

An ongoing trend of increasing transcontinental sourcing, at cost of Intra-EU sourcing; which prominent push- and pull factors can be identified?

A study from an European perspective

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ABSTRACT

Over the last decades, global sourcing has been an important aspect in the business environment. Inside of global sourcing a trend can be identified; an increase in transcontinental sourcing at the cost of Intra-EU sourcing. Global sourcing is in general a well-researched subject. However, in current scientific literature, research regarding the motives or factors supporting this trend is not readily available. Therefore, this research paper is dedicated to identifying possible factors for European companies to choose for transcontinental sourcing over Intra-EU sourcing, by conducting a qualitative study. The identified factors are classified into either push- or pull factors, to get an insight into the effect of developments and factors inside- and outside of Europe. A combined approach has been used; consisting of a literature review and conducting interviews with purchasing experts from European companies. The second-hand results from existing scientific literature are compared to the first-hand results from the conducted interviews. Resulting from this research and comparison, it can be identified that European companies are attracted to transcontinental sourcing at cost of Intra-EU sourcing because of price differences and technological developments. Technological developments in its turn results in quality- and availability improvements outside of Europe. Meanwhile, these factors outside of Europe are being supported by increasing regulations and a decreasing open-trade market inside of Europe. The reason why these factors support transcontinental sourcing are explained in this research paper. The insights of this conducted research cannot be generalized because of the narrow availability of scientific literature and limited sample size when conducting the interviews. However, it can give indications regarding the factors which support the decision to choose for transcontinental sourcing, while also posing as a starting point for further research.

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Keywords

Global sourcing, European sourcing, Intra-EU sourcing, Continental sourcing, Transcontinental Sourcing, push-factors, pull-factors, semi-structured interview, comparative approach, qualitative study;

1. INTRODUCTION; A TREND IN GLOBAL SOURCING

1.1 Introduction to the problem statement; What is happening in the context of global sourcing?

Over the last decades, global sourcing has been an important trend in the business environment (Giunipero et al., 2019, p. 1). Global sourcing is a broad concept, it can be defined as the integration and coordination of common materials, designs, methods, processes, standards, specifications, (and most importantly for this research paper) suppliers across international locations (Ellegaard et al., 2022, p. 153; Bals & Turkulainen, 2021, p. 293). Global sourcing is distinguished from domestical sourcing by suppliers being located in another country (Koerber & Schiele, 2021, p. 2). However, next to the distinction between global- and domestical sourcing, global sourcing itself can also be divided into two approaches; continental- and transcontinental sourcing. Continental sourcing implies sourcing resources internationally, within the borders of the continent in which the company is situated (Koerber & Schiele, 2021, pp. 3–7). Transcontinental sourcing implies sourcing resources internationally, but from another continent in the world (Koerber & Schiele, 2022, p. 4).

Sourcing globally has the possibility to bring benefits with it. Most research indicate cost savings as one of the main factors for choosing a global supplier over a domestic supplier (Platts & Song, 2010, p. 320). The effect of these (cost saving) opportunities can be noticed by a trend of increased global sourcing. However, in global sourcing a trade-off can be evaluated; an ongoing increase in transcontinental sourcing, at the expense of continental sourcing (Koerber & Schiele, 2021, pp. 3–7).

In this thesis the emphasis will be on global sourcing from the perspective of European companies. While conducting this research, the main research question is: **“Which push- and pull factors cause the trend; an increase in transcontinental sourcing at cost of Intra-EU sourcing”.**

The goal is to identify these trend-supporting factors, along with their implications in a business scenario. In existing scientific literature, global sourcing and its implications as a research topic has been covered extensively by the likes of (Bohnenkamp et al., 2020; Bozarth et al., 1998; Cho & Kang, 2001; Giunipero et al., 2019; Kotabe & Mudambi, 2009; Kotabe & Murray, 2018) This research almost solely focused on global sourcing in general, while not focusing on the distinction between continental- or transcontinental sourcing much, or at all. Research regarding the distinction between continental- and transcontinental sourcing has been conducted by (Koerber & Schiele, 2021), however this research focused on acquiring different insights. So the goal of this research is to fill a gap in existing research, therefore it can be defined as exploratory research (Goyal & Singh, 2007, p. 183). Identified trend-supporting factors will be divided and categorized into push- and pull factors. In order to identify the factors which support this trend in global sourcing, a predominantly quantitative, combined research approach will be used. This combined research approach consists of conducting a literature review as well as interviews. The literature review consists of information from existing, scientific research papers. While mainly qualitative research will be conducted and

analyzed, quantitative data is also used to substantiate stated trends and developments. Next to the literature review, open-question interviews will be conducted among various different companies, focusing on qualitative information. To create a better understanding of the different levels of global sourcing, first a comprehensive explanation of these core concepts will be given, along with the implications of push- and pull factors in the context of this research paper.

2. CORE CONCEPTS; DIMENSIONS OF SOURCING AND PUSH- PULL FACTORS IN CONTEXT

2.1 Three dimensions of sourcing; the differences

The concept of sourcing in a business context can be defined as ‘the process of fulfilling organizational buying needs by managing a supply base through strategic and transactional interactions with suppliers in alignment with corporate goals (Giunipero et al., 2019, p. 1). In this section the distinction between the three levels of sourcing will be explained, along with their context in this research paper. We will distinguish between local- and global sourcing. Global sourcing will be divided into continental- and transcontinental sourcing. This distinguishment can be seen in Figure 1.

2.1.1 Domestic sourcing; sourcing in home country

Domestic sourcing, which can also be referred to as local sourcing is occurring when customers and their suppliers are

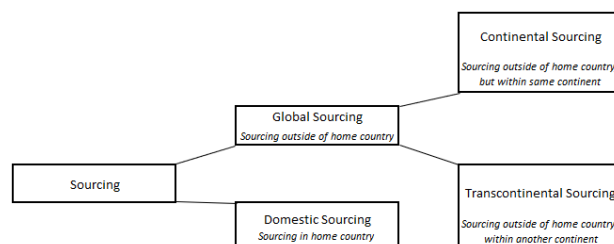


Figure 1: The three dimensions of sourcing

located in the same country (Jin, 2005, p. 278). On the contrary, as stated in section 1.1, when a company’s supplier is located outside of its own country, we speak of global sourcing. Global sourcing means buying from suppliers that are located outside of the country in which the firm is located (Koerber & Schiele, 2021, p. 2). Global sourcing can be divided into continental and transcontinental sourcing.

