Benefits and Challenges with Global Sourcing
A study of large Swedish businesses

Bachelor’s thesis within Business Administration
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Abstract

Global sourcing is an important strategy for Swedish businesses since it is a mean to gain competitive advantage which is important on the global market Swedish businesses act on. Consequently it is interesting to investigate the importance of the perceived benefits and challenges with global sourcing since these factors affect the global sourcing decision. Thus, the purpose of this thesis is to investigate how Swedish large businesses perceive the benefits and challenges with global sourcing.

To be able to fulfil the purpose primary data was used which was collected through an Internet based questionnaire where the respondents were asked to rank and rate the importance of the benefits and challenges with global sourcing. The data collected was in a quantifiable form and thus quantitative tools were used to analyse the collected data.

The result of the study regarding the benefits was that price clearly was perceived as the most important benefit, while counter-trade obligations were seen as the least important benefit. Regarding the challenges, longer lead times and cultural issues were seen as the most challenging aspects, while customs regulations, tariffs and quotas and discrimination from the supplier were perceived as the least important challenges. However since too few responses of the questionnaire were obtained, these results is not generalizable on other Swedish businesses than those that are represented in the sample.
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Definitions

*Domestic purchasing* is purchases from the businesses home country (Trent & Monczka, 2003b:609-613).

*International purchasing* means that the purchases are made between a buyer and supplier situated in different countries. These purchases are however only on an operational level (Trent & Monczka, 2003b:609-613).

*Global sourcing* differs from international purchases by its strategic approach, the purchases are focused on coordination and integration (Trent & Monczka, 2003b:609-613).

*Swedish businesses* are defined as all businesses registered in Sweden.

*Large businesses* are defined as all businesses with a turnover of at least 500,000,000 SEK.
Introduction

1 Introduction

1.1 Background

The term global sourcing is used to describe sourcing strategies in a global setting, with the purpose to gain access to the best suppliers of goods and services in the world (Van Weele, 2009:202; Trent & Monczka, 2003b:607). Global sourcing can be a mean to gain a competitive advantage (Van Weele, 2009:3-17), which according to Porter (1985) is necessary in order to maintain profitability relative to other businesses in the same industry.

Even when there can be benefits with global sourcing, open markets is necessary in order to make effective use of global sourcing. After the end of the cold war, the possibility of trade between western countries and developing markets in Eastern Europe and China increased. The general agreements on tariffs and trade and the development of free trade areas, e.g. the EU, North America Free Trade Association and Association of South-East Asian Nations have also contributed to the development of international trade (Monczka, Handfield, Giunipero, Patterson & Waters, 2010:190).

In a Swedish context, the deregulation in the 1980s of the Swedish financial market has contributed to a rapid development of international trade (Ottosson and Magnusson, 2003). Even though this development started three decades ago, it has been argued that global sourcing is still under development and that the practice of global sourcing is here to stay (Inköp+Logistik, 2008:15).

However, open markets and deregulation are not a reason in itself for global sourcing. Researchers have found a number of benefits respectively a number of challenges which decision makers are taking into account before a global sourcing decision (Cho & Kang, 2001). A number of studies with U.S. businesses were conducted, in which the importance of the benefits and challenges has been classified (Cho & Kang, 2001; Birou & Fawcett, 1993; Min & Galle, 1991). However, the results of these studies have shown different results regarding the ranking of benefits and challenges. Further, it has been shown that the perception of global sourcing differs depending on which level the business pursues its sourcing activities (Trent and Monczka, 2003b).

It is interesting to investigate benefits with global sourcing since it is the benefits the businesses are looking for when pursuing global sourcing. In order to understand the reality businesses face with global sourcing, it is however important to have an understanding of the challenges that come with global sourcing.

Swedish businesses are involved in worldwide import and export (Kommerskollegium, 2009:33). This implies that Swedish businesses are engaged in global sourcing in order to strengthen their competitive advantage. Furthermore, it is primarily large businesses that are able to pursue global sourcing as considerable resources are required in order to making it possible to integrate and coordinate the global sourcing activities (Trent and Monczka, 2003b).

Since Swedish and U.S. businesses act in different environments and have different experiences regarding global sourcing, the U.S. studies cannot be equally applied to Swedish businesses. Thus, reason is to research these perceived benefits and challenges in a Swedish context.
1.2 **Purpose**
Our purpose is to investigate how large Swedish businesses perceive global sourcing.

1.3 **Research questions**
1. How do Swedish large businesses perceive the benefits with global sourcing?
2. How do Swedish large businesses perceive the challenges with global sourcing?
3. Do businesses at different levels of the global sourcing process perceive the benefits and challenges differently?

1.4 **Methodology**
As regards the nature of reality, this thesis is taking into account objective aspects of global sourcing. This is seen by the use of objective factors influencing global sourcing, e.g. price, quality and availability. Thus, the ontology of this thesis is guided by objectivism (Saunders, Lewis & Thornhill, 2009:110-111).

The view of what acceptable knowledge is can in this thesis be seen in the use of observable phenomena such as which factors businesses considers when pursuing global sourcing. We are trying to generalizing a phenomenon to its simplest elements which often is the focus when observable phenomena are the epistemology of the thesis (Saunders et al., 2009).

The research in this thesis is conducted in a value-free way where we maintain an objective position. Our objective position is seen by the use of previous research in the design of the questions that made up the questionnaire, as well as by the probability sampling used in which a broad spectra of opinion was possible to be collected. Thus, the axiology of this thesis is guided by objectivity in our research (Saunders et al., 2009:116, 119).

According to Saunders et al. (2009:119) an objective view of reality, that only observable phenomena constitutes acceptable knowledge and that the research is undertaken in an value-free way implies that our research philosophy reflects positivism (Robson, 2002:20). In line with the positivistic research philosophy, we are generalizing and by using existing theory we have developed our hypothesis. The data collection is also independent of our own values since we are unable to influence the responses given by the respondents, due to the nature of the questionnaire’s design (Saunders et al., 2009:113-114).

Our research is conducted through an Internet based questionnaire which contained quantifiable questions, which were statistically analysed. The questionnaire was distributed with an aim to get a large sample. This research method has been cited as significant for the positivistic research philosophy (Saunders et al., 2009:113-114, 119; Robson 2002:20-21). Thus, in order to make it possible to test the hypothesis and generalize the results, the positivistic research philosophy is suitable to our purpose.

The questions are grounded in theory and are thus supported by previous research. Because of that the questions are grounded in theory, the results are limited to what been stated in the theory. On one hand it is positive that our questions are grounded in the theory, since it ensures reliability. On the other hand it is negative since it limits the possibility for the respondent to answer outside the parameters defined by us.
2 Frame of Reference

2.1 Definition of global sourcing

As competition between businesses increases, the role and importance of purchasing has also increased as a key driver for the businesses. As today’s businesses competitiveness is directly related to the competitiveness of their supply base, many businesses have implemented a global sourcing strategy to gain access to the best suppliers possible (Van Weele, 2009:3-17).

Trent and Monczka (2003b:607) refers to global sourcing as sourcing strategies in a global setting with the purpose to gain access to the best suppliers of goods and services in the world. Businesses that successfully implement a global sourcing strategy have been reported to achieve cost savings on materials averaging 15 per cent. However global sourcing is not only about cost savings. Other benefits include e.g. quality and stimulation of competition (Van Weele, 2009:202; Trent & Monczka, 2003b:607).

To completely understand the scope of global sourcing, there is a need to be aware of the differences between global sourcing and international purchasing. Arnold (1989:20-21) argued that there is a difference between international purchases as an operational activity and international purchases as a strategic activity. When businesses take a strategic approach to international purchases, we will call it global sourcing (Trent & Monczka, 2003b:610).

*International purchasing* means that a purchase is made between a buyer and supplier situated in different countries. With cross border trade follow often longer lead times, more complex rules and regulations and currency fluctuations, which add to the complexity compared with domestic purchases. However international purchase decisions are often made independently and on a lower organizational level and are more operational or tactical than integrated as global sourcing.

*Global sourcing* on the other hand differs in both scope and complexity from international purchasing. According Trent and Monczka (2003b:613) global sourcing involves a strategic approach and is focused on integration and coordination on a worldwide basis (Trent & Monczka, 2003b:609-613; Stevens, 1995; Petersen, Frayer & Scannel, 2000).

