.350 + (-0.123 \times \text{Concern Level})$$

Table 22. Regression Coefficients - Outsourcing of Auxiliary Functions and Concern Level

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	5.350	.560		9.550	.000
Concern Level	-.123	.042	-.408	-2.930	.005
Dependent Variable: Auxiliary Functions					

In the first part of our questionnaire, we asked respondents to indicate the most important factors when making the outsourcing decision for the auxiliary functions. The results that will be discussed later on, show that other than the price and quality, which were expected, trust and strong references were also important. This means that outsourcing of auxiliary functions, namely, security, cleaning, and catering are far more important for Turkish companies than we believed it would be. Thus, there is a negative correlation between concern level and outsourcing of auxiliary functions. The more concerns the company has about outsourcing, the less of auxiliary functions it will outsource.

After analyzing the impact of overall concern level on outsourcing of each function, we went further and looked at the impact of individual concerns on outsourcing of functions. It is not typical to divide a whole scale into items and perform statistical analysis on them; however, we believe that “Concern Level” scale consists of items that can have an impact individually. For example, some companies may be reluctant to outsource their IT function not because of their overall concern about outsourcing, but because of their specific concern of losing their core competence.

Model Summary in Table 23 demonstrates that firms’ concern of losing core competence accounts for 13.6% of the variation in IT outsourcing with adjusted R square = 11.6%.

Table 23. Regression Model – IT Outsourcing and Concern of Losing Core Competence

Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.369	.136	.116	1.041
Predictors: (Constant), Loss of Core Competence			

The linear regression shown in Table 24 was statistically significant meaning that companies’ concern level of losing core competence predicted the level of IT outsourcing ($F(1,43) = 6.79, p < 0.05$).

Table 24. Regression ANOVA – IT Outsourcing and Concern Of Losing Core Competence

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.364	1	7.364	6.789	.013
Residual	46.636	43	1.085		
Total	54.000	44			
Dependent Variable: IT Outsourcing			Predictors: Loss of Core Competence		

Table 25 shows that the more companies are concerned about losing their core competence, the less they outsource IT functions. The regression equation can be presented as:

$$\text{IT outsourcing} = 3.621 + (-0.409 \times \text{Concern of Losing Core Competence})$$

Table 25. Regression Coefficients - IT Outsourcing and Concern of Losing Core Competence

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.621	.398		9.101	.000
Concern Level	-.409	.157	-.369	-2.606	.013
Dependent Variable: IT Outsourcing					

Loss of core competence may not only put the company's competitiveness into question but also lead to dependency in the future (Hoecht & Trott, 2006). According to Hamel and Prahalad (1990), firms need to protect their technology assets in order to make a profit of them.

Protection, when it comes to intangible assets, like technology-related skills, know-how etc. is making them as less imitable as possible. Thus, when companies contract out their IT functions, there is a risk that the outsider firm may imitate these competencies.

We asked respondents to indicate the most important factors that are being considered when making the outsourcing decision. In this section, we are going to present the results in two groups. The first group described in Table 26 consists of outsourcing of IT, transportation and logistics, production functions, and outsourcing of auxiliary functions such as cleaning, catering, and security. Then we will present individual functions and important factors for each of them via bar graphs.

Table 26. Important Factors for Individual Functions - I

	IT		Transportation & Logistics		Production		Auxiliary Functions – Cleaning, Catering, Security,	
Price	16	14.8%	31	21%	22	23.9%	28	22.8%
Strong References	7	6.5%	11	7.4%	10	10.9%	12	9.8%
Quality	25	23.1%	28	19%	18	19.6%	30	24.4%
Flexibility	8	7.4%	19	13%	10	10.9%	11	8.9%
Experience	15	13.9%	17	11%	9	9.8%	15	12.2%
Technological Background	30	27.8%	11	7.4%	7	7.6%	3	2.4%
Reliability	1	0.9%	8	5%	4	4.3%	6	4.9%
Trust	6	5.6%	13	8.8%	8	8.7%	12	9.8%
Cultural Fit	0	0.0%	4	3%	4	4.3%	6	4.9%
Open Communication	3	2.8%	6	4.1%	4	4.3%	7	5.7%
Total	108		148		92		123	

In the table above, we have highlighted the most important four factors for each function when making the outsourcing decision. Results show that price and quality are of paramount importance to the firms for the outsourcing decision-making process regardless of the function they are planning to outsource. Reducing expenses has been cited as a primary rationale for outsourcing in the literature (Cotton et al., 1993; Rao 2004). Furthermore, these findings were expected as companies in Turkey are in the beginning stages of the outsourcing process. In this stage, firms engage in outsourcing mainly for cost reduction purposes. According to Kremic et al., (2006) cost reduction may also increase profitability. Deloitte’s Global Outsourcing Survey, which was done in 2016 shows that more than half of the companies choose to

outsource as a cost-cutting tool. Moreover, outsourcing becomes even a more important mechanism when companies want to achieve cost reduction goal in the short-term.

In their study, Tanyeri and Fırat (2005) stated that achieving sustainable quality is one of the main goals of the organizations. According to Bakan, Fettahlıođlu, and Eyitmiř, 2014, qualified firms can produce goods and services of high quality. Thus, it is reasonable for companies to seek for quality when they make the outsourcing decision.

Besides price and quality, Table 26 illustrates that experience of the provider is important for all of the functions in the first group except production. Another factor that stands out in table is flexibility. This factor is more important for the functions that are directly related to delivery time, namely production and transportation and logistics. Strong references comprise 10.9% and 9.8% of all the factors respectively that respondents indicated as significant when making the outsourcing decision for production and auxiliary functions. In this group, the technological background has special importance for the outsourcing of IT activities.

In the second group presented in Table 27, other than price and quality, strong references are important for all of the functions as well.

Table 27. Important Factors for Individual Functions - II

	Sales and Marketing		Human Resources		Customer Service		Finance and Accounting	
Price	8	14.3%	7	10.9%	10	19.2%	9	16.1%
Strong References	8	14.3%	9	14.1%	6	11.5%	6	10.7%
Quality	15	26.8%	11	17.2%	14	26.9%	14	25.0%
Flexibility	5	8.9%	7	10.9%	6	11.5%	4	7.1%
Experience	8	14.3%	14	21.9%	4	7.7%	10	17.9%
Technological Background	5	8.9%	2	3.1%	6	11.5%	3	5.4%
Reliability	3	5.4%	7	10.9%	1	1.9%	5	8.9%
Trust	2	3.6%	6	9.4%	4	7.7%	5	8.9%
Cultural Fit	2	3.6%	1	1.6%	1	1.9%	0	0.0%
Open Communication	1	1.8%	3	4.7%	3	5.8%	1	1.8%
Total	56		64		52		56	

This may be related to the involvement of the human factor in the outsourcing process of these functions. Especially, sales and marketing and customer service functions are close to the end customer, thus soft factors such as strong references are as important as hard factors such as price and quality.