2.1.2 Continental sourcing; sourcing global, within continental borders

Continental sourcing is defined as sourcing global, meaning; sourcing from a supplier outside of their own country, but within the borders of the continent in which a company is located (Koerber & Schiele, 2021, pp. 3–7). For example, a European company sources within Europe and an American company sources within North America (Karjalainen & Salmi, 2013, p. 115). From an European perspective, continental sourcing can be defined as European- or Intra-EU sourcing. This means that a company has a supplier situated in Europe, which can be indicated by a country being in the same legal area and having the same currency (or limited currency fluctuation) (Koerber & Schiele, 2021, p. 5). Because for European companies, sourcing

continental equals sourcing in the EU, continental sourcing will be referred to as Intra-EU sourcing in this research paper.

2.1.3 Transcontinental sourcing; sourcing global, outside continental borders

Transcontinental sourcing is also defined as sourcing global, but instead of sourcing from the continent in which the company is located (Europe), products are sourced from another continent. In the context of this research papers, it means that a company's supplier is not only located outside of its domestical-, but also outside of its continental borders. When sourcing transcontinental, generally speaking, the distance between two countries is large, which results in time zone-, cultural- and (particularly from an European perspective) legal differences (Koerber & Schiele, 2021, p. 5).

2.2 Push- and pull factors; forces influencing the sourcing decision

Push- and pull factors are factors that act as forces, which influence or cause a certain outcome. The term push- or pull factor is primarily used when a factor influences a locational decision. A push-factor is a factor which acts from the inside, while a pull-factor is a factor which acts from the outside. The term push- or pull factor is regularly used in the context of migration, in which these factors influence the decision to choose for a specific country or continent. So, migration can act as an example to explain the terms in a clear context. From here a definition of the terms will be phrased in the context of this research paper.

2.2.1 Push factors; a force from within

As stated above, a push-factor is a factor which acts from the inside. This force from within "pushes" out. This could implicate a force 'pushing' something or someone to another location, as in the context of migration; people moving to another country. It refers to the factors that drive immigrants to leave their home country (Mohamed & Abdul-Talib, 2020, p. 3). In the context of this research paper, a push-factor can be defined as an negative factor inside of the European sourcing environment which motivates/drives a company to choose transcontinental sourcing over Intra-EU sourcing. An example of a push-factor can be rising wages inside of Europe.

2.2.2 Pull factors; a force from outside

On the other hand, a pull-factor is a factor which acts from the outside. This force from elsewhere "pulls" in. This could implicate a force 'pulling' something or someone to another location, as in the context of migration. It refers to factors which attract immigrants to move to another country (Mohamed & Abdul-Talib, 2020, p. 3). In the context of this research paper a pull-factor can be defined as a positive factor outside of the European sourcing environment which motivates/attracts a company to choose transcontinental sourcing over Intra-EU sourcing. An example of a pull-factor can be the rising quality of products manufactured in Asia.

3. THEORETICAL FRAMEWORK; DEVELOPMENTS IN THE SOURCING ENVIRONMENT

In section 2.1 local- and global sourcing divided into continental- and transcontinental sourcing were explained and distinguished. Now a deeper look will be taken into the concept of global sourcing and its development over the past few decades. After this, a clear context and explanation will be given regarding the current trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing. Both sections will be

substantiated by empirical evidence in the form of statistics from Eurostat and WTO.

3.1 Development of global sourcing; rapid growth followed by stagnation

Over at least the last three decades, the world has been through an ongoing trend of globalization (Sutton, 2012, p. 1) starting after the opening of world markets like China and India and the collapse of the Soviet Union (Sutton, 2012, p. 1), resulting in trade between parts of the world in which the industrial capabilities were widely different (Sutton, 2012, p. 4). Globalization means a growing interdependence of the world's economies, cultures and populations. Growing interdependence refers to the process of economics and societies becoming more integrated (Bergh & Nilsson, 2010, p. 1191). Increasing globalization is characterized by the increased international flow of capital, and more importantly the growth of global trade volumes (Sutton, 2012, p. 1) and is widely recognized as the most dominant international economic trend in the post-World War II era (Lévy, 2007, p. 594). The increasing integration of economics and societies, along with the technological developments, resulting in increased speed of transportation and communication abilities (Manning et al., 2018, p. 4; Trent & Monczka, 2003a, p. 27), has created opportunities for companies to source globally. Global sourcing has the possibility to generate a competitive advantage, most notably in the form of cost-savings (Platts & Song, 2010, p. 320; Trent & Monczka, 2003a, p. 27). Meanwhile, quality has improved a lot, especially in countries in Asia, like China (Sutton, 2012, p. 4; Cho & Kang, 2001, p. 546). These opportunities, combined with possible benefits from sourcing globally have resulted in a trend of increased global sourcing over the last decades (Manning et al., 2018, p. 7; WTO 2019). Increased amounts of global sourcing and the possible advantages of this sourcing strategy, have resulted in its growing importance (Quintens et al., 2006, p. 170).

The increase of global sourcing did not progress linear, though. Over the last decade three decades, three phases of global sourcing can be identified, according to percentile of growth in global sourcing volume worldwide (Koerber & Schiele, 2021, p. 4). The three phases stated are visualized and supported by figure 2 (WTO, 2020).