Thus, global sourcing is characterized by its strategic approach while international purchases are on an operational level. This means that for businesses to successfully implement global sourcing there is a need to integrate the purchasing strategy with the overall business strategy.

2.2 Reasons for global sourcing

It has been said that the major reasons for global sourcing should be lower overall costs, availability and quality (Cho & Kang, 2001:544; Birou & Fawcett, 1993:29). However, we will not delimit our theory to these reasons, but will also consider less researched theories in order to make possible to broaden the result of our thesis.

*Price*. It is obvious that businesses wants to pay less for the resources needed in order to gain competitive advantage. Thus, price can be a crucial factor in the global sourcing
decision, especially for businesses which offer an undifferentiated product on a mature market (Cho & Kang, 2001:544).

Trent and Monczka (2003a) conclude that most researchers have found the main reason for global sourcing as being the search for a low price per unit (Cho & Kang, 2001:544). However, e.g. Levy (1995) suggests that it is the overall sourcing cost that is the driving force for global sourcing.

Quality. Buyers are getting used to higher quality products, and in the consumers market it is often also important to be able to cut prices. To achieve a competitive advantage, businesses can diversify by offering both better product and service quality (Cho & Kang, 2001).

Historically many purchasers saw global sourcing as a strategy to get low priced goods, but that there were hidden costs in such a procurement strategy due to a lack of service. The lack of service can in turn mean lower quality. However, it seems like the development are heading towards better service quality due to the support of Internet technology (Cho & Kang, 2001:544-545).

Availability. When there is a lack of available sources for the product needed, businesses might not have much choice than source globally. The lack of available sources can be a result of where raw materials are available or, where the special knowledge or possibilities for production is located. It has also been reported that whole domestic industries basically does not exist anymore because of global competition, leaving businesses dependent on foreign suppliers (Cho & Kang, 2001:544-545; Monczka et al., 2010:191).

Other. Besides from these important three motives, additional motives that have been cited in the literature as important factors for global sourcing will now be handled.

Two such factors are that global sourcing can be used in order to boost competition for national suppliers or that global sourcing offers a possibility to get access to product and process technology not available nationally (Trent & Monczka, 2003a; Monczka et al., 2010).

Cho and Kang (2001) point out shortening of product development time, improvement of company image, counter-trade obligations and better delivery terms as other driving forces for global sourcing.

In order to provide an as accurate list as possible, we also would like to mention two additional benefits that have been cited by Monczka et al. (2010). They point out that acting like competitors as well as establishing a foreign market presence also could be driving factors to global sourcing. However, these benefits are not supported by empirical research.
In the four empirical studies presented in Table 1, the benefits with global sourcing were ranked based on their importance. The table is sorted based on the average ranking in the four studies. Notice that boost competition for national suppliers and shortening of product development time both are ranked as number six. Three of the benefits have not been ranked at all in any of these studies.

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<tbody>
<tr>
<td>1</td>
<td>Price</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Quality</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Availability</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Access to product and process technology not available nationally</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Better delivery terms</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Boost competition for national suppliers</td>
<td>N/A</td>
<td>6</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6</td>
<td>Shortening of product development time</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Counter-trade obligations</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>N/A</td>
</tr>
<tr>
<td>N/A</td>
<td>Acting like competitors</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N/A</td>
<td>Establishing a foreign market presence</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>N/A</td>
<td>Improvement of company image</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Table 1: Benefit ranking from theory, sorted after average ranking.

The studies came all too different conclusions regarding the order of the top three benefits, but it seems that the main benefits with global sourcing are price, quality and availability. Better delivery terms are also a benefit that seems to be important for the businesses in these studies.

However, these studies did not research all the benefits we have identified through our literature study. The lack of research on some of the benefits does not mean that these benefits are unimportant for the businesses. The fact that these studies are mainly of U.S. businesses and that they are 10-20 years old could be the explanation for the exclusion of some of the benefits.

One should keep in mind that even though most of these benefits are great benefits for many businesses, the reasons to pursue global sourcing can be something else than listed above. Also, what have been cited as a benefit can be totally irrelevant, e.g. price can be irrelevant for a business that is searching for the best quality in the world.
2.3 External forces to global sourcing

It is easy to conclude that most business wants lower prices and the best technology. To place global sourcing in a bigger perspective Porters (1985) generic strategies are used to illustrate how global sourcing can be used to gain a competitive advantage. According to the generic strategies by Porter (1985:11-16), in order to get a competitive advantage, a business positioning should be categorised as cost leader-, differentiation- or segmentation strategy.

Cost leadership is about offer an often standard product to a variety of segments. An advantage of the cost leadership strategy is that the business is supposed to get a big market share, making it possible to gain big scale advantages.

Differentiation is about deliver a unique product to a variety of segments. An advantage of the differentiation strategy is that the business will be rewarded to the extent it offers above average performance, as far as the higher price does not exceed the benefits offered compared with competitors.

Segmentation is about serving a narrow segment or segments which have unique needs. The strategy can still be either focused on low cost or differentiation. An advantage of the segmentation strategy is that the business can offer that specific product the segment requires, creating a competitive advantage for the business.

What constitutes a competitive advantage differs greatly between various businesses. However, some factors have been identified as important by Monczka et al. (2010) as influencing global sourcing decisions. These are low cost, product and process technology and access to limited sources.

The rationales behind global sourcing have from the 1970s gradually shifted from being based on low price towards being supplanted by quality and reliability as well (Kotabe, 1998:109). Today, the presumption that there is a connection between low price and low quality is about to change towards that there is possible to get both high quality and low price with the use of global sourcing (Cho & Kang, 2001).

Thus, in order to get a competitive advantage, it is easy to conclude that global sourcing can play an important role in business’s strategic sourcing decision, independent if the business has opted for a cost leader-, differentiation- or segmentation strategy.

2.4 Challenges with global sourcing

The challenges with global sourcing includes lack of knowledge of global sourcing, resistance to change, different language and cultures, longer lead times, currency fluctuations, lack of support from the top management and higher risks. These challenges can of course be overcome but the case might be that the challenges discourage the businesses from developing a global sourcing strategy, because it is easier to source domestically (Monczka et al., 2010:192; Alguire, Frear & Metcalf, 1994:3).

Birou (1993:35) categorized the challenges with global sourcing in three groups, strategic, tactical and environmental. We will use these categories to describe the challenges with global sourcing. The strategic challenges include logistical issues, for example longer lead times, which lead to larger inventories and a higher risk for things to go wrong. It is also possible that the logistics of the sourcing country is not as reliable as in
the businesses home country which may lead to unexpected delays and other related issues (Cho & Kang, 2000:547; Birou & Fawcett, 1993:35).

By *tactical challenges* the abovementioned authors refers to tariffs, quotas, customs regulations and fluctuations in currency exchange rates. Governments use for example tariffs and quotas to make it less favourable to import goods to protect the national producers (Cho & Kang, 2000:548; Birou & Fawcett, 1993:35).

There are also other legal challenges with global sourcing. Every country has its own legal system and this is even more complicated when the systems are based on common law or code law. For example, common law jurisdictions have considerate more complex contracts than code law jurisdictions. Another example on differences is the existence of consumer and intellectual property protection where some jurisdictions have excessive rules, while others have almost none (Monczka et al., 2010:201).

Another major challenge in this category is the risks related to currency fluctuations. Currency fluctuations can lead both to great costs and great gains, which are an uncertainty that most businesses want to protect themselves from. There is various methods used as protection from fluctuating currencies, but to be able to manage these risks businesses need access to considerable financial expertise (Monczka et al., 2010:196; Birou & Fawcett, 1993:35).

The *environmental challenges* include language and cultural differences, nationalistic behaviour and political environment. Cultural factors can be a major challenge to global sourcing. Cultural factors include values, customs, attitudes and religion. Cultural differences can lead to problems in maintaining relations, supplier evaluation and contracting. There is for example a great distinction between Asia, Europe and the U.S. as regards negotiation and contracting. Different gestures can in some cultures be very insulting, while meaningless in others. The businesses need to be aware of these factors while engaging in global sourcing (Cho & Kang, 2000:547; Birou & Fawcett, 1993:35; Monczka et al., 2010:200).