Experience has been stated as a significant factor for all of the functions except customer service. Instead, flexibility and technological background are indicated as critical factors for customer service outsourcing. For the outsourcing of HR functions, the other important factors are flexibility and reliability.

It is expected that soft factors, namely reliability, trust, cultural fit, and open communication, to be more important for the outsourcing of functions that are close to the end customer and/or involve customer interaction. However, in our sample, we did not observe any significant importance of these factors. This may stem from two reasons. First, most companies in our sample operate in the manufacturing industry, which means that their main goal is to produce the best quality products at a minimum expense. Second, soft factors tend to become more important as companies move towards strategic outsourcing, which is not the case for Turkish firms.

We are going to present important factors for the outsourcing of different functions in further detail via bar graphs and discuss the findings.

As the bar graph in Figure 7 suggests, the most important factor when making IT outsourcing decision is technological background of the supplier. Most of companies in our sample operate in automobile, construction, and chemical industry, which means that technical expertise may not be internally available. That explains why companies put more emphasis on technological background of the provider than price when it comes to IT outsourcing.

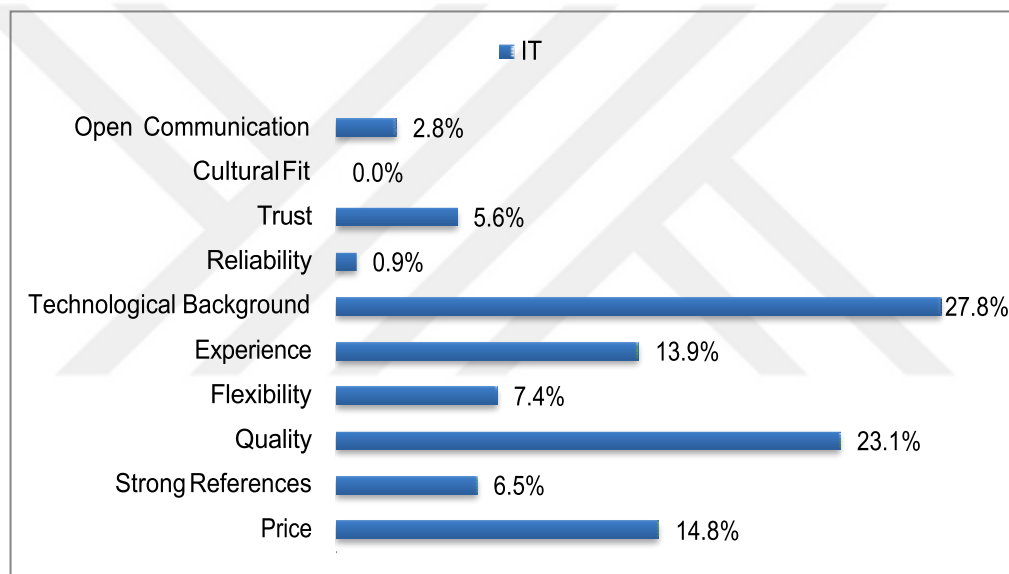


Figure 7. Importance of factors for IT outsourcing

As a general tendency, the next two significant factors are quality and price respectively. The least important criteria are cultural fit, reliability, and open communication according to the graph, which again implies that firms in Turkey are in the tactical stage of outsourcing rather than strategic stage and they place importance on tangible factors.

According to Figure 8, When making the transportation and logistics outsourcing decisions, firms are interested in price and the quality of the service.

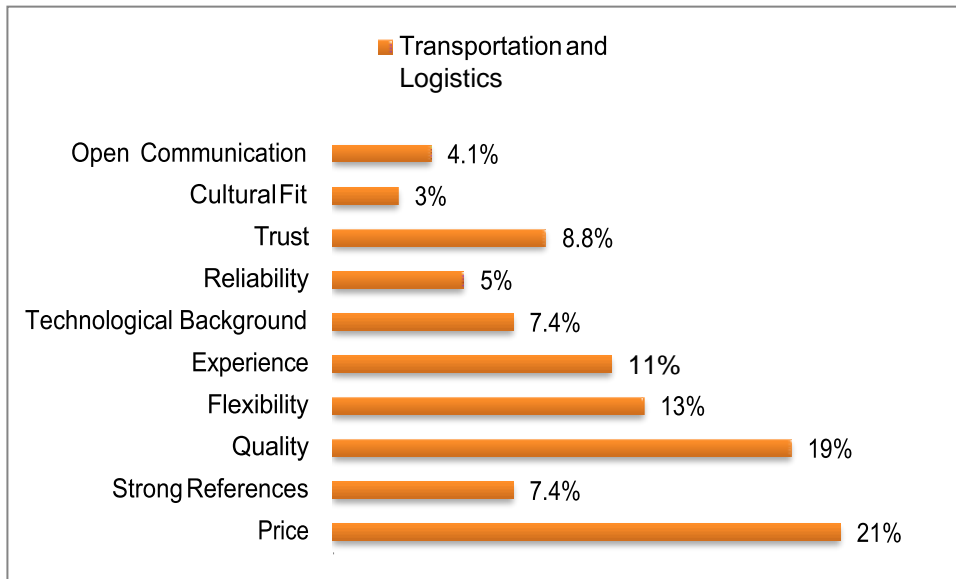


Figure 8. Importance of factors for transportation and logistics outsourcing

The next emphasis is on flexibility. According to a study commissioned by Honeywell and done by Vanson Bourne (2013), transportation and logistics managers at organizations with more than 500 employees within the UK, France, Germany, US, Australia and New Zealand stated that they cope with improving efficiency and achieving time savings. Furthermore, the study shows that customer demand for express and same-day delivery have increased. In order to provide customers with more control and flexibility, transportation and logistics operations need to be adaptable. That is why Turkish companies seek for flexibility when contracting out their transportation and logistics function.

Cultural fit, reliability, and open communication are described as the least important criteria for this function.

Figure 9 shows that when companies decide to contract out their production function, the cost and the quality of the supplier are of high importance.