Figure 2: Three phases of increasing global trade (Data from WTO, 2020)

The first phase of increasing global sourcing volumes occurred between 1975 and 2000. In this time period the average annual growth was 8,5%. In the second phase, between 2000 and 2010, the average annual growth almost doubled. This results in the average annual growth of global sourcing volume being 16,7%. After this rapid increase in global sourcing volume, around 2010 we enter phase three, a phase of stagnation (Constantinescu et al., 2015, p. 7; Koerber & Schiele, 2021, p. 4; WTO, 2020). In this time period the average annual growth of global sourcing volume stagnated at 0,3%.

Instead of distinguishing phases in the last decades based on international sourcing volume, we can also distinguish three distinctive phases in the operational aspect of global sourcing (Kotabe & Murray, 2018, p. 6). These phases are indicated by development in outsourcing activities on a global scale, starting in the 1980s (Markna et al., 2018, p. 97). In the first phase, during the mid-1980's companies started by outsourcing their manufacturing activities, which was the first step in the increased focus of companies on core business activities (Kakabadse & Kakabadse, 2005, p. 183). During the 1990's companies also started outsourcing (the creation of) their IT systems (Manning et al., 2018, p. 7), which indicates the second phase. During the third phase, starting in the early 2000's, the development of global sourcing has expanded to companies also outsourcing their core functions; total business processes (Bongard et al., 2013, p. 2). These phases of increased levels of outsourcing are stated to indicate that developments for conducting business- or sourcing transcontinental are still ongoing, even though the growth in global sourcing volume has stagnated.

After approximately 2010 a stagnation in increase of global sourcing volume can be noticed (Constantinescu et al., 2015, p. 7; Koerber & Schiele, 2021, p. 4; WTO, 2020). Meanwhile, we can also notice that companies are still developing their outsourcing activities. Currently, outsourcing projects can consist of outsourcing entire business processes or operations. On one hand, this is done to save costs as the operation can be situated closer to the target market. Meanwhile also customer satisfaction can be increased by differentiating products for that specific target market (Kotabe & Murray, 2018, pp. 6–7). When companies conduct business transcontinental, both the distance and the cultural differences are larger between the countries in which both companies are situated. Because larger differences are addressed, companies can benefit the most from outsourcing business operations transcontinental. This indicates that even while the total global sourcing volume growth is stagnating, transcontinental sourcing is still expanding. This would equate to a decrease in Intra-EU sourcing, which fits with the current trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing.

3.2 Current trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing

While analyzing the development of global sourcing, a stagnation in the growth of global sourcing volume could be noticed, starting in approximately 2010 (Constantinescu et al., 2015, p. 7; Koerber & Schiele, 2021, p. 4; WTO, 2020). Roughly at this moment in time, Intra-EU sourcing contributed to approximately 40-50% of the total global sourcing volume for European companies (Alajääskö, 2009, p. 4; Bengtsson et al., 2009, p. 4). Sourcing volume can be indicated by overall trading volume. If two companies trade with each other, one company sources while another company sells. So it can be stated that sourcing volumes rise and decline with trading volumes. While some important economic integrations promoting Intra-EU sourcing occurred, such as the custom union (1958), the European Monetary System (1979) and the single market (1993) (Serlenga & Shin, 2013, p. 11), Intra-EU trade volumes have been rising sincerely following the adoption of the Euro and the introduction of the Schengen agreement (Davis & Gift, 2014, p. 1548; Koerber & Schiele, 2021, p. 5). The Schengen agreement is a treaty which led to the creation of the Schengen area. This area proposes the abolishment or minimization of border checks, supporting free travel and trade. For members of the Schengen area border control does not apply, which results in uncontrolled entrance of people (and thus products) from within this area

(Dostál, 2018, p. 2). Higher levels of travel/immigrant flow result in higher trade volumes (Davis & Gift, 2014, p. 1548). The introduction of the Euro is generally believed to have caused an increase in Intra-EU trade volume. However the exact magnitude of this increase in Intra-EU trade volume is not agreed upon. The magnitude of increasing Intra-EU trade volume has been estimated to be between 13% and 16% (Camarero et al., 2013, p. 1153; Kunroo et al., 2016, p. 408). Meanwhile, this percentage of growth is also estimated as high as 25% (Herwartz & Weber, 2010, p. 17) or as low as 3-4% (Serlenga & Shin, 2013, p. 19). However, after this increase of intra-EU trade volume, this trend entered a phase of stagnation (Podkaminer, 2016, p. 50), which turned into a trend of declining trade volumes inside of Europe (Chen et al., 2022, p. 559; Eurostat, 2019). For the past nineteen years, Intra-EU trade volumes have been declining (Eurostat, 2019). If we look at statistics, on average a decrease of 5.3% in Intra-EU trading can be noticed for member states of the EU (Eurostat, 2019). Meanwhile this decrease is also estimated at 4% (Chen et al., 2022, p. 559). A decline can be noticed for twenty-five of the twenty-eight listed countries, as indicated in figure 3 (Eurostat 2019). So, it seems like European companies are increasingly preferring transcontinental- over Intra-EU sourcing. (Koerber & Schiele, 2021, p. 7).

Country	Intra-EU trade change all products: 2003-2019 (%)	Country	Intra-EU trade change all products: 2003-2019 (%)
Belgium	-4.6	Lithuania	-4.0
Bulgaria	2.7	Luxembourg	-5.2
Czechia	-4.0	Hungary	-3.4
Denmark	-11.6	Malta	6.8
Germany	-6.8	Netherlands	-7.0
Estonia	-11.9	Austria	-5.7
Ireland	-15.0	Poland	-2.3
Greece	-10.9	Portugal	-4.3
Spain	-8.8	Romania	0.9
France	-8.6	Slovenia	-3.6
Croatia	-0.6	Slovakia	-1.6
Italy	-6.8	Finland	-1.5
Cyprus	-14.8	Sweden	-0.9
Latvia	-12.2	United Kingdom	-13.0
		<i>European Union -28</i>	<i>-5.3</i>

Figure 3: Percentage change of Intra-EU trade (Data from Eurostat, 2019)

As intra-EU trade volumes decline, Intra-EU sourcing declines as well, as explained above. While Intra-EU sourcing volumes have declined in the past years, global sourcing volumes have only stagnated (Constantinescu et al., 2015, p. 7; Koerber & Schiele, 2021, p. 4; WTO, 2020), indicating a shift towards transcontinental sourcing. So from an European perspective it seems that lately global sourcing has been driven more by transcontinental sourcing than Intra-EU sourcing. The factors which drive this trend; an increase in transcontinental sourcing at cost of Intra-EU sourcing, will be stated in section 5.