Another issue in this topic is language. Language is important in gathering and evaluating information. Even through the use of interpreters, there is a risk of misunderstandings and it is difficult to convey subtle meanings. There is also a challenge with national pride and negative stereotypes on foreign products (Cho & Kang, 2000:547; Birou & Fawcett, 1993:35).
In the three empirical studies presented in Table 2, the challenges with global sourcing were ranked based on its importance. The table is sorted based on the average ranking in the three studies. Notice that two challenges are ranked as number three and eight. Like the benefits in section 2.2 some of the challenges are not researched in all of the studies.

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<tbody>
<tr>
<td>1</td>
<td>Longer lead times</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Language issues</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Currency fluctuations</td>
<td>4</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Different legal systems</td>
<td>N/A</td>
<td>N/A</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Cultural issues</td>
<td>5</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Tariffs and Quotas</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Customs regulations</td>
<td>6</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Unstable political environment</td>
<td>7</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Discrimination from the supplier</td>
<td>N/A</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>Unreliable logistics in the sourcing country</td>
<td>8</td>
<td>N/A</td>
<td>N/A</td>
</tr>
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</table>

Table 2: Challenges ranking from theory, sorted after average ranking.

It is quite clear that longer lead times and language issues are the most important challenges with global sourcing according to the three studies. After the top two, the results are kind of even between customs regulations, cultural issues and tariffs and quotas.

One should be aware that these challenges are just challenges and that they often can be handled to some extent. But the risks of these factors are that they may discourage businesses from engaging in global sourcing.

### 2.5 The global sourcing process

The development from domestic purchases only to global sourcing can be described as a process with five levels (Trent & Monczka, 1991:3; Trent & Monczka, 2003b:613-614; Stevens, 1995; Birou & Fawcett, 1993). Trent and Monczka (2003b:617) finds that the perception of benefits with global sourcing differs depending on the purchasing level of the business. According to the research, the benefits are perceived as more important at a higher level of the global sourcing process. Since differences as regards the benefits has been seen depending on businesses current purchasing level, it is interesting to investigate whether the perception of the challenges differ as well. Thus it is important to explain the different levels of the global sourcing process.

Figure 1: The global sourcing process (Trent & Monczka, 2003b:614).

*The first* level in this process is when businesses are only engaged in domestic purchases. There is a low need for international sourcing and if the businesses need foreign
products, they purchase from domestic suppliers (Trent & Monczka, 1991:4; Stevens, 1995; Birou & Fawcett, 1993).

The second level in the process is when businesses no longer can satisfy all their product needs on the domestic market or because the competitors gain an advantage by using international sources. Businesses are often driven to this level by e.g. pressure from competitors or customers. The international purchases are therefore reactive as a result of a changing business environment. The capabilities of the businesses at the international purchase level are often limited (Trent & Monczka, 1991:4; Stevens, 1995; Birou & Fawcett, 1993).

The third level in the process is when the businesses realize that there is a lot to gain with an international purchasing strategy. At this level, there is a shift from reactive purchases to proactive purchases. Here, the businesses see the potential of cost savings and other performance improvements resulting from using international sources. At this level there is a critical need for top management support in the international sourcing strategy (Trent & Monczka, 1991:4; Stevens, 1995; Birou & Fawcett, 1993).

The fourth level in the process arise when the businesses realises the benefits of an integrated and coordinated purchase strategy on a global basis. It is not until this level the businesses engage in a real global sourcing effort. The businesses that engage in global sourcing at this level can achieve as much better purchase performance in comparison to businesses at the other levels. At this level, it is essential that the businesses have access to worldwide information systems, personal capabilities, effective organization structures and tremendous support from top management (Trent & Monczka, 1991:4; Stevens, 1995; Birou & Fawcett, 1993).

According to Trent & Monczka (2003b:614) businesses reach the fifth level when they to a higher degree manage to coordinate and integrate with both purchasing centres and other functional groups. The integration takes place both during product development and during sourcing of products and services. Only businesses with access to worldwide capabilities regarding design, development, production and global purchasing abilities can reach this level (Trent & Monczka, 2003b:614).

The applied global sourcing approach could be described as being either proactive or reactive. The proactive approach, which is often related to businesses at level three to five of the global sourcing process, describes the situation where a business integrates global sourcing in its overall sourcing strategy in order to get a long term competitive advantage. On the other hand, the often applied reactive approach describes the situation where a business uses global sourcing in order to get the lowest price for each supply, which is often businesses at level one and two (Trent & Monczka, 2003b:610; Trent & Monczka, 2003a).

According to Trent and Monczka (2003b) there is a growth of the businesses that are in level two and three and thus purchases internationally. However, the same growth cannot be seen regarding global sourcing (level four and five). There is also a great difference regarding the size of the businesses in the different levels. According to the study by Trent and Monczka (2003b) the average sales by the businesses on level one to three was around $700 million, while the average sales for level four was $4 billion, and the average for level five was $6 billion. Thus, global sourcing at level four and five is
Frame of Reference

mostly applicable for large businesses and this is why we have limited our purpose to large Swedish businesses.
3 Method

3.1 Data collection

3.1.1 Method used

To fulfil the purpose we conducted an explanatory study since we wanted to explain the importance of the benefits and challenges with global sourcing for Swedish businesses. We used primary data collected through an Internet based questionnaire. Primary data is used in order to get tailored data for the analysis (Ghauri & Grønhaug, 2010:99-101; Saunders et al. 2009: 598). The reason we choose an Internet questionnaire was because it allowed us to gather responses from a large sample in an effective manner.

We started with the development of a theory which is the ranking list of the benefits in table 1 and of the challenges in table 2 to gain knowledge of the benefits and challenges with global sourcing. After we developed this theory it was tested on Swedish businesses. This approach is in line with a deductive approach which focuses on theory testing. With a deductive approach, quantitative methods are often used, and it is suitable when the researchers want to know what really is happening (Saunders et al., 2009:124-125; Ghauri & Grønhaug, 2010:15-16).

We are testing a theory developed regarding the benefits and challenges of global sourcing. Since we want to test a theory already developed and be able to generalize it on large Swedish businesses, it is, according to Ghauri & Grønhaug (2010) appropriate to use a quantitative method.

Thus, in order to answer the purpose we sent out a questionnaire to large Swedish businesses. The questionnaire contained quantifiable questions which focused on testing the theory developed.

3.1.2 Rank and rate questions

The respondents were asked to both rate and rank the perceived benefits and challenges with global sourcing. According to Ovadia (2004), the use of both a ranking and a rating questions, opens up for a more complex understanding of values.

The ranking question allows the respondent to give a clear list of the relative importance, but the list does not suggest whether the benefits and challenges really are important or challenging at all. Since the rating questions provide an answer on whether the perceived benefits and challenges are important or challenging, a combination of the results from the ranking and rating question can give a better understanding of the importance of each benefit and challenge (Ovadia, 2004; Saunders et al., 2009:378; Cooper & Schindler, 2011:334-335).

Further, in order to rate the benefits and challenges, the respondent needs to interpret what means with the four different alternatives. What is described as important of one respondent can be described as unimportant by another. Uncertainty of the interpretation is however not the same as regards the ranking question since the benefits and challenges are not assigned a value, but are ranked against each other (Ovadia, 2004).

Because of the interdependence of the rankings, the ranking question cannot be analysed with standard statistical methods. The analysis of the rating question is thus easier
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since standard statistical methods can be used. Another benefit with the rating question is that it is relatively easy to answer for the respondents as they are only asked to value certain individual benefits and challenges. To rank is more complex and thus there is a risk that the respondents does not give accurate answers (Ovadia, 2004). In order to reduce complexity and obtain higher validity we have limited the ranking to the five most important benefits respectively challenges with global sourcing (Saunders et al., 2009:376; Cooper & Schindler, 2011:334-335).