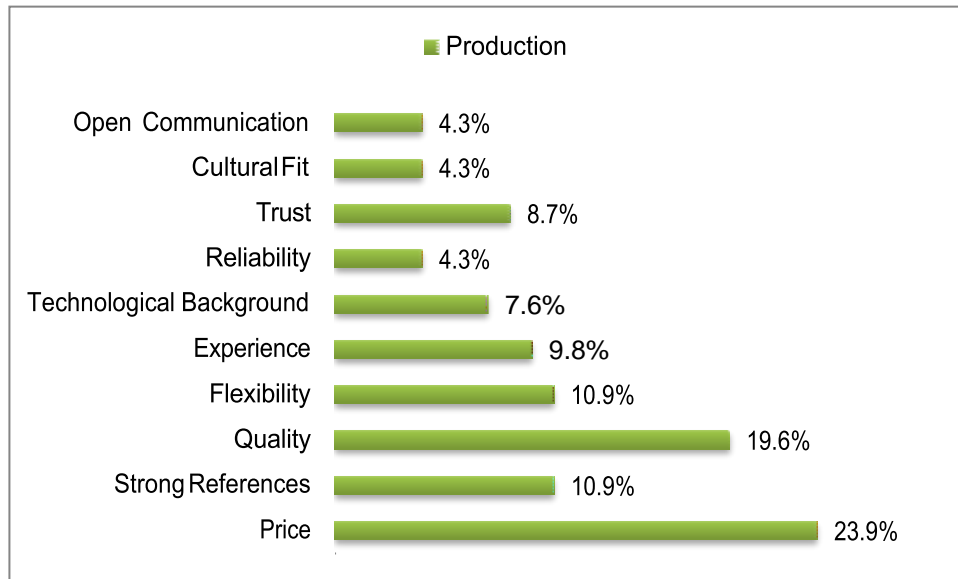


Figure 9. Importance of factors for production outsourcing

That may be because of companies' focus on producing affordable products with reasonable quality. The next equally important criteria are strong references and flexibility. Flexibility has been recognized as one of the crucial criteria for successful manufacturing management (Aranoff, 1989). Usually, companies' production schemes are prepared based on demand patterns. With the development of technology, reduction in delivery time, shorter product life cycles and more personalized products, demand patterns are more ambiguous. This may be the reason why firms expect their suppliers to be adaptable and react quickly to the changes and uncertainties.

Next, the experience of the provider and trust have been indicated as important factors with 9.8% and 8.7% respectively. Open communication, cultural fit, and reliability are cited as the least important factors with 4.3%.

Under the name of auxiliary functions, cleaning, security, and catering are considered. Results in Figure 10 show that most of Turkish firms do outsource these functions and two important criteria when selecting the provider are quality and price.

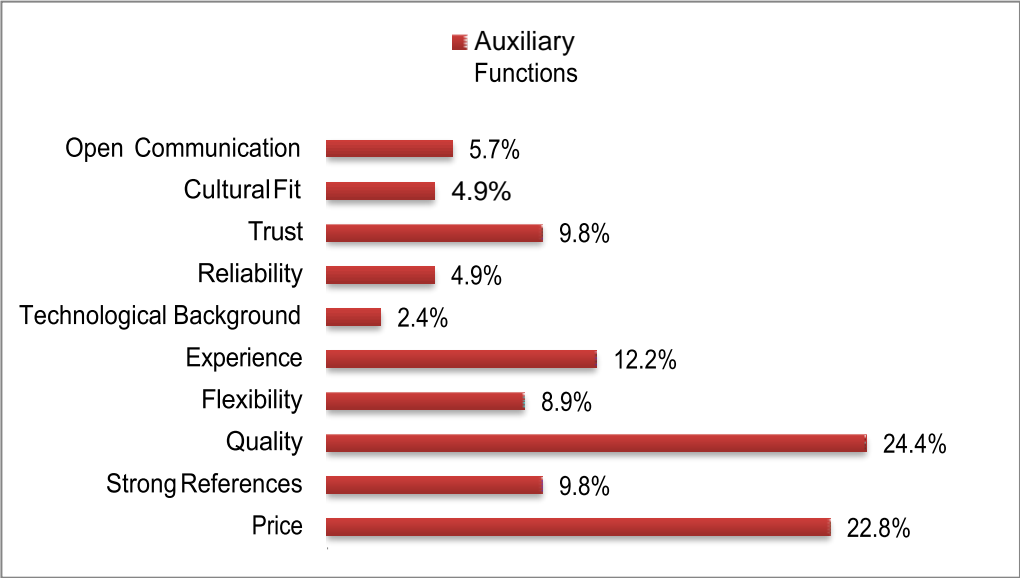


Figure 10. Importance of factors for outsourcing of auxiliary functions

These results are expected since auxiliary functions do not have the potential to offer a competitive advantage to the firm. Thus, companies try to get these activities done at a minimum cost possible. Subsequent criteria are the experience of the supplier, strong references, and trust. Technological background, reliability, and trust are of lesser importance when outsourcing security, cleaning, and catering functions.

The bar graph in Figure 11 illustrates that unlike most of the other functions, quality of the supplier is indicated more frequently by our respondents when making the decision for sales and marketing outsourcing.

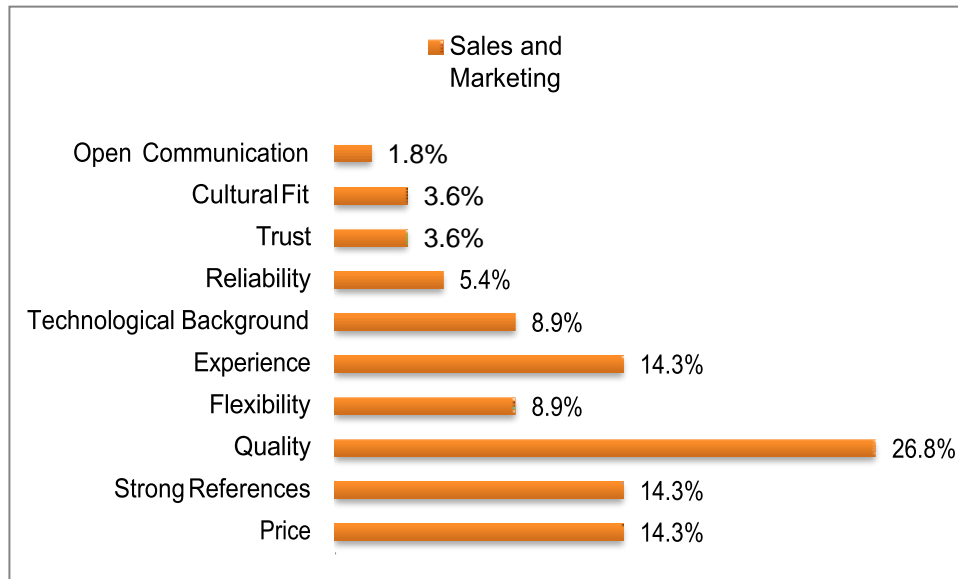


Figure 11. Importance of factors for sales and marketing outsourcing

The subsequent three and equally important factors are the experience, strong references, and price. Because sales and marketing activities are close to the end customer, the importance of quality has surpassed that of the price. Furthermore, sales and marketing agents, nowadays, do not only engage in marketing activities but also provide strategies for retail shelf management or maintenance of continuity. Thus, their experience and strong references have equal importance as price.