4. RESEARCH METHODOLOGY; METHODS USED TO IDENTIFY TREND-SUPPORTING FACTORS

4.1 Research design; A combined approach

To answer the research question of this paper, a combined approach was used to conduct the research. This approach is a combination of conducting a literature review, as well as a qualitative analysis; in the form of conducting interviews, consisting of open questions.

Before being able to explain why a (mainly) qualitative approach was used to conduct research, an explanation of qualitative- and quantitative research is needed. Qualitative research can be defined as “a broad, overarching term for research methods which describes and explains a person’s experience, behavior and interaction in a social context, without the use of statistical procedures” (Fossey et al., 2002, p. 717). Quantitative research can be defined as “research methods that are concerned with collecting and analyzing data that is structured and can be

represented numerically” (Goertzen, 2017, p. 12). While qualitative research focuses on specific- and content-related findings, quantitative research focuses more on findings from larger samples (Polit & Beck, 2010, p. 1452). For this research paper, the research conducted is mainly qualitative. The reason to choose for this type of research style is because with qualitative research, it is possible to explore reasons behind arguments (Weiss, 1995, p. 3). In other words, qualitative research allows to find answers to ‘why’ questions behind a phenomenon, fitting with exploratory research. This is exactly what is needed for this research paper, as the to-be-answered research question concerns the factors (or reasons) behind the trend; an increase in transcontinental sourcing at cost of Intra-EU sourcing.

4.2 Literature review; qualitative and quantitative research

A literature review analyses scientific books, articles and other sources relevant to a particular area of research, by doing so it provides a summary, description or evaluation of the existing scientific literature regarding the topic. In the case of this research paper a literature review was conducted to get an insight in already available information regarding the subject of this research paper, being the trend in global sourcing; an ongoing increase in transcontinental sourcing, at the expense of continental sourcing. First of all, a literature review allowed for the creation of a theoretical framework, explaining the general context of this research paper. This was executed by explaining the development of global sourcing in general, but also explain the development of the to-be-analyzed trend. Mainly, a qualitative approach was used to explain the reasons behind the developments. But also qualitative data was evaluated to assure the developments were actually noticeable in official statistics. Furthermore, this literature review is also used to gain insight into the trend-supporting factors already identified in scientific literature. These identified trend-supporting factors already present in existing scientific literature can then be compared with- or complemented by the findings from the interviews.

The literature review was mainly conducted based on existing scientific research papers. Also Eurostat, the official European statistical office, was consulted to substantiate the stated developments in section 3; theoretical framework. To find scientific research papers, first a collaborative research was conducted with the members of the bachelor thesis circle. This collaborative research consisted of analyzing and selecting relevant papers from prominent scientific journals focused on supply chain (management). Also additional individual research was performed, using SCOPUS as the main database to find relevant scientific articles. Sometimes Google Scholar was used as a secondary option, if SCOPUS didn’t provide (enough) relevant papers.

4.3 Interview; qualitative, semi-structured approach

4.3.1 Data collection; open-question interview among 25 companies

To collect the needed qualitative data for this research paper, 25 interviews were conducted among companies situated in the Netherlands or Germany. Sourcing either transcontinental or Intra-EU was a strict criterion for selecting the participating companies, as a company only sourcing domestically would not be able to give insights in the factors needed for this research paper. An overview of the open questions used to conduct this interview can be found in appendix A.

4.3.2 Individual- or group interview; advantages and disadvantages

Individual interviews were conducted with employees of various companies, responsible- or part of the purchasing department. These people have the most knowledge about the information needed for this research. The decision was made to conduct individual interviews over group interviews. If a group interview is conducted, a group of individuals is simultaneously questioned (Fontana & Frey, 2005, p. 651), which can have certain advantages over individual interviews. Interviews conducted in a group setting can produce large amounts of information, while also posing as an stimulative environment for participants; enabling participants to build on answers of others, supporting active contribution (Fontana & Frey, 2005, p. 652; Krueger et al., 2001, p. 54). However, group interviews are not without problems. Participants will also respond to their fellow peers, which can disrupt the intention of the interview (Krueger et al., 2001, p. 54). Additionally, group interviews require the interviewer to have a higher skill level, compared to individual interviews due to the present group dynamics (Fontana & Frey, 2005, p. 652). In the situation of our bachelor thesis circle, the team exists of six unexperienced interviewers. Thus choosing for an individual interview approach would be beneficial to conduct the interview as best as possible, so resulting in clearer perspectives and insights. As the intent is to identify underlying factors for the trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing, more detailed insights are more important than larger amounts of insights. Also, this research paper has to be written on a tight time-schedule. Arranging interviews with (big) groups of individuals would take too much time, considering the differences in location and overlapping agenda’s between the participants.

4.3.3 Structured- or semi-structured interview; advantages and disadvantages

Also, the structure of the interview is important. To get the best insights in the factors which support the trend in global sourcing; an increase in transcontinental sourcing, at cost of Intra-EU sourcing, a decision has to be made between structured- or semi-structured interviews. Due to the need for easier categorization and coding of responses of participants, structured interviews were developed to reduce unreliability (Segal et al., 2006, p. 122). When conducting a structured interview, each question- and its follow up question’s will be predetermined and not deviated from, regardless of the participants reaction. On the other hand in a semi-structured interview, the initial questions are structured, but interviewers have freedom over the follow-up questions (Segal et al., 2006, p. 122). While a structured interview improves the ability to accurately categorize and code responses, the expanded freedom of semi-structured interviews offers an advantage important for this research paper. A semi-structured interview allows the interviewer to react to the participants responses, which allows for deeper investigation of the reasons behind the given responses. By getting insight in the reasons behind given responses, a better explanation can be given as to why certain identified trend-supporting factors are deemed to be important.