3.1.3 The questionnaire

The questionnaire included 10 questions. As only Swedish businesses are of interest the questionnaire and its cover letter were in Swedish since we figured it would result in a higher response rate. We used a survey tool from Google and distributed the questionnaire via e-mail. The first six questions concerned general information. Here we asked about the businesses purchasing level, the businesses main industry, the position of the respondent, the age of the business, and the business turnover. One reason we asked these general questions was because we wanted to be able to check the reliability of the answers. Another reason was to make it possible to answer research question three which requires that the answers are divided based on the respondents’ current purchasing level. The general questions were in the form of category questions, which is also called multiple choice questions, were the respondents answer only could fit one category (Saunders et al., 2009:376; Cooper & Schindler, 2011:330).

Question seven and nine were about the perceived importance of the benefits and challenges with global sourcing. Question seven concerned the 11 benefits identified in section 2.2. The respondent was asked to rate after how important they were for the businesses when considering or carrying out global sourcing. The respondent was able to rate the importance as very important, important, unimportant and very unimportant. Question nine concerned the 10 challenges identified in section 2.4. This question were constructed in the same manner as question seven, but here the respondent was asked to rate the challenges as very challenging, challenging, unimportant and very unimportant.

The rating questions were chosen because they are an effective method of collecting opinion data. We used an even number because we did not want to give the respondent an opportunity to give a neutral or “not sure” alternative. We also settled with four alternatives because we figured we should not be able to come up with a more credible answer by using a more detailed scale (Saunders et al., 2009:378-379; Cooper & Schindler, 2011:334).

Question 8 and 10 concerned the ranking of the perceived benefits and challenges with global sourcing. In question eight the respondent was asked to rank the five most important benefits with global sourcing. In question 10, the respondent was asked to rank the five most challenging challenges with global sourcing.

3.1.4 Sampling

As we want to determine and generalize Swedish businesses perception of the benefits and challenges with global sourcing it should have been of interest to collect data on each and every one of Swedish businesses with a capacity to source globally. However, we do neither have time nor resources to gather and analyse data from the whole population. Instead we will use sampling techniques to reduce the data necessary to answer our research questions. Sometimes the result is even more accurate when a sampling
Method

To be able to get a sample we first defined the population, or sampling frame from which we wanted to generalize and thus from which the sample was taken (Saunders et al., 2010:210-212; Ghauri & Grønhaug, 2010:138-139). In our case, the population is all the Swedish businesses which have the possibility to source globally, which we define as businesses with a turnover of at least 500,000,000 SEK.

According to the Swedish businesses database, UC there are 1503 businesses in Sweden with a turnover of at least 500,000,000 SEK. Thus, our population is these 1503 businesses (Saunders et al., 2010:210-212; Ghauri & Grønhaug, 2010:138-139).

Since our population consists of 1503 businesses and because it is commonly accepted in business research with a margin of error at 5 per cent and to work with a level of certainty at 95 per cent, the most appropriate sample size would be at 300 businesses (Saunders et al., 2010:219). However, we did not expect a higher response rate than 30 per cent. This meant that we should have needed to send the questionnaire to more than 900 businesses. Neither did we have the resources nor the time to send our questionnaire to that many businesses. Instead, we decided to aim for a sample of 100 businesses. With an estimated response rate at 30 per cent, we needed to send the questionnaire to 333 businesses.

Since we wanted to generalize the data and be able to access the characteristics of our population statistically, we choose to use probability sampling. This means that the probability for a certain businesses to be chosen as a sample is equal for all businesses in our population. We decided to use a simple random sampling. To do this, we used the UC database, where we assigned each of the 1503 businesses a number. These numbers were then randomized in Microsoft Excel, creating a list of 380 businesses (Ghauri & Grønhaug, 2010:141-142; Cooper & Schindler, 2011:377).

The businesses webpage have been used to get access to the e-mail addresses. We mainly used info addresses and other addresses to front offices since these addresses were easy to get access to. In a limited number of cases we reached different managers, and in some other cases we did not find any e-mail address at all. In the cases where we could not find any e-mail addresses, we used info@nameofpage.se to try to reach the business.

In the end, we sent out our questionnaire to 328 businesses. We lost some of the businesses in our list because they had not a webpage and addresses in Swedish and were thus not interesting. In other cases some of the businesses shared the same e-mail address as another business in our randomized list since they belonged to the same group.

3.2 Data analysis

As regards the rating question, the mean value is solely used to rank the benefits and challenges with global sourcing. The mean value is an accurate tool to use to measure the central tendency since it takes all the responses into consideration. However the mode value is used to point out the deviations in the distribution of answers for the benefits and challenges which answers differed from the overall pattern. The mode is
used since it shows the frequency of values (Saunders et al., 2010:444; Ghauri & Grønhaug, 2010:155-156; Cooper & Schindler, 2011:425-426).

To be able to use the mean value we coded the data into numbers. The response very important was coded as number 4, important as number 3, unimportant as number 2 and very unimportant as number 1. As regards the mode values we used the per cent of each answer to illustrate the respondents’ rating of the specific benefit or challenge (Saunders et al., 2010:444; Ghauri & Grønhaug, 2010:151; Cooper & Schindler, 2011:405).

As regards the ranking question, in order to make it possible to analyse the data, each ranking were coded with number one to five. E.g. if availability was ranked as number one and two, availability was assigned nine points (rank number one gives five points, rank two four points). This calculation makes it possible to rank all benefits and challenges and take into account both the rank and the number of times a particular aspect was ranked. Since the points given to each aspect make no sense to most people, the points is presented as a percentage of the points given (Saunders et al., 2010:444; Ghauri & Grønhaug, 2010:151; Cooper & Schindler, 2011:405).

We figure that this way of ranking the benefits and challenges are appropriate since it takes into account both the ranking and mode of each aspect. Thus, the ranking list of the benefits and challenges based on the ranking question are solely based on the point system.

Also, as discussed in section 3.1.2, the analysis of the ranking question is more complex, making it suitable to let the rating question take a prominent position since the reliability can be ensured to a higher degree. Thus, in order to be able to compare our results with previous research and to ensure a higher degree of reliability, the results from our rating question will be used for the comparison.

3.3 Credibility of the thesis

3.3.1 Reliability

The main issue regarding the reliability of our thesis is whether the collection of our data results in consistent finding. We have in the course of our data collection taken a couple of measures to ensure the reliability of our thesis (Saunders et al., 2010:149, 367; Cooper & Schindler, 2011:283).

To make sure that the result of our thesis is reliable we would have wanted to send the questionnaire at different occasions during the week. The reason behind this wish was because there may be different result depending on when the questionnaire is answered. For example there might be a great difference between an answer on a Monday morning and a Friday afternoon. We would also have wished to send a thank you e-mail combined with a reminder seven days after the initial e-mail was sent (Saunders et al., 2010:149; Robson 2002:102).

However due to a lack of time we were only able to send the questionnaire on a Tuesday morning and the same Tuesday afternoon, with no reminders. One should however note that since we sent out an Internet questionnaire, the respondents have the possibility to choose when to answer the questionnaire and thus, we have no control over when the answer is given. Further, since we mainly used info addresses and other addresses to
Method

front offices requesting the e-mail to be forwarded to the right person, we have no control over when the actual respondent received the questionnaire.

To minimize the possibility of participant bias we also made sure that the anonymity of the respondents was protected. The questionnaire was sent out to 328 businesses with the support of a survey tool by Google. Thus we have limited the possibility to know which business gave a particular answer. In the cover letter of the questionnaire we ensured the respondents that their answer would be anonymous, even though we should have been more specific about how anonymity was ensured.

We also asked some questions in the questionnaire to be able to check the internal consistency. For example we asked about the business main industry and their current purchasing level. By checking these questions against the questions regarding the benefits and challenges with global sourcing we are able to check the internal consistency of the answers (Saunders et al., 2010:367).

The relation between the ranking and rating questions is also a method to ensure the reliability of our answers. When there is a great difference in the rating and the ranking regarding a specific benefit with global sourcing, the answer may not be reliable.

When reliability is ensured, the next step is to ensure validity which will be discussed in the next section.

3.3.2 Validity

Validity can be divided in internal and external validity. Internal validity regards whether the findings really are about what they appear to be about. The questions are carefully defined from the theory, which ensures that the questions cover our research purpose and thus ensures validity (Saunders et al., 2010:366; Cooper & Schindler, 2011:280).