According to the Figure 12, quality and experience of the provider are taken into consideration first when outsourcing the finance and accounting function. Traditionally companies used to hire outsider to perform low value financial services such as transaction services. In contrast, nowadays, there is a tendency to outsource higher value services such as regulatory accounting, financial reporting and tax. “In some cases, more strategic processes such as management accounting, budgeting & forecasting and financial analysis may be suitable for outsourcing”(Downey, 2008). Thus, importance of quality and experience outweighs the importance of price. Furthermore, trust and reliability are relatively more important for the outsourcing of

finance services. The least important factors are cultural fit, open communication, and technological background of the provider.

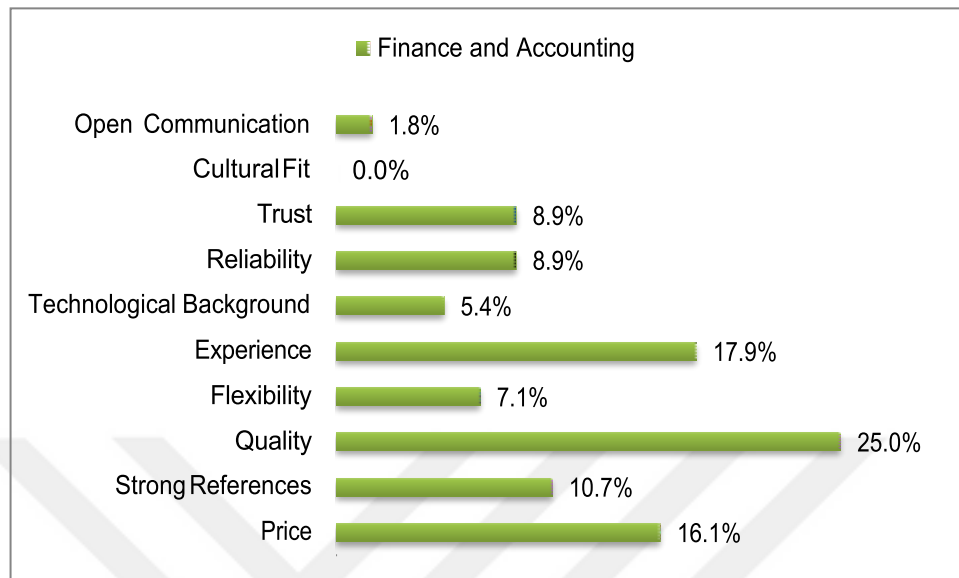


Figure 12. Importance of factors for finance and accounting outsourcing

Most of our respondents indicated that quality is the most important criteria they seek for when they contract out their customer service function as can be seen in Figure 13. As a general tendency, price of the service is the second most important criteria. Then, technological background, experience, and strong references of the provider plays crucial role for the outsourcing decision-making. Open communication, cultural fit, and reliability do not influence this decision hugely.

Last, we asked about the outsourcing of human resources function. Results in Figure 14 show that experience and quality of the provider are the most important factors.

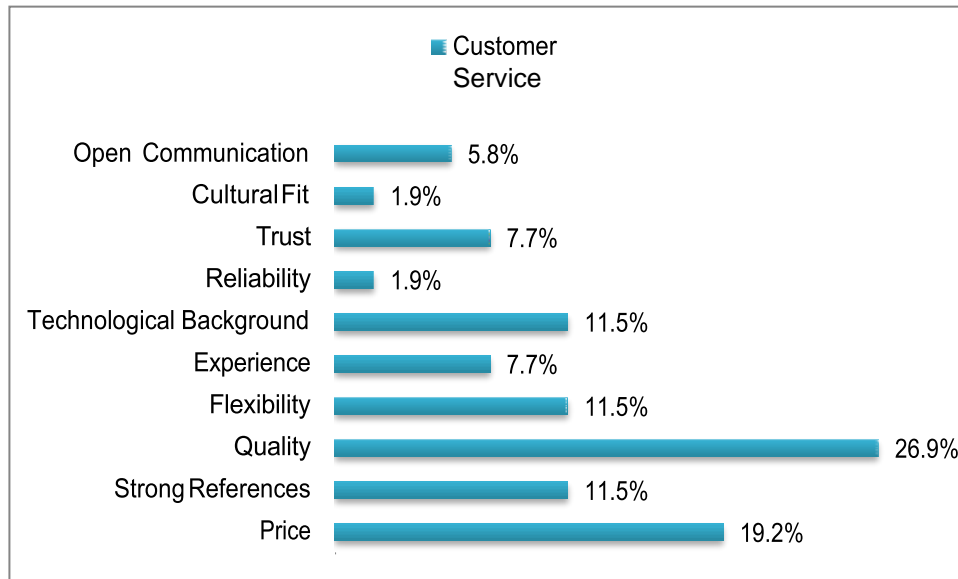


Figure 13. Importance of factors for customer service outsourcing

Then, companies expect HR agents to have strong references. Price, reliability, and flexibility are of equal importance to firms when selecting HR agents. Compared to the outsourcing of other functions, trust is more important when outsourcing the HR services. Cultural fit and technological background are indicated as non-important factors.

Nowadays, even small businesses outsource their HR functions, because of the complexity of recruitment process and the effort needed to conduct necessary trainings for hired personnel. Involvement of human factor makes these activities even more complicated and time consuming. Thus, reaching to HR agents enable companies to access special programs via minimum time and money investment (Bharathi & Dr., 2015). Since possible outcomes of HR outsourcing is high, especially companies that operate in manufacturing industry as in our sample, firms look for the quality of service and the experience of the provider first.