4.4 Data analysis; coding transcripts using Atlas.TI

Atlas.TI is a computer program used in qualitative research. It can be used to analyze and code transcripts, but also for building literature reviews, creating network diagrams or data visualization. The goal of the software is to store and manage all information collected for a research project in one place (Soratto et al., 2020, p. 2)

The conducted interview will be recorded, after a transcript is created by a software called Amberscript. Atlas.TI will be used to 'code' the script of the conducted interview. Coding in Atlas.TI means standardizing the responses given by the participants. This is done to increase the ability to systematically analyze the insights from the interviews. Therefore, the use of Atlas.TI enables getting back (some of) the lost reliability caused by the decision to conduct semi-structured interviews.

5. LITERATURE REVIEW; IDENTIFIED TREND-SUPPORTING FACTORS

As stated earlier in section 1.1, in existing scientific literature the trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing, is not researched extensively. As stated by Koerber & Schiele, 2022, p. 1); much research has already been performed regarding local and global sourcing, but not so much on Intra-EU- and transcontinental sourcing. Which is the motivation for this research paper. The identified trend-supporting factors, already available in scientific literature resulted from analyzing more general research papers regarding global sourcing and mainly consisted of pull factors; developments- or circumstances outside of the EU, while also some push factors; developments- our circumstances inside of the EU, were identified.

5.1 Pull factors; forces from outside of the EU

5.1.1 Factor 1: Low cost of products and increasing quality, resulting in good price-quality ratio

The main motive for companies to choose for global sourcing is the price advantage (Bozarth et al., 1998, p. 242; Platts & Song, 2010, p. 320). In global sourcing literature, cost advantages due to lower product prices are mainly identified in Asian countries. Because this region is located outside of the EU, the listed motives also apply to transcontinental sourcing. Especially from an European perspective, lower product prices can be achieved due to lower wages in less development countries (Kotabe & Mudambi, 2009, p. 122). Also, due to the substantial technological developments in production facilities in Asian countries in general (Litsareva, 2017, p. 73), there are large amounts of available suppliers. Larger amounts of available suppliers brings the opportunity to compare- and negotiate between them, which can also result in lower prices (Ivanov et al., 2019, p. 122). While wages in Asian countries, especially in China, have started rising (Yang et al., 2010, p. 483), product prices are still conceived as low, when compared to the offered quality (Koerber & Schiele, 2022, pp. 8) (Cho & Kang, 2001, p. 546). Rising quality of products, combined with perceived low costs results in a good price/quality ratio, which could convince an European company to choose transcontinental sourcing, if quality is perceived as a big competitive advantage .

The improving-, or already high quality (Bozarth et al., 1998, p. 242; Trent & Monczka, 2003b, p. 609) of products sourced from Asian countries are the result of technological developments. This development also results in more trend-supporting factors, which will be explained below.

5.1.2 Factor 2: Technological development outside of Europe and it's impacts

After the economic crises of the 1970s and 1980s developing countries in Asia, such as China, South-Korea, Taiwan and Singapore laid the groundwork for modern industrial production (Litsareva, 2017, p. 73). It is widely accepted that the economic development that countries in this region went through, is driven by their focus on the innovation processes (Litsareva, 2017, p.

73), backed by foreign direct investments. This focus on innovation can still be noticed today by the responsiveness to new technologies (Koerber & Schiele, 2022, p. 14). For example, Taiwan and its quick response to the rising electronics industry.

This technological development and responsiveness has created possible advantages from which European companies could benefit. First of all, it allowed transcontinental suppliers to specialize in supplying products in innovative technological sectors. In some cases, this can also result in technological exclusivity, for example in the area of digitalization and electronic components (Koerber & Schiele, 2022, p. 12). On the other hand, technical exclusivity can also result from certain (raw) materials which can be exclusively sourced from specific countries, located outside of continental borders (Kotabe & Murray, 2018, p. 372; Koerber & Schiele, 2021, p. 9). Technical exclusivity can lead to dependence of European companies on transcontinental suppliers in a variety of (niche) markets. Being dependent, European companies have no choice other than buying products in these locations.. Technological innovation also allows transcontinental suppliers to produce in large volumes (Koerber & Schiele, 2022, p. 12). This mainly applies to the production of a certain amount of products in high volumes. If a European company requires high quantities of specific products, they could prefer a transcontinental supplier. Sometimes, required quantities are not even produced in the EU, which gives transcontinental suppliers a volume production exclusivity (Koerber & Schiele, 2022, p. 13), once again making European companies dependent. Focus on large quantities can also result in lower prices, which was stated as the main motive to choose transcontinental sourcing.

5.2 Push factors; forces from inside of the EU

5.2.1 Factor 1: Increase in wages; resulting in higher labor cost per product

Wages in Asian countries, especially China have started increasing (Yang et al., 2010, p. 483). If not for the increasing quality, this might seem to make transcontinental sourcing less attractive. However on average, wages in Europe have also seen large increases resulting from increases in minimum wages, especially in NMS (new member states) situated in Eastern Europe. NMS includes; Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovak Republic and Slovenia. Between 2015 and 2019, minimum wages in NMS increased on average by 46%. This likely contributed to the large increase of average wages in Europe, which rose on average by 33% (Cho & Kang, 2001, p. 546); (Boranova et al., 2021, p. 1434). Also, a phenomenon can be noticed; wages increase more than the productivity of employees. If wages increases more than productivity, this results in higher wage costs per product, which can result in higher prices. These high (and possibly still increasing) product prices might pose as a factor which pushes companies to choose for transcontinental sourcing.