We also used both rating and ranking questions to ensure the validity, which is discussed in section 3.1.2. By asking the respondents to first rate and then the rank the specific benefits and challenges with global sourcing, we are able to ensure that the responses are valid. Also, a randomized sample is used which according to Robson (2002:104) is a great strategy to ensure internal validity.

The external validity concerns the generalizability of the thesis. In our case, our goal is to be able to generalize the result of the thesis to all business in Sweden with a turnover over 500.000.000 SEK. Thus we are not interested in an external validity to smaller businesses or businesses from other countries, but only in relation to Swedish businesses with a turnover over 500.000.000 SEK (Robson 2002:107; Cooper & Schindler, 2011:280). We got 21 responses on our questionnaire which is considerable lower than the 300 required in order to claim external validity. The lack of responses is further discussed in section 4.1.

The conclusion is that the result of the thesis is internally valid, i.e. valid as regards to the businesses that answered the questionnaire. However the result is not externally valid since we cannot generalize the result on our whole population.
4 Empirical findings

4.1 Result of the questionnaire

Out of the 328 recipients we got 21 responses which give a response rate of 6.4 per cent. All of the responses were valid and could be used in the analysis. Optimally we would have needed 300 responses, but due to a lack of time and resources we were not able to obtain more than 21 responses. One reason for the low response rate of 6.4 per cent could be because many of the businesses that we sent our questionnaire to only sourced domestically. We were interested in their opinions too, but we received several e-mails that they declined participation since they were not engaged in global sourcing. Unfortunately it was not clear in our cover letter that we were interested in the opinion of businesses that did not pursued global sourcing at all, and thus many of the businesses felt that they were not the right target group of our study.

We informed the respondents about their anonymity in the cover letter. However, we got several questions about anonymity, so in retrospect it seems like we should have explained how anonymity was ensured. Thus, we consider the lack of clarification about how anonymity was ensured to be an aspect that can have affected the response rate negatively.

Purchasing personnel at management level would have been the optimal person to e-mail directly. However, due to a lack of time and resources, we decided we should settle with e-mail addresses to front office. This can have affected the response rate negatively, e.g. we do not know whether the e-mails sent were forwarded to the right person.

Due to a lack of time, we were not able to send out reminders which we believe would have contributed to the response rate positively. We also believe that we would have obtained a higher response rate if we had focused on manufacturing businesses. This would of course also mean that our population would have been smaller, thus the generalizability of the thesis would have changed accordingly.

Since we obtained such a small sample, we are not able to generalize the results on the whole population, i.e. Swedish businesses with net revenue over 500.000.000 SEK.
4.2 General information of the respondents

The first question we asked regarded which purchasing level the respondents business were engaged in. All of the 21 respondents answered this question. No one of the respondents answered that they were only engaged in domestic sourcing. The most frequent response, 43 per cent of respondents, answered they were at the third level and thus engaged in international purchasing as part of the sourcing strategy.

The second question regarded the turnover of the businesses. All the 21 respondents answered this question. The most frequent response, 57 per cent of respondents, has a turnover between 1-7.5 billion SEK. Only 5 per cent of the businesses have a turnover exceeding 20 billion SEK.
The third question regarded the businesses main industry. All of the 21 respondents answered this question. In this question the businesses had the possibility to choose between nine industries and they were able to mark a “add other” alternative. The distinguishable result from this question is that 43 per cent of the respondents belong to the manufacturing industry. The remaining respondents belong to a wide variety of industries and will thus not be specifically pointed out.

The fourth question regarded the position of the respondent. All of the 21 respondents answered this question. A majority, 85 per cent, of the respondents had a managing position in purchasing. The other respondents had all different positions at management level.

The fifth question regarded the age of the businesses. All the 21 businesses which answered our questionnaire were over 20 years old.

The sixth question regarded the purchasing level the respondent wanted to be at in five years. This question will however not be used in this thesis since the question is not relevant to answer the purpose.
4.3 The benefits with global sourcing

4.3.1 The rating of the benefits and challenges

Figures 5 and 6 illustrate the mean value of the responses regarding the rating question of the benefits and challenges. The sorting of the figures are based on the highest mean values, which gives a ranking of the perception of the aspects affecting global sourcing. The mean value of each aspect can be converted to the value the respondents choose when indicated the importance of each particular aspect. A mean value of 1 indicates that the aspect is very unimportant and 2 means unimportant. For the benefits 3 means important and 4 means very important. For the challenges 3 means challenging and 4 means very challenging.

Figure 5: Rated benefits presented as mean value.

Figure 6: Rated challenges, presented as mean value.
Empirical findings

Figures 7 and 8 illustrate the distribution of answers regarding the rating question of the benefits and challenges. The sorting in the figures is based on the aspect that received the highest number of important and very important or challenging and very challenging ratings. Each staple states the percentage of the respondents’ perception of the aspects of global sourcing. The number of responses for each aspect is stated above each staple.

As regards the benefits, the distribution of answers is equally divided between the response alternatives. However, the responses are leaned towards important and very important. The challenges differ from this pattern as over half of the ratings are indicated as challenging.

Figure 7: Rated benefits, distribution of answers.

Figure 8: Rated challenges, distributions of answers.
4.3.2 The ranking of the benefits and the challenges

In tables 3 and 4 the result of the point system described in section 3.2 is presented. Here, the per cent of points each benefit and challenge was given in the ranking questions are presented. The points give the order of importance regarding the benefits and challenges with global sourcing. Note that counter-trade obligations were not ranked by any respondents.

The percentage of points given each aspect is closely followed by the number of rankings the aspects have received. This must not be a problem in terms of few responses, since the absence or low number of rankings implies that the aspect, relative to the other aspects, are proportionally not perceived as that important.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Per cent of point given</th>
<th>Number of rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>26 %</td>
<td>18</td>
</tr>
<tr>
<td>Boost competition for national suppliers</td>
<td>19 %</td>
<td>15</td>
</tr>
<tr>
<td>Quality</td>
<td>16 %</td>
<td>13</td>
</tr>
<tr>
<td>Better delivery terms</td>
<td>9 %</td>
<td>10</td>
</tr>
<tr>
<td>Acting like competitors</td>
<td>9 %</td>
<td>10</td>
</tr>
<tr>
<td>Access to product and process technology</td>
<td>6 %</td>
<td>8</td>
</tr>
<tr>
<td>Improvement of company image</td>
<td>4 %</td>
<td>4</td>
</tr>
<tr>
<td>Establishing a foreign market presence</td>
<td>4 %</td>
<td>5</td>
</tr>
<tr>
<td>Availability</td>
<td>3 %</td>
<td>6</td>
</tr>
<tr>
<td>Shortening of product development time</td>
<td>2 %</td>
<td>4</td>
</tr>
<tr>
<td>Counter-trade obligations</td>
<td>0 %</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 3: Ranked benefits, points given.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Per cent of point given</th>
<th>Number of rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longer lead times</td>
<td>22 %</td>
<td>15</td>
</tr>
<tr>
<td>Cultural issues</td>
<td>19 %</td>
<td>13</td>
</tr>
<tr>
<td>Unreliable logistics in the sourcing country</td>
<td>13 %</td>
<td>11</td>
</tr>
<tr>
<td>Currency fluctuations</td>
<td>9 %</td>
<td>9</td>
</tr>
<tr>
<td>Language issues</td>
<td>8 %</td>
<td>7</td>
</tr>
<tr>
<td>Different legal systems</td>
<td>8 %</td>
<td>10</td>
</tr>
<tr>
<td>Unstable political environment</td>
<td>7 %</td>
<td>7</td>
</tr>
<tr>
<td>Customs regulations</td>
<td>6 %</td>
<td>6</td>
</tr>
<tr>
<td>Tariffs and Quotas</td>
<td>4 %</td>
<td>6</td>
</tr>
<tr>
<td>Discrimination</td>
<td>3 %</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 4: Ranked challenges, points given.
4.4 **The difference at the different levels of global sourcing**

Figures 9 and 10 illustrate the mean value of the responses regarding the rating questions based on their current purchasing level. A mean value of 2 indicates that the aspect is unimportant and a mean value of 3 means important for the benefits or challenging for the challenges.

