

Financial information guiding offshoring and backshoring in Nordic countries

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Purpose – The objective of this paper is to analyze the availability and potentially enabling role of financial information in guiding offshoring and reshoring decisions.

Design/methodology/approach – The paper takes advantage of an extensive survey conducted among 847 manufacturing companies Denmark (245), Finland (229) and Sweden (373) regarding their offshoring and backshoring decisions in the past five (5) years. In the paper, the focus is on one theme of the survey, namely the availability of the financial information at different levels (component, product, process, plant) as well as the availability and the perceived support of the financial analyses in guiding decision-making (plant location, supplier selection, distribution channel choices). Regarding this themes, up to 795 responses were analyzed. The companies have been categorized according to their offshoring and backshoring decisions during the period surveyed: a) no movement (455), b) only offshoring (191), c) only backshoring (75), d) both offshoring and backshoring (74).

Findings – The overall tendency of the results is that the more relocations decisions were made by the companies, the more financial information was available in those companies and thus more support was perceived related to the decision-making. More particularly, at the plant level ($p=0,021$) and the product level ($p=0,036$), there was a statistically significant difference between the availability of financial information among the different relocation categories (a-d). Regarding financial analyses, especially product profitability analyses were remarkably more often available in the companies that had been active in relocation decisions. Also, perceived support for the decision-making was also positively associated with the relocation decisions, especially regarding the actual plant location decisions. However, the statistical significance of these differences as well as cross-country comparisons require further examination.

Research limitations/implications – The association between the availability and support of financial information, and the production relocation decisions does not mean that increasing the extent of financial analyses increases the number of offshoring and reshoring decisions. However, the availability of financial information could enable companies to make decisions that are financially viable for them. The survey data enable further analyses on this matter. In addition, in-depth case studies would be needed to better understand the phenomenon.

Originality/value – The financial information, i.e., the elements of profitability are tightly related to multiple drivers of production relocation decisions. Using such information in different roles in the actual decision-making has not previously been addressed in the literature on this topic.

Keywords: Financial information, offshoring, backshoring, management accounting, decision-making