5.2.2 Factor 2: Increasing laws and regulations inside of Europe; more bureaucracy

As stated earlier in section 2.1.2, Intra-EU sourcing can be indicated by a country being in the same legal area and having the same currency (or limited currency fluctuation) (Koerber & Schiele, 2021, p. 5). When a European company sources transcontinental however, they are dealing with a different legal system. This can be seen as a disadvantage (Bohnenkamp et al., 2020; Cho & Kang, 2001, p. 87).

However, in the EU there are currently increases in regulations and laws happening, a large emphasis is currently on CSR

(Corporate Social Responsibility) (Rühmkorf, 2017, p. 195). This means that suppliers in the EU have to comply with increasing amount of regulations, for example to counteract unethical behavior and face environmental challenges. In this scenario it can be financially beneficial for European companies to source transcontinental, as suppliers located outside of Europe have to deal with less strict (CSR) regulations, possibly resulting in easier conducting of business.

5.2.3 Factor 3: Decreasing open-trade market; decreasing efficiency of trade in Europe

The Schengen agreement enabled open travel- and trade between members of the EU, due to the absence of internal border control in this area (Dostál, 2018, p. 2). This development meant that inside of Europe an open-trade market was created, after which Intra-EU sourcing volumes rose extensively (Camarero et al., 2013; Koerber & Schiele, 2021, p. 1153; Kunroo et al., 2016, p. 408). This indicates the open-trade market as a benefit of Intra-EU sourcing.

However, a decrease in the extend of this open-trade market can be distinguished, as indicated by the increasing difficulty of traveling and trade of goods. This partly results from the effects of the COVID-19 pandemic which are still noticeable at the time of writing this research paper. The COVID-19 pandemic had more effect on production facilities and free trade of goods inside of the EU, compared to the effects it had in Asia. From the perspective of European companies, this increases transcontinental competitiveness, at cost of European competitiveness (Koerber & Schiele, 2021, p. 10). Also a bigger effect of the COVID-19 pandemic, means more loans to cover this crisis. Loans can be seen as taxes of the future, thus implying an expected future rise in product prices, as a result of higher costs (Koerber & Schiele, 2021, p. 10).

6. INTERVIEW; IDENTIFIED TREND-SUPPORTING FACTORS

As stated earlier in section 4.1 and 4.3.2, to achieve qualitative insights into the possible factors which support the trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing, 25 semi-structured open-question interviews were conducted. The interviews were conducted among companies located in either the Netherlands (68%) or Germany (32%), operating in various industries. The distribution of the companies regarding their operating industry is; automotive (4), plastic (4), building (2), food (2), pharmaceutical (2), telecommunication (2) and mining, tire-retreading, packaging, software technology, interlining, rubber & silicone, engineering, chemical, enrichment technology (1 each). The one criteria for selecting participants was that their company had to pursue either transcontinental- or Intra-EU sourcing. To ensure confidentiality the names of the interviewed companies are not mentioned. Instead they are identified- and referred to in pseudonymized form, by using the letters A to Y. An overview of interviewed companies identified by their specific letter, including the country- and industry which they are situated in, can be found in appendix B.

To analyze the insights from the conducted interviews, the transcripts were coded using the software Atlas.TI. Coding implicates the identification- and classification of factors mentioned by the participants. An overview of the grouping- and coding structure is provided in figure 4.

All factors as stated by the participants (some very specific) were labeled with a code and identified as either a push- or pull factor. These specific factors are subcodes, which are then grouped into more general codes, posing as categories of mentioned factors. These categories are based on the already identified factors from the literature review, to ensure the best comparison possibilities.

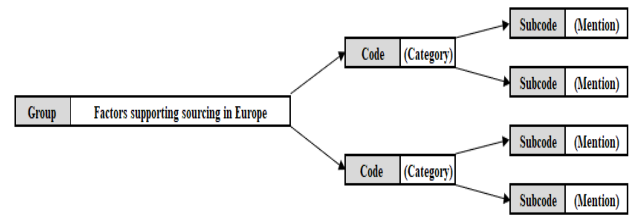


Figure 4: Group- and code structure Atlas.TI

As implicated by the participants, the main factors supporting transcontinental sourcing are; Price of sourced products, Technological development, Availability of sourced products, Quality of sourced products, Laws & regulations and Decreasing open-trade market. Also a category called ‘Uncategorized’ was created to include a few subcodes which did not fit in any of the other categories, the subcodes in this category were all only mentioned once. A full overview of the main codes and subcodes, divided into push- and pull factors can be found in appendix C.

6.1 Insight into trend-supporting factors

In this section the results from analyzing the conducted interviews will be described. For each of the main factors, there are underlying factors which cause a phenomenon. To get a deeper understanding of the factors which support the trend; an increase in transcontinental sourcing at cost of Intra-EU sourcing, we need to get insight into the underlying reasons of this factor happening. Quotes from the conducted interviews are used to substantiate statements made. Because the interviews were conducted in either Dutch or German, these quotes stated are translations, therefore they can differ slightly from the original spoken sentence.

6.1.1 Price of sourced products; low outside- and rising within Europe

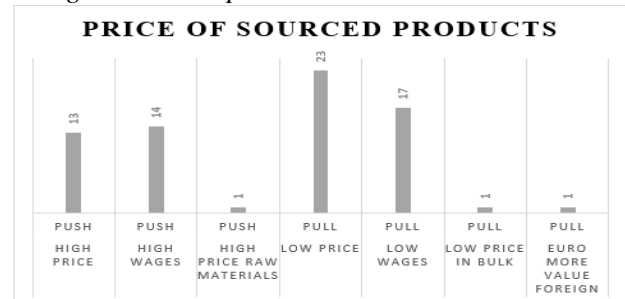


Figure 5: Overview of mentions in category: price of sourced products

When conducting the literature review, low prices outside of Europe, in combination with rising wages inside Europe were indicated as the most important factor for the decision to source transcontinental, being mentioned most frequently. The latter is also apparent when analyzing the results from the conducted interviews. Combining all the interviews, product prices were mentioned as a factor 70 times, consisting of 28 push- and 42 pull factors, as indicated in figure 5. In the case of product prices, 60% of the mentioned factors can be categorized as a pull factor, while 40% can be categorized as a push factor. This indicates that for product prices, factors outside of Europe can be conceived as more important.