As regards the benefits, in Figure 9 it can be seen that businesses perception differs depending on their current purchasing level. As the businesses progress in the sourcing process, the benefits are perceived as more and more important. However, as can be seen in Figure 10, the businesses perception of the challenges seems not to be affected by the businesses current purchasing level.

![Figure 9: Rated benefits, different purchasing levels.](image)

![Figure 10: Rated challenges, different purchasing levels.](image)
5 Analysis

5.1 Introduction

When the questionnaire were designed the idea were that the rating and ranking question should mirror each other, making it possible to cross check the results in order to consolidate the results and create a single list with high reliability.

However, when checking for errors within individuals responses, we easily found that almost all respondents had answered the questions independently. E.g. if a respondent answered that price and quality are the only aspects that are very important, this did not mean that the two highest rankings necessarily was price and quality. Since the rating and ranking question were answered independently, the questions must be interpreted independently as well.

Since the questions are to be interpreted independently, we see no reason to try to consolidate the results from the rating and ranking questions. A consolidation should be confusing and we should face the risk of lower the reliability instead of raise the reliability.

That the results of the ranking and rating questions should be interpreted independently does not mean any of them presuppose the other. Instead they are both of equal value and for our conclusion we will use both questions. However, tables 1 and 2, which present the rankings from previous researchers, are all based on rating questions. Also, as discussed in section 3.2, it is the ranking of the rating question that will be used in the analysis since it reduces complexity.

5.2 Relation between benefits and challenges

One can wonder about the relation between the benefits and challenges with global sourcing that have been handled in this thesis. When a business decide to pursue global sourcing it is obvious that this is done in order to enjoy the benefits of global sourcing. The challenges are only a consequence of the pursuit of benefits, and needs to be handled in a reasonable manner if the business should be able to continue its global sourcing strategy successfully.

As stated in section 3.2, the ranking based on the rating questions are based on the mean value. However, the distribution of answers differs for certain benefits and challenges making it worth pointing the differences out.

It can be seen that the challenges (Figure 8) more often than the benefits (Figure 7) has been rated as challenging. As regards the benefits, the ratings are more spread among the four answer alternatives. In relation to the challenges, we find this interesting since a great proportion of the respondents were more neutral in their ratings, than in the rating of the benefits. However, this might be explained by the fact that all of the businesses that answered the questionnaire pursued international purchasing to some extent. This means that the business have considered the benefits and challenges and decided that the benefits are greater than the challenges.

In Figure 7 it can be seen that almost all of the respondents have rated price as very important, which is interesting since this means the respondents are homogeneous in their perception of price and have taken an active position that price really is very important.
This can be compared with availability, which has been rated as important by a great majority. Since availability is rated as important by a great majority and as unimportant by a number respondents, our conclusion is that the respondents are more neutral as regards availability than price, but availability still is important. Finally, as regards to counter-trade obligations, the answers are about equally divided between unimportant and very unimportant. This is interesting since it is clear that counter-trade obligations not are important, but it is hard to measure to what extent because of the dividing of answers.

In Figure 8, it can be seen that, instead of being mostly rated as challenging which is the majority of rankings of the challenges, currency fluctuation have been ranked as very challenging more often. This is interesting since many of the respondents have taken an active position and rated currency fluctuation as very challenging before the more neutral challenging. The respondents have often rated discrimination as unimportant, making the rating more neutral than as regards currency fluctuations. However, this it interesting since it differs from the overall distribution of answers as regards the challenges.

As stated in section 4.4 there is a difference between the perception of the benefits and challenges as the businesses progress in the global sourcing process. The rating of the benefits gets higher as the businesses progress in the global sourcing process, while the same cannot be said for the challenges. This discussion will be further handled in section 5.4.

5.3 The results and the theory

In this section the results of the data collected are discussed in relation to the theory. We will test our developed theory as regards the ranking of the benefits and challenges in relation to Swedish large businesses. We will use the ranking based on the rating question to compare with the ranking from the theory. The ranking according to the rating respectively ranking question will be referred to as our research or similar. To the extent the ranking differs, explicit reference to the different rankings will be made. When the ranking differ one place, the place according to the ranking question will be referred to in brackets.
5.3.1 The benefits

In Table 5, the rankings and ratings of the benefits based on our research is presented, including the ranking based on previous research. The ranking of the rating question is made after the mean value of the rating while the ranking is made after the point system. In this section our ranking will be compared with the ranking made in previous studies on U.S businesses which is presented in section 2.2.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Rating</th>
<th>Ranking</th>
<th>Theory ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Quality</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Boost competition of national suppliers</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Better delivery terms</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Acting like competitors</td>
<td>5</td>
<td>5</td>
<td>N/A</td>
</tr>
<tr>
<td>Availability</td>
<td>6</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Access to product and process technology not available nationally</td>
<td>7</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Shortening of product development time</td>
<td>8</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Improvement of company image</td>
<td>9</td>
<td>7</td>
<td>N/A</td>
</tr>
<tr>
<td>Establishing a foreign market presence</td>
<td>10</td>
<td>8</td>
<td>N/A</td>
</tr>
<tr>
<td>Counter-trade obligations</td>
<td>11</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 5: Benefits, comparison of rating, ranking and theory ranking.

Firstly, as seen in the table above, based both on the theory and the rating question, price and quality are ranked as number one and two respectively. However, quality is according to the ranking question ranked as number three. As regards counter-trade obligations, it is seen that it is ranked as the least important factor. One should not be confused by the fact that counter-trade obligations is assigned different numbers, in all three rankings counter-trade obligations is assigned the highest number, that is the lowest ranking.

Thus, the importance of price, quality and counter-trade obligations seems not to be affected by e.g. the type of the business, the worldwide location or the year the research have been conducted.

Secondly, shortening of product development time has been ranked as number six in the theory, while the rating question suggests rank number eight (ten). This difference can partly be described as due to the fact that our research has included three additional benefits that have not been empirically researched according to theory. Thus, acting like competitors must be overlooked in order to do a fair comparison.

Shortening of product development time have the same difference as better delivery terms which is rated as number four. The ranking according to the theory and our research is virtually the same, making it hard to identify the reason for the difference. This is so, since between two particular rankings it is arbitrary which rank a particular benefit is given.

Thirdly, availability and access to product and process technology has been ranked as number three and four in theory, while the rating question suggests the ranking is six (nine) and seven (six) respectively. However, the ranking in the rating question is not
comparable since our research has included additional benefits. Thus, acting like competitors is overlooked, making the actual difference smaller. Even though the reason to the small difference could be described as arbitrary, the difference is noticeable which suggests that the importance of availability and access to product and process technology differs from that found in the U.S. studies.

Fourthly, boost competition for national suppliers has been ranked as number six in the theory and as number three (two) according to our research. We do not consider the difference to be arbitrary, which means our conclusion differs from the U.S. studies. Thus, boost competition for national suppliers has been ranked as more important in a Swedish context. A reason for that could be that Sweden is a smaller market than the U.S. making global sourcing an important tool to increase competition.

Finally, acting like competitors, establishing a foreign market presence and improvement of company image are the three benefits included in our research which have not been empirically researched according to theory. Our research suggests that acting like competitors is ranked as number five, making it interesting why this aspect have not been researched before. Improvement of company image and establishing a foreign market presence was however ranked as number 9 (7) and 10 (8), followed by counter-trade obligations as number 11 which were previously handled.

5.3.2 The challenges

In Table 6, the rankings and ratings of the challenges based on our research is presented, including the ranking based on previous research. The ranking is made after the mean value of the rating while the ranking is made after the point system. In this section our ranking will be compared with the ranking made in previous studies on U.S businesses presented in section 2.4.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Rating</th>
<th>Ranking</th>
<th>Theory ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longer lead times</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Cultural issues</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Currency fluctuations</td>
<td>3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Unreliable logistics in the sourcing country</td>
<td>4</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Different legal systems</td>
<td>5</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Unstable political environment</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Language issues</td>
<td>7</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Customs regulations</td>
<td>8</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Tariffs and Quotas</td>
<td>9</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Discrimination from the supplier</td>
<td>10</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 6: Challenges, comparison of rating, ranking and theory ranking.