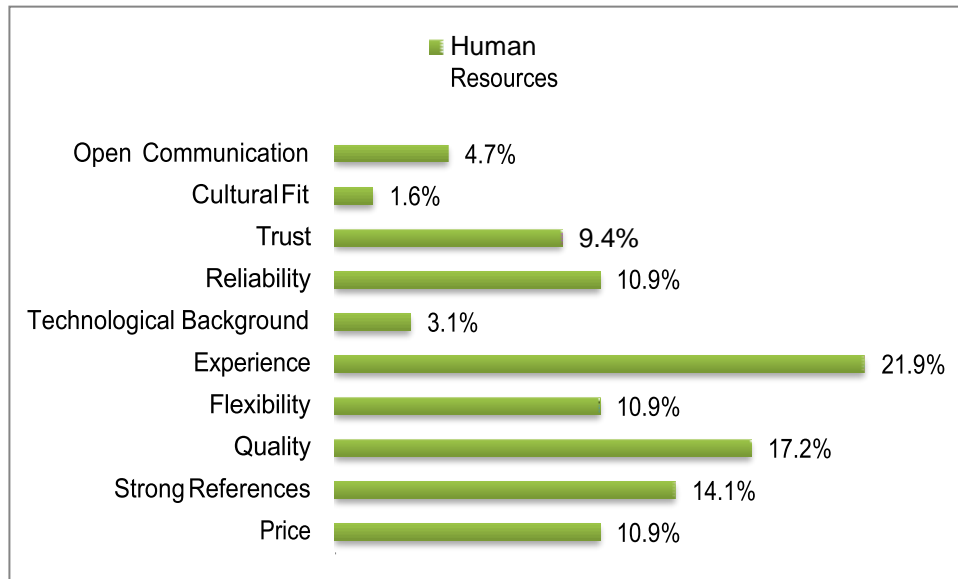


Figure 14. Importance of factors for human resources outsourcing

To summarize, trust, cultural fit, and open communication do not play an important role for Turkish firms in the outsourcing decision-making process. This tendency may derive from a couple of reasons. First, more than 90% of the firms in our sample operate in the manufacturing industry, namely automotive, construction, durable goods etc. These companies' main focus is producing high-quality products at minimum cost, thus when they decide to outsource some of their functions, tangible factors such as price and quality are more important than abovementioned intangible factors. Furthermore, previous literature supports that companies in Turkey are in the beginning stages of outsourcing and it is used as a simple cost-cutting tool rather than a strategic tool.

76% of the companies in our sample mentioned that their outsourcing contracts are signed for 0-3 years. According to Chopra and Meindl (2007), companies develop trust towards each other in long-term partnerships and it becomes easier to work together for solving problems. In these kinds of relationships, stakes become higher and soft factors such as clear communication, trust, and cultural compatibility are given greater importance than cost, quality, or technical expertise

of the provider. We can conclude that when companies are committing to a long-term relationship and partnership, they seek more than they do in a simple buy-in. In our sample, companies indicated that they make short time outsourcing deals, which may explain why soft factors are not considered crucial.

Finally, in order to see whether there are any significant differences between the means of companies' outsourcing level based on their capital structure, we performed one-way ANOVA analysis.

Table 28 illustrates that there are significant differences among companies' finance [$F(2,42) = 8.14, p = 0.001$] and customer service [$F(2,42) = 5.83, p = 0.006$] outsourcing levels based on the type of capital they have been formed with.

In order to see the details, we looked at the descriptive statistics and ran post hoc tests, which are illustrated in the Table 29 and Table 30, respectively.

Tables shows that firms that are founded by foreign capital significantly differ from the firms that are formed with only local/domestic capital and both local/domestic and foreign capital in terms of finance and customer service outsourcing ($p = 0.001$). The former has finance and customer service outsourcing levels that are slightly more than the other two. These results are in alignment with the study done by Zalluhoğlu and Dedeoğlu (2011).

Table 28. One -Way ANOVA Analysis

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
IT	Between Groups	1.711	2	.856	.687	.509
	Within Groups	52.289	42	1.245		
	Total	54.000	44			
Sales	Between Groups	2.894	2	1.447	1.350	.270
	Within Groups	45.017	42	1.072		
	Total	47.911	44			
Finance	Between Groups	10.946	2	5.473	8.136	.001
	Within Groups	28.254	42	.673		
	Total	39.200	44			
Logistics	Between Groups	.768	2	.384	.374	.690
	Within Groups	43.143	42	1.027		
	Total	43.911	44			
HR	Between Groups	3.907	2	1.953	2.641	.083
	Within Groups	31.071	42	.740		
	Total	34.978	44			
Production	Between Groups	.262	2	.131	.126	.882
	Within Groups	43.738	42	1.041		
	Total	44.000	44			
CustService	Between Groups	9.189	2	4.594	5.826	.006
	Within Groups	33.122	42	.789		
	Total	42.311	44			
Auxiliary	Between Groups	3.298	2	1.649	.913	.409
	Within Groups	75.902	42	1.807		
	Total	79.200	44			

Table 29. One-Way ANOVA Analysis Descriptives

Descriptives									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Finance	Domestic Capital	26	1.62	.697	.137	1.33	1.90	1	3
	Foreign Capital	10	2.70	1.160	.367	1.87	3.53	1	5
	Both	9	1.33	.707	.236	.79	1.88	1	3
	Total	45	1.80	.944	.141	1.52	2.08	1	5
Customer Service	Domestic Capital	26	1.50	.707	.139	1.21	1.79	1	4
	Foreign Capital	10	2.60	1.265	.400	1.70	3.50	1	5
	Both	9	1.56	.882	.294	.88	2.23	1	3
	Total	45	1.76	.981	.146	1.46	2.05	1	5

Table 30. One-Way ANOVA Post Hoc Tests

Multiple Comparisons							
Dependent Variable	(I) Capital	(J) Capital	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Finance	Domestic Capital	Foreign Capital	-1.085*	.305	.001	-1.70	-.47
		Both	.282	.317	.379	-.36	.92
	Foreign Capital	Domestic Capital	1.085*	.305	.001	.47	1.70
		Both	1.367*	.377	.001	.61	2.13
	Both	Domestic Capital	-.282	.317	.379	-.92	.36
		Foreign Capital	-1.367*	.377	.001	-2.13	-.61
Customer Service	Domestic Capital	Foreign Capital	-1.100*	.330	.002	-1.77	-.43
		Both	-.056	.343	.872	-.75	.64
	Foreign Capital	Domestic Capital	1.100*	.330	.002	.43	1.77
		Both	1.044*	.408	.014	.22	1.87
	Both	Domestic Capital	.056	.343	.872	-.64	.75
		Foreign Capital	-1.044*	.408	.014	-1.87	-.22

*. The mean difference is significant at the 0.05 level.