Most mentioned is the fact that product prices are lower outside of Europe, which is identified to be mainly in Asia. This indicates low product prices as the most important pull-factor.

Company U: “Overseas is where you can often find better deals, mainly in terms of costs. We are sourcing from China almost solely for the lower costs.”

The reason why product prices are low(er) outside of Europe is because of the low wages, resulting in a reduced cost of production. Low wages is mentioned 17 times as a factor, often being mentioned as a reason for low prices, which is mentioned 23 times.

Company T: “Lower wages are of course a reason for the lower price.”

Lower wages also make it easier for production facilities to create large quantities. If a company in Europe buys these large quantities, they can profit of economics of scale, which can also contribute to lower overall product prices. While wages have started rising in Asia, resulting in rising product prices (Yang et al., 2010, p. 483), transcontinental sourcing from Asia is still seen as the cheap(er) sourcing location. Also, for sourcing in specific countries it can be that there is a difference in currency valuation, compared to the Euro. This results in getting more value per Euro paid, which is mentioned once. This perception of lower product prices outside of Europe is also driven by developments inside of Europe, which help to push companies into choosing for Intra-EU sourcing. In this case, the most frequently mentioned push-factor is high product prices inside of Europe, which is mentioned 14 times. These high product prices are a result of high(er) wages which was also mentioned 14 times, often together with the factor high product prices.

Company U: “A push factor for me directly would be price increases.”

Among the participants, a lot of companies are currently- or were sourcing from production facilities located in eastern Europe. These companies also indicated the effects of rising wages in this location for the price of the sourced products. Company A: “In the east of the continent people are getting paid more and more, so products are also becoming more expensive.”. Another factor driving the increase of product prices was mentioned, which is the increasing price of raw materials in Europe, directly influencing the cost of production.

Concluding, we could state that European companies are pulled towards sourcing transcontinental by lower product prices, mainly resulting from lower wages. This perception is amplified by the rising wages in (eastern) Europe, resulting in higher product prices in Europe. This keeps, or even increases the price difference between Intra-EU sourcing and transcontinental sourcing, in favor of the latter.

6.1.2 Technological development outside Europe; creating important impacts

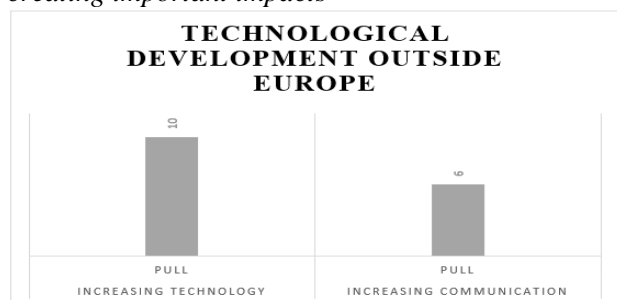


Figure 6: Overview of mentions in category: Technological development outside of Europe

When conducting the literature review, the technological development in Asia and therefore created opportunities for companies can be identified as a trend-supporting factor. It can be identified that technological development has resulted in Asian suppliers being able to adapt quickly to innovative technology sectors, sometimes even providing technical exclusivity. This technological developments contributes to

Asian companies being able to produce large quantities of the same product, in combination with the low wages as stated earlier in section 6.1.1. Also when conducting the literature review, an ongoing increase in quality could be identified, while product prices remained low. These two most important results from technological development can be classified as “Availability of sourced products” and “Quality of sourced products”. While conducting the interviews, these two results of the technological development were also frequently identified as pull factors for deciding to source transcontinental. Because these factors were mentioned so frequently they will analyzed separately in section 6.1.3 and 6.1.4 respectively.

When analyzing the conducted interviews, other results of technological development outside of Europe were stated as trend-supporting factors. Combining all the interviews, results from technological development, next to availability- and quality of sourced goods, were mentioned as a factor 16 times, consisting solely of pull factors, as indicated in figure 6. Because technological development, when mentioned as a trend-supporting factor, is happening outside of Europe, it is understandable that all the identified trend-supporting factors can be classified as a pull factor.

After availability- and quality of sourced products, increasing communication is mentioned most frequently as a trend-supporting factor, being mentioned 6 times. In the interviews it was stated that increasing communication possibilities are a result of digitalization and the rise of the internet, which in its turn are results of technological development. The increasing communication allows companies to come into contact with transcontinental suppliers more easily. Furthermore, technological development was also mentioned as a factor, without more specific insights 10 times.

Company D: “Through digitalization and the better possibilities for communication, there is a lower barrier to buying in other cultures, in other countries.”

Company U: “I would say that the lower communication barriers in the modern world play a role in this. Today we are able to explore the entire world from our desk and therefore it is a lot easier to establish a contract with suppliers overseas.”

Concluding, we could state that for European companies, the perceived easiness of transcontinental sourcing is enhanced by the increasing communication possibilities as a result of technological development. This technological development can also have other unidentified results which act as a trend-supporting factor.

6.1.3 Availability of sourced products; resulting from technological development

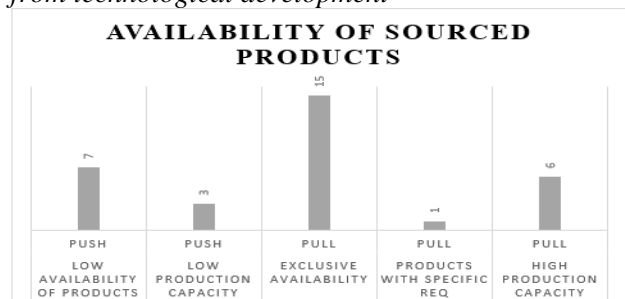


Figure 7: Overview of mentions in category: availability of sourced products

As mentioned in section 6.1.2, one of the two main results of technological development, which can be identified as trend-supporting factors is the availability of products sourced outside of Europe. Combining all the interviews, availability of sourced

products was mentioned as a factor 32 times, consisting of 10 push- and 22 pull factors, as indicated in figure 7. In the case of availability of products, 69% of the mentioned factors can be categorized as a pull factor, while 31% can be categorized as a push factor. This indicates that for availability of products, factors outside of Europe can be conceived as more important.