Firstly, as regards to longer lead times, it is according to our research perceived as the most challenging aspect with global sourcing. Currency fluctuations are perceived as the third most challenging in our rating (ranked fourth). Thus our research is in line with the ranking in the U.S. studies. This result is not surprising since longer lead times and currency fluctuations are universal challenges that most businesses are challenged with when purchasing internationally. The reasons of the high rank of these challenges are in our opinion a result of that longer lead time and currency fluctuations are challenges
that are uniform for all businesses independent of their worldwide location, size or industry. Longer lead time is a result of great distances often associated with international purchasing and currency fluctuations are a result of the different currencies of the purchaser and the supplier.

Secondly, discrimination from the supplier is perceived as the tenth most challenging in our research and as the eight most challenging in the U.S. studies. Thus the difference as regards to discrimination from the supplier is noticeable. The reason of the similarity in the ranking is probably due to that the challenge associated with discrimination is universal and has not changed during the time. However it seems as the businesses of the studies does not perceive discrimination as especially challenging.

Thirdly, different legal systems are rated as the fifth (sixth) most challenging in our ranking and as the third most challenging in the U.S. studies. Thus we came to a different conclusion regarding the challenges with different legal systems than the U.S. studies. It seems like the U.S. businesses perceives different legal systems as more challenging than Swedish businesses. This might be a result of the fact that Swedish businesses for the most part purchases from other EU member states, were the difference in legal systems might be somewhat uniform (Inköp+Logistik, 2008:15).

Fourthly, unstable political environment are ranked as the sixth (seventh) most challenging in our ranking and as the eighth most challenging in the U.S. studies. Cultural issues are perceived as the second most challenging in our study and as the fourth most challenging in the U.S. studies. Thus, we came to a different conclusion than the U.S. studies as regards to these challenges. The differences regarding unstable political environment are marginal. However the U.S. studies are 10-20 years old and concerned for the most part U.S. businesses.

Our study suggests that Swedish businesses have bigger cultural issues than U.S. businesses. Cultural issues may be perceived as a bigger problem today than 10 years ago, or other aspects such as better skills in foreign languages. As regards to political environment, this challenge is dependent on which country the specific business source from. Since we do not ask any questions about the sourcing country of the businesses in our study, we do not know why this difference has arisen.

Fifthly, customs regulations are perceived as the eight most challenging in our study and as the ninth most challenging in the U.S. studies. Tariffs and quotas are perceived as the ninth most challenging in our study and as the sixth most challenging in the U.S. studies. One interesting aspect of these rankings is that customs regulations and tariffs and quotas seem to be lumped together. It seems like the U.S. businesses perceives customs regulations and tariffs and quotas as more challenging than Swedish businesses. This is a result of that Swedish businesses for the most part purchases from other EU member states, were the customs regulations and tariffs and quotas are prohibited. Another reason is because the world is more open now than 10-20 years ago. (Inköp+Logistik, 2008:15).

Finally, unreliable logistics in the sourcing country is rated as the fourth (third) most challenging in our ranking and as the eighth most challenging in the U.S. studies. Language issues are rated as the seventh (fifth) most challenging in our research and as the second most challenging in the U.S. studies. Thus, there is a great difference in the
ranking of unreliable logistics and language issues between our study and the U.S. study.

As regards the language issues, the reason it does not seem to be especially challenging for the businesses in our study might be because most business representative today speak English. For 10-20 years ago it might have been a different story and language therefore was perceived as a bigger challenge.

As regards unreliable logistics in the sourcing country, it is ranked high in our ranking while ranked low in the U.S. studies. Why Swedish businesses perceive unreliable logistics in the sourcing country as highly challenging may depend on the sourcing country. Since we did not ask about the sourcing country in our questionnaire, we do not know why the businesses perceive unreliable logistics as highly challenging.

5.4 Businesses at different purchasing levels

According to our theory the benefits will be perceived as more important at the higher levels of the global sourcing process. As seen in Figure 9 we have found that this theory is true. The mean value of the importance as regards to the benefits gets higher and higher depending on the business current purchasing level.

This result indicates that there is much to win for the businesses that reach level four and five in the process. These businesses have integrated and coordinated their purchasing effort and have by doing so managed to get out even more of the benefits with global sourcing.

As stated in the theory, a different perception of the benefits depending on the businesses current purchasing level has been identified. As the change of perception has been identified as regards the benefits, we also wanted to test the theory on the challenges. However as seen in Figure 10 there is a difference of perception at the different levels, but the difference is only marginal and inconsistent. Thus the conclusion is that there is no difference in the perception at the higher levels of the global sourcing process.

However this result is not that surprising. As seen in section 5.2 there is a fundamental difference between the benefits and challenges. The difference makes the benefits and challenges hard to compare.
6 Conclusion

6.1 Introduction

One should keep in mind that this thesis only is a preliminary study and since we got too few responses of our questionnaire, these results is not generalizable on other Swedish businesses. However the results are reliable on the businesses we have researched.

There are good reasons to use both ranking and rating questions in order to get higher reliability. However, the analyses required to use both types of questions ended up to be too complicated given our knowledge in statistical analyses. This is particularly so because the statistically analysis of the ranking question is complicated per se, and thus the analyses gets even more complicated when combined with the rating question.

It is also clear that we came to different results in this study as regards the perception of the benefits and challenges than the result of the U.S. studies. However this is natural since our study contained Swedish businesses and the result reflects today’s perception of the benefits and challenges, while the U.S. studies were conducted on U.S. businesses 10-20 years ago. Swedish businesses have a different geographical location, different language and different culture, than U.S. businesses, which further can influence the perception of global sourcing.

6.2 The benefits

Below, the list of the perceived benefits is presented sorted after the mean value of the results from the rating question. For the benefits where the ranking and rating questions does not contradict each other, this is marked with bold.

1. Price
2. Quality
3. Boost competition of national suppliers
4. Better delivery terms
5. Acting like competitors
6. Availability
7. Access to product and process technology not available nationally
8. Shortening of product development time
9. Improvement of company image
10. Establishing a foreign market presence
11. Counter-trade obligations

Firstly, as regards price, based both on the rating and ranking question our conclusion is that as regards global sourcing, price is the number one benefit of those researched. The rating and ranking question are equally conclusive as regards counter-trade obligations, suggesting that counter-trade obligations are the least important benefit.

Secondly, quality and boost competition for national suppliers are ranked and rated differently. However, the uncertainty is limited to whether quality and boost competition for national suppliers should be ranked as number two or three.

Thirdly, better delivery terms and acting like competitors are ranked and rated differently. However, the uncertainty is limited to whether quality and boost competition for national suppliers should be ranked as number four or five.
Finally, the results as regards the five benefits numbered 6-10 are most unsure. This is so because the rating and ranking question suggests different order within these benefits. Thus, the conclusion is that we know little about the ranking of these benefits.

6.3 The challenges

Based on the results of the analysis our ranking of the challenges is according to the following. For the challenges where the ranking and rating questions does not contradict each other, this is marked with bold.

1. Longer lead times
2. Cultural issues
3. Currency fluctuations
4. Unreliable logistics in the sourcing country
5. Different legal systems
6. Unstable political environment
7. Language issues
8. Customs regulations
9. Tariffs and quotas
10. Discrimination from the supplier

Firstly, as can be seen in the list above, longer lead times are ranked as the most challenging according to our research. Cultural issues follows as the second most challenging in accordance with our research.

Secondly, our conclusion is that customs regulation, tariffs and quotas and discrimination from the supplier are ranked as the eighth, ninth and tenth most challenging.

Thirdly, as regards currency fluctuations and unreliable logistics in the sourcing country the results of our research are inconclusive as regards to the order of these challenges. However our conclusion is that they are ranked as either number three or four.

Finally, different legal systems, unstable political environment and language issues are ranked as number fifth, sixth and seventh most challenging. However our conclusion from the research is that we are unsure of the order of these challenges.

6.4 The difference at different global sourcing levels

Based on the result of our study, we found that businesses perceive the benefits as more important at the higher levels of the global sourcing process. This is a result of the integration and coordination which takes place at the higher levels of the global sourcing process. With a higher degree of integration and coordination the businesses are capable to a higher degree enjoy the benefits with global sourcing.