CHAPTER 5

CONCLUSION

In this chapter, we are going to review our research findings and discuss its contribution to the literature. Furthermore, we will talk about the managerial implications of the findings. Last, we will present limitations to our study and recommendations for further research.

In this study, we explored the factors that have an impact on the outsourcing decision of companies. Findings show that regardless of the outsourced function, the most important two criteria for Turkish companies are price and quality. Cost-reducing rationales for outsourcing has been discussed extensively in literature (Kakabadse and Kakabadse, 2002; Quelin and Duhamel, 2003). Outsourcing can provide significant reduction in production costs specifically, if competitive bidding is used. Moreover, our sample consists of companies operating mainly in production industries such as automotive, construction, durable goods, and chemical industry. The common denominator for these industries is their focus on the best quality at a minimum cost. Therefore, it is reasonable that price and quality are considered the most important two factors.

For the outsourcing of transportation and logistics and production functions, companies pay attention to the flexibility of the provider as well. This may be explained by the fact that these two functions affect the delivery time. Thus, with shorter product life cycles and more demanding consumers, flexibility has playing more important role than before.

Another pattern observed in our sample is the importance of strong references for the functions that are closer to the end customer such as customer service and sales and marketing.

In our study, cultural compatibility, open communication, and trust are stated as the least important factors for outsourcing. On the other hand, over 70% of companies in our sample indicated that they prefer contract duration to be up to 3 years. These findings together show that outsourcing relationship is not seen as long-term, strategic collaboration but a purchasing agreement. Therefore, companies do not put effort on assessing the less tangible aspects of outsourcing.

According to our findings, the only function that is affected by uncertainty avoidance of companies is finance and accounting. Outsourcing levels of the other functions are not influenced by this dimension. The fact that outsourcing is not accepted as a strategic tool minimizes the uncertainties and ambiguities involved in this process. Therefore, we can conclude that companies' uncertainty avoidance does not affect the actual outsourcing done by them.

5.1 Scientific contribution

Outsourcing has gained a significant amount of attention in the past few decades. Although there is extensive literature concerning outsourcing, only a few authors in Turkey have been able to carry out a country-specific study on this topic. Most studies in Turkey have only been done in a small number of areas, which makes the generalizability of them problematic. Thus, there has been little quantitative analysis of general outsourcing environment in Turkey.

Furthermore, far too little attention has been paid to the relationship between organizational culture and outsourcing. The main purpose of this study is to develop

an understanding of outsourcing environment in Turkey, to assess the factors that are considered when making the outsourcing decision, and to see whether there is any relationship between organizational culture and outsourcing.

Moreover, this study systematically reviews the outsourcing literature all over the world and provides an opportunity to compare research findings with that of Turkey.

5.2 Managerial implications

This study provides contributions to both companies that use outsourcing and outsourcing providers.

First, it presents the theoretical understanding of outsourcing in the world and in Turkey. With the empirical findings, this study may enable companies to gain more insight into the status of outsourcing in their country and compare their preferences with that of other companies in Turkey.

From the perspective of outsourcing providers, this study provides an important opportunity to advance their understanding of their customers. First, this study discusses the factors that are considered more important when making the outsourcing decision. Then, function-specific factors and their respective importance have been presented. Based on these findings, outsourcing suppliers may be able to predict what is expected of them by their customers, which in turn may put them one-step ahead in the tender process.

Furthermore, our research presents the relationship between companies' concern level, their organizational culture, and outsourcing in Turkey and reviews the findings from the world literature. This knowledge makes an original

contribution to the management literature and may encourage companies to rethink the strategic importance of outsourcing in the long-term.

5.3 Limitations and recommendations for further research

There are certain limitations to this study that should be considered when interpreting the results and point to directions for further research.

First, our sample size is small ($n = 45$) and therefore the results need to be interpreted with caution. Furthermore, most companies in our sample operate in the manufacturing industry, which may make the interpretations of the findings for the service industry inappropriate. Therefore, there is a need for a similar study with a larger sample to make generalizations more accurate. Also, we recommend extending the study to other countries and cultures in order to be able to compare the results.

Second, our respondents are the middle or upper-level managers of companies and questionnaires are online administered. Accordingly, we needed to keep the questionnaires as short as possible. Thus, more research is needed to interpret some contradictory findings such as the positive relationship between companies' concern level and their sales and marketing outsourcing. Furthermore, as discussed in the reliability analysis of the power distance dimension, respondents may feel less comfortable in answering questions about the employees or the organizational environment.

Furthermore, it is assumed that outsourcing and related terms such as cultural compatibility are understood properly by the respondents. However, in practical life, it might differ based on their respective experience and engagement with outsourcing.

Finally, yet importantly, this research should be integrated with studies of the perceived advantages and disadvantages of outsourcing, reasons not to outsource, development of outsourcing process in Turkey, economic effects of outsourcing decision, the impact of the latest economic crisis in Turkey and depreciation of Turkish lira on outsourcing. The connection of these concepts may be capable of presenting more genuine information in the field of outsourcing.



APPENDIX A
SURVEY INSTRUMENT IN ENGLISH

The Factors That Affect the Outsourcing Decision of Companies

Dear Company Representative,

Nowadays, organizations are focusing on their core competences and skills while contracting the other functions to outsiders, which together have led to the proliferation of “Outsourcing”. Examples of outsourcing have been seen in the form of “car rental”, “contracting out” and “external production” in different sectors in Turkey for years.

This questionnaire is designed for a master thesis that is being conducted at International Trade Management Department of Boğaziçi University. The main purpose of the survey is to understand the factors affecting the outsourcing decision of companies and the role of organizational culture on outsourcing.

The data obtained from the questionnaire will be evaluated collectively and personal and corporate information will not be shared with third parties. In addition, we would be happy to share our research findings with you, if you want.

Thanks in advance for your contribution.

Employee and Company Information

1. Gender:
 - a. Female
 - b. Male
2. Education:
 - a. High School
 - b. Associate
 - c. Undergraduate
 - d. Postgraduate/Master
 - e. Postgraduate/PHD
3. Your role in the company:
4. Years of professional experience:
 - a. 0-5 years
 - b. 6-10 years
 - c. 11-15 years
 - d. 16 years and more
5. How many years have you been working in your current company?
 - a. 0-5 years
 - b. 6-10 years
 - c. 11-15 years
 - d. 16 years and more
6. Name/title of the company (Personal and corporate information will not be shared with third parties):
7. If you would like to learn about the research findings, please indicate your e-mail address:

8. Sector:

9. Capital structure:

- a. Domestic Capital
- b. Foreign Capital
- c. Both

10. Geographic scope:

- a. Regional
- b. International

11. Company's age:

- a. Less than 5 years
- b. 6-10 years
- c. 11-15 years
- d. 16-20 years
- e. 21 years and more

12. Number of Employees:

- a. 0-250
- b. 251-500
- c. 501-1,000
- d. 1,001-5,000
- e. 5,001-10,000
- f. 10,001 and more
- g. I don't know

13. Annual turnover:

- a. <100,000 TL (less than \approx \$22,000)
- b. 100,000 TL – 500,000 TL (\approx \$22,000 - \$110,000)

- c. 500,000 TL - 1 million TL (\approx \$110,000 - \$220,000)
- d. 1 million TL - 50 million TL (\approx \$220,000 - \$11 million)
- e. 50 million TL - 500 million TL (\approx \$11 million - \$110 million)
- f. More than 500 million TL (more than \approx \$110 million)
- g. I don't know

14. Do your company use outsourcing?

- a. Yes
- b. No (Stop filling this form)

Outsourcing and Organizational Culture

15. How many years do your company outsource

- a. 0-5 years
- b. 6-10 years
- c. 11-20 years
- d. 21 years and more
- e. I don't know

16. How many outsourcing providers do your company have?

- a. Only 1
- b. 2-4
- c. 5-7
- d. 8 and more

17. Which firms do your company outsource from:

- a. Local
- b. Foreign
- c. Both

18. What is the average outsourcing contract duration?

- a. Till 1 year
- b. More than 1 year, less than 3 years
- c. 3 years and more, less than 5 years
- d. 5 years and more, less than 7 years
- e. 7 years and more
- f. Other :



19. Indicate your company's outsourcing level in the fields shown below:

	None	Low	Moderate	High	We only use outsourcing
Information Technologies					
Sales and Marketing					
Finance and Accounting					
Transportation/Logistics					
Human Resources					
Production					
Customer Service					
Auxiliary functions (Cleaning-Catering-Security)					
Other					

20. How much concerned are your company when outsourcing?

	Not at all	Slightly	Moderately	Very	Extremely
Loss of Control					
Loss of Quality					
Unqualified Company Selection (Selected firm does not meet expectations)					
Loss of Core Competence (Loss of skills/capabilities in the outsourced field)					
Dependency (To become dependent on the outsourcing provider)					
Loss of Privacy (Leakage of strategic and financial information about the company/its products)					

21. If your company uses outsourcing in the fields below, indicate the 4 most important factors for this decision:

	No Outsourcing	Price	Strong References	Quality	Flexibility	Experience	Technological Background	Reliability	Trust	Cultural Compatibility	Open Communication
Information Technologies											
Sales and Marketing											
Muhasebe-Finans											
Transportation/Logistics											
Human Resources											
Production											
Customer Service											
Auxiliary functions (Cleaning-Catering-Security)											
Other											

22. How much concerned are your company when outsourcing?

	Not at all	Slightly	Moderately	Very	Extremely
Loss of Control					
Loss of Quality					
Unqualified Company Selection (Selected firm does not meet expectations)					
Loss of Core Competence (Loss of skills/capabilities in the outsourced field)					
Dependency (To become dependent on the outsourcing provider)					
Loss of Privacy (Leakage of strategic and financial information about the company/its products)					

23. How much do you agree with the following statements about your company:

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
Our company possesses a structure and communications system where all responsibilities of subordinates are specified without leaving any uncertainty					
In order to be effective in management, common sense of the managers are more important than the objective data.					
Canteen and rest areas in the company are separated based on the status of the employees.					
Our company has a hierarchical structure which is the healthiest organization model.					
In our company, the thoughts of superiors about subordinates are more important than those of subordinates about superiors.					
Our company places great importance on detailed written instructions.					
In our company, it is important to follow instructions and procedures strictly.					
Our company uses standardized business procedures that are useful.					
Rules and regulations are important for our employees in order to know what is expected from them.					

APPENDIX B

SURVEY INSTRUMENT IN TURKISH

Şirketlerin Dış Kaynak (Outsourcing) Kullanımını Etkileyen Faktörler

Sayın Firma Yetkilisi,

İşletmelerin günümüz rekabet koşullarına ayak uydurabilmek için gittikçe artan ölçüde kendi yetenek ve beceri alanlarına yönelmeleri ve diğer işlerini organizasyon dışındaki başka işletmelerden almaları yaygın bir "Dış Kaynak (Outsourcing) Kullanımı" uygulamasını ortaya çıkarmıştır. Türkiye'de farklı sektörlerde yıllardır görülen "taşeron kullanma", "araç kiralama", "fason üretim" olarak bilinen uygulamalar birer dış kaynak (outsourcing) örneğidir.

Bu anket Boğaziçi Üniversitesi Uluslararası Ticaret Bölümü'nde yürütülmekte olan bir yüksek lisans tezi için kullanılacaktır ve Türkiye'de şirketlerin dış kaynak kullanımını etkileyen faktörleri ve şirket kültürünün dış kaynak kullanımına etkisini araştırmak için hazırlanmıştır.

Anketten elde edilen veriler toplu halde değerlendirilecek, kişisel ve kurumsal bilgiler gizli tutularak kesinlikle 3. şahıslarla paylaşılmayacaktır. Ayrıca, arzu ettiğiniz takdirde, araştırma bulgularını sizinle paylaşmaktan mutlu olacağımızı belirtmek isteriz.

Bu araştırmaya gösterdiğiniz ilgi ve değerli katkınız için şimdiden teşekkür ederiz.