However, regarding the challenges it is quite clear that the businesses in our study perceives the challenges with global sourcing as equally challenging, independent of the businesses purchasing level.
List of references


Appendix

Appendix 1: Cover letter to the questionnaire (Swedish)

Hej,

Det här är Christian och Felix som skriver. Vi studerar företagsekonomi på Jönköpings Internationella Handelshögskola och skriver just nu vår kandidatuppsats vilken handlar om fördelar och nackdelar med att arbeta med globala inköp ur Svenska storbolags perspektiv.

Vi skulle behöva hjälp med att få information rörande hur ni ser på fördelar och nackdelar med globala inköp. Informationen samlas in genom en Internetbaserad enkät och ni förblir helt anonyma.

En medarbetare inom inköp, gärna på en ledande position, skulle ha enklast att besvara enkäten. Vi skulle uppskatta din hjälp med att få detta email till rätt mottagare om profilen inte stämmer in på dig.

Är ni nyfikna på att ta del av resultatet av denna undersökning är det bara att svara på detta email!

Länk till enkäten:
https://docs.google.com/spreadsheet/viewform?formkey=dFhVU2JLcDFqS1FmZ3BOd3E5aHfuOVVE6MQ

Med vänliga hälsningar

Christian Johnsson och Felix Morling

If this email is sent to a non-Swedish branch, we would appreciate if this email was forwarded to a Swedish office of your company.
Appendix

Appendix 2: Questionnaire on global sourcing (Swedish)

Enkät om global sourcing i Svenska företag

Denna enkät är skapad av Christian Johnsson och Felix Morling, studenter inom företagsekonomi på Jönköpings Internationella Handelshögskola. Enkäten utgör grunden för det empiriska material vi samlar in inom ramen för vår kandidatuppsats vilken handlar om fördelar och nackdelar med att arbeta med globala inköp ur Svenska storbolags perspektiv.

Vi skulle behöva hjälp med att få information rörande hur ni ser på fördelar och nackdelar med globala inköp. Du och ditt företag förblir helt anonyma.

Undersökningsen ska inte behöva ta mer än 5-10 minuter. Då vi är intresserade av respondentens uppfattningar behöver svaren endast baseras på dennes nuvarande kunskaper.

Skicka gärna ett e-mail till oss om du önskar ta del av resultatet av denna undersökning!

Christian Johnsson och Felix Morling

*Obligatorisk

Definitioner

Sourcingstrategi: En total eller delvis förflyttning av funktioner till en intern eller extern aktör som antingen är etablerad lokalt eller globalt. Detta inkluderar val av antalet leverantörer, vilken typ av önskad relation och kontraktslängd etc.

Internationella inköp: Företaget genomför inköp internationellt utan att detta förfarande är en integrerad och koordinerad del av företagets sourcingstrategi.

Global Sourcing: Företaget genomför internationella inköp som är både integrerade och koordinerade med företagets sourcingstrategi.

Allmän information

Vid nedanstående två frågor hänvisar nivå 2 och 3 till internationella inköp. Nivå 4 och 5 hänvisar till global sourcing.

Vid vilken inköpsnivå bedömer du att ert företag befinner sig på för tillfället? *

- Nivå 1, Endast inrikes inköp
- Nivå 2, Köper internationellt endast vid behov
- Nivå 3, Köper internationellt som en del av sourcingstrategin
- Nivå 4, Integration och koordination av globala sourcingstrategier över hela världen
- Nivå 5, Integration av globala sourcingstrategier med andra företag i koncernen
Appendix

Med hänsyn till ert företags sourcingstrategi, vid vilken nivå vill du vara vid om fem år?

- Nivå 1, Endast inrikes inköp
- Nivå 2, Köper internationellt endast vid behov
- Nivå 3, Köper internationellt som en del av sourcingstrategin
- Nivå 4, Integration och koordination av globala sourcingstrategier över hela världen
- Nivå 5, Integration av globala sourcingstrategier med andra företag i koncernen

Hur mycket omsätter ert företag?

- Upp till en miljard SEK
- 1 miljard – 7,5 miljarder SEK
- 7,5 miljarder – 20 miljarder SEK
- Över 20 miljarder SEK

Vad är ert företags huvudsakliga bransch?

- Hög och mellanhög teknologisk tillverkning
- Låg och mellanlåg teknologisk tillverkning
- Grossisthandel
- Detailhandel, inklusive reparation av motorfordon och person- och hushållsvaror
- Tjänster, exempelvis inom restaurang, hotell, call center och transport
- Kunskapsintensiva tjänster, exempelvis företag inom juridik, vetenskap, ekonomi och teknologi
- Bygg
- Finansiella tjänster, exempelvis inom bank och investering
- Tillhandahållande av el, gas och vatten
- Övrigt: __________

Hur gammalt är ert företag?

- Äldre än 20 år
- 10 till 20 år
- 4 till 10 år
- Yngre än 3 år

Vilken position har du i företaget?

- Ledande position inom inköp
- Ej ledande position inom inköp
- Ledande position, ej inom inköp
- Övrigt: __________

Nu följer frågor om motiven till global sourcing, därefter avslutas undersökningen med frågor om utmaningarna med global sourcing.
Motiv till global sourcing [sida 2]

Vänligen indikera vikten av dessa motiv, när ert företag funderar på, eller genomför global sourcing.

<table>
<thead>
<tr>
<th></th>
<th>Mycket viktigt</th>
<th>Viktigt</th>
<th>Oviktigt</th>
<th>Mycket oviktigt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bättre leveransvillkor</td>
<td></td>
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</tr>
<tr>
<td>Förkorta tiden för produktutveckling</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Förbättra företagets image</td>
<td></td>
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</tr>
<tr>
<td>Konkurrenseutsätta nationella leverantörer</td>
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<tr>
<td>Motköpsförpliktelser</td>
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<tr>
<td>Närvaro på utländsk marknad</td>
<td></td>
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<tr>
<td>Pris</td>
<td></td>
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<tr>
<td>Tillgång till avancerad produkt- och processteknologi som ej finns tillgängligt nationellt</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Tillgänglighet, ej produkt- och processteknologi</td>
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</tbody>
</table>

Ranka de fem viktigaste motiven, antingen när ni funderar på eller genomför global sourcing.

Viktigast först, näst viktigaste sen osv.

- [Rullgardinslista med motiven]
- [Rullgardinslista med motiven]
- [Rullgardinslista med motiven]
- [Rullgardinslista med motiven]
- [Rullgardinslista med motiven]

Med beaktande av motiven, finns det något som du vill tillägga?

_________________________________
_________________________________
_________________________________
_________________________________
_________________________________

Nu följer enkätens sista frågor som rör utmaningarna med global sourcing.
Utmaningarna med global sourcing [sida 3]

Vänligen indikera vikten av dessa utmaningar när företag funderar på, eller genom- för global sourcing.

<table>
<thead>
<tr>
<th></th>
<th>Mycket utmanande</th>
<th>Utmanande</th>
<th>Oviktigt</th>
<th>Mycket oviktigt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diskriminering, dvs. oförmånlig behandling från leverantören jämfört med loka köpare</td>
<td></td>
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<tr>
<td>Kulturskillnader</td>
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<td>Längre ledtider</td>
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<td>Olika juridiska system</td>
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<td>Opålitlig logistik i leverantörslandet</td>
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<td>Ostabil politiskt klimat</td>
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<td>Språkskillnader</td>
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<td>Valutafluktuationer</td>
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</tr>
</tbody>
</table>

Ranka de fem viktigaste utmaningarna, antingen när ni funderar på eller genom- för global sourcing.

Viktigast först, näst viktigaste sen osv.

- [Rullgardinslista med utmaningarna]
- [Rullgardinslista med utmaningarna]
- [Rullgardinslista med utmaningarna]
- [Rullgardinslista med utmaningarna]
- [Rullgardinslista med utmaningarna]

Med beaktande av utmaningarna, finns det något som du vill tillägga?

__________________________________________________________
__________________________________________________________
__________________________________________________________
__________________________________________________________

Tack för din medverkan!

Glöm inte att skicka ett e-mail till oss om du vill ta del av resultatet av denna undersökning!