Çalışan ve İşletme Bilgileri

1. Cinsiyetiniz:

a. Kadın

b. Erkek

2. Eğitiminiz:

a. Lise

b. Ön Lisans

c. Lisans

d. Yüksek Lisans

e. Doktora

3. Firmadaki göreviniz:

4. Profesyonel iş hayatı tecrübeniz kaç yıldır?

a. 0-5 yıl

b. 6-10 yıl

c. 11-15 yıl

d. 16 yıl ve üstü

5. Mevcut işletmenizde kaç yıldır çalışmaktasınız?

a. 0-5 yıl

b. 6-10 yıl

c. 11-15 yıl

d. 16 yıl ve üstü

6. İşletmenizin Adı/Unvanı (Kişisel ve kurumsal bilgiler kesinlikle 3. şahıslarla paylaşılmayacaktır):

7. Araştırmanın özet bulgularını sizinle paylaşmamızı istiyorsanız, e-posta adresinizi belirtiniz:

8. Sektör:

9. Sermaye Yapısı:

- a. Yerli Sermaye
- b. Yabancı Sermaye
- c. Ortaklık

10. Faaliyet alanı:

- a. Bölgesel
- b. Uluslararası

11. Faaliyet süresi:

- a. 5 yıldan az
- b. 6-10 yıl
- c. 11-15 yıl
- d. 16-20 yıl
- e. 21 ve daha fazla

12. İşletmede Çalışan Personel Sayısı:

- a. 0-250 kişi
- b. 251-500 kişi
- c. 501-1000 kişi
- d. 1001-5000 kişi
- e. 5001-10000 kişi
- f. 10001 kişi ve daha fazla
- g. Bilmiyorum

13. Şirketin Yıllık Cirosu:

- a. <100.000 TL (≈ \$22.000'dan az)
- b. 100.000 TL - 500.000 TL (≈ \$22.000 - \$110.000)

- c. 500.000 TL - 1 milyon TL (\approx \$110.000 - \$220.000)
- d. 1 milyon TL - 50 milyon TL (\approx \$220.000 - \$11 milyon)
- e. 50 milyon TL - 500 milyon TL (\approx \$11 milyon - \$110 milyon)
- f. 500 milyon TL üzerinde (\approx \$110 milyon üzerinde)
- g. Bilmiyorum

14. İşletmeniz Dış Kaynak (Outsourcing) kullanıyor mu? *

- a. Evet
- b. Hayır (Formu doldurmayı bırakınız)

Şirketin Dış kaynak Kullanımı ve Şirket Kültürü

15. İşletmeniz ne kadar süredir Dış Kaynak (Outsourcing) kullanıyor?

- a. 0-5 yıl
- b. 6-10 yıl
- c. 11-20 yıl
- d. 21 yıl ve üzeri
- e. Bilmiyorum

16. Dış Kaynak (Outsourcing) kullanımında kaç farklı firmadan destek alıyorsunuz?

- a. Sadece 1
- b. 2-4
- c. 5-7
- d. 8 ve daha fazla

17. Hangi firmalardan destek alıyorsunuz?

- a. Yerli
- b. Yabancı

c. Hem yerli, hem yabancı

18. Dış Kaynak (Outsourcing) sözleşmeleriniz genellikle hangi süreler için bağlanıyor?

a. 1 yıla kadar

b. 1 yıl ve daha uzun, 3 yıla kadar

c. 3 yıl ve daha uzun, 5 yıla kadar

d. 5 yıl ve daha uzun, 7 yıla kadar

e. 7 yıl ve üstü

f. Diğer :

19. Aşağıda gösterilen alanlarda Dış Kaynak (Outsourcing) kullanım düzeyinizi

belirtin:

	Hiç Kullanılmıyor	Az Kullanılıyor	Orta düzeyde kullanılıyor	Çok kullanılıyor	Tamamen DK kullanılıyor
Bilgi-İşlem Teknolojileri					
Satış-Pazarlama					
Muhasebe-Finans					
Ulaştırma-Taşımacılık-Lojistik					
İnsan Kaynakları					
Üretim					
Müşteri Hizmetleri					
Yardımcı Fonksiyonlar (Temizlik-Yemek-Güvenlik)					
Diğer					

20. İşletmenizin dış kaynaklardan yararlanma ile ilgili endişe düzeyini seçiniz:

	Hiç endişeli değiliz	Az endişeliyiz	Orta düzeyde endişeliyiz	Çok endişeliyiz	Tamamen endişeliyiz
Kontrolün kaybedilmesi					
Kaliteden ödün verilmesi					
Niteliksiz firma seçimi (seçilen firmanın beklentileri karşılamaması)					
Sahip olduğumuz yeteneğin kaybedilmesi (Dış Kaynak kullanılan alanda işletme yeteneğinin kaybedilmesi)					
Firmaya bağımlılık (zamanla Dış Kaynak desteği alınan firmaya bağımlı olmak)					
Gizliliği kaybetme (şirket ve ürünleriyle ilgili stratejik ve finansal bilgilerin başka şahıslarla paylaşılması)					

21. Şirketiniz aşağıda gösterilen alanlarda Dış Kaynak (Outsourcing) kullanıyorsa, bu kullanımda en etkili olan 4 faktörü belirtin:

	DK Kullanmıyoruz	Fiyat	Sağlam Referanslar	Kalite	Esneklik	Tecrübe	Teknolojik Altyapı	İtibar	Güven	Kültürel Uyum	Açık İletişim
Bilgi-İşlem Teknolojileri											
Satış-Pazarlama											
Muhasebe-Finans											
Ulaştırma-Taşımacılık-Lojistik											
İnsan Kaynakları											
Üretim											
Müşteri Hizmetleri											
Yardımcı Fonksiyonlar (Temizlik-Yemek-Güvenlik)											
Diğer											

22. Şirketinizle ilgili aşağıda gösterilen ifadelere katılım düzeyinizi belirtiniz:

	Hiç Katılmıyorum	Az katılıyorum	Orta düzeyde katılıyorum	Çok katılıyorum	Tamamen katılıyorum
Şirketimiz astlara yapılacakların tamamının belirtildiği ve belirsiz en küçük alanın dahi bırakılmadığı bir yapıyı ve iletişim biçimini içerir.					
Şirketimizde yönetimde etkin olmak için yansız verilerden ziyade yöneticilerin sağduyusu önem arz etmektedir.					
Şirketimizde yemek yeme ve dinlenme alanları görevlilerin statüsüne göre ayrı yerlerdir.					
Şirketimiz en sağlıklı organizasyon modeli olan hiyerarşik yapıdadır.					
Şirketimizde üstlerin astlar hakkındaki düşünceleri, astların üstler hakkındaki düşüncelerine nazaran daha önemlidir.					
Şirketimizde ayrıntılı yazılı talimatlara önem verilir.					
Şirketimizde talimat ve prosedürleri sıkı takip etmek önemlidir.					
Şirketimizde faydalı olan standartlaştırılmış iş prosedürleri kullanılır.					
Şirketimizde çalışanların onlardan ne beklendiğini bilmeleri için kurallar ve yasal düzenlemeler önemlidir.					

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