Most mentioned is the factor exclusive availability; transcontinental suppliers offering products which are difficult to source, not available, or do not offer the required specifications in Europe. This factor is mentioned 16 times, including one mention of availability of products with a specific requirement. This phenomenon is caused by production facilities moving to or starting in Asia, following the mentioned technological development. This development in location of production facilities on the other hand has the effect that availability of the right product has decreased inside of Europe. This is mentioned as a push-factor 7 times. While exclusive availability is identified to be mainly caused by technological development, the location of supplying companies also allows them to have access to raw materials. In the interviews, this is mentioned 4 times as a reason for exclusive availability.

Company C: "Required raw materials are only available somewhere in specific countries."

Next to offering specific required products, availability can also apply to the quantities of products which can be supplied. Because of the technological development in Asia, in combination with the low wages, suppliers there are able to produce large quantities of a specific product efficiently. It was mentioned 6 times that suppliers outside of Europe have a high production capacity, allowing them to supply required large quantities of products.

On the opposite, it was mentioned 3 times that suppliers inside of Europe have low(er) production capacity, therefore they are not able to supply the required large quantities.

Company I: "The required quantities they (companies in Asia) can just deliver, they just send a 40-foot container without turning their hand around."

Company O: "So it is hard to source the same product here in Europe, there are fewer suppliers for it, offering it in smaller capacities."

Concluding, we could state that the easier accessibility of the required products, or quantities of products, outside of Europe pulls companies to source transcontinental. In some cases availability can also be exclusive to these countries, making European companies dependent.

Company D: "For example, we manufacture sensors and the required spare parts are only available in Asia, more specifically China, we have no choice"

6.1.4 Quality of sourced products; a result from technological development

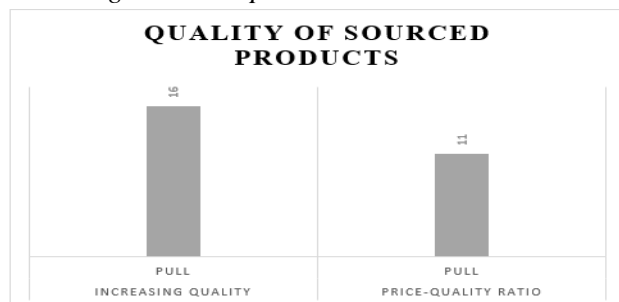


Figure 8: Overview of mentions in category: quality of sourced products

As mentioned in section 6.1.2, one of the two main results of technological development, which can be identified as trend-supporting factors, is the increasing quality of products sourced outside of Europe. Combining all the interviews, quality of sourced products was mentioned as a factor 27 times, solely consisting of pull factors, as indicated in figure 8. Because quality is increasing outside of Europe, it is understandable that all the mentioned trend-supporting factors can be classified as a pull factor. Increasing quality of products outside of Europe is mentioned as a trend-supporting factor 16 times. From analyzing the interviews it can be identified that products outside of Europe were believed to be generally of lower quality only once.

Company X: "And I also believe that the quality in the transcontinental have improved significantly, from being bad to being acceptable or good, over the last 10, 20 years."

Technological development has allowed suppliers in Asia to increase the quality of the supplied products. This was needed to be a competitive supplier for companies inside of Europe, since the perceived quality when sourcing Intra-EU is high. So quality of products sourced from Asia is perceived to be increasing, even sometimes being on par with quality of Intra-EU sourced products.

Company V: "Mainly the required improvement of delivered quality has caused the complete transition of all our assembly lines to lower wage countries (in Asia)."

Company H: "They (suppliers in Asia) can deliver at least the same quality."

Meanwhile, as stated earlier in section 6.1.1, product prices are still perceived to be lower when sourcing from Asia. This can create a good price-quality ratio for European companies sourcing transcontinental. This is mentioned 11 times during the interviews.

Concluding, we could state that the increasing quality of products sourced in Asia has resulted in a good price-quality ratio for Asian, therefore transcontinental suppliers, which is pulling European companies to choose transcontinental sourcing.

6.1.5 Laws and regulations; increasing bureaucracy inside of Europe

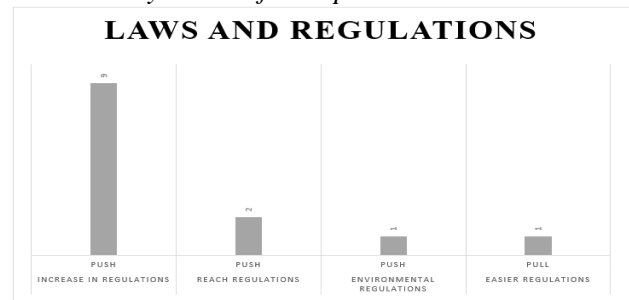


Figure 9: Overview of mentions in category: laws and regulations

When conducting the literature review, laws and regulations being similar inside of Europe could be identified to be an advantage for Intra-EU sourcing. However, currently laws and regulations are becoming increasingly difficult, mainly in the field of Corporate Social Responsibility. Combining all the interviews, increasing laws and regulations inside of Europe were mentioned as a factor 13 times, consisting of 12 push factors and 1 pull factor, as indicated in figure 9. In the case of increasing regulations inside of Europe 92% of the mentioned factors can be categorized as a push factor, while only 8% (1 mention) can be categorized as a pull factor. Because laws and regulations are increasing inside of Europe, it is so that the majority of

mentioned trend-supporting factors can be identified as push factors. The one mentioned pull factor (easier regulations outside of Europe), can be seen as a result of increased contrast between inside- and outside of Europe, as a result of this development inside of its borders.

Increase in regulations inside of Europe is mentioned as a trend-supporting factor 9 times. From analyzing the interviews it can be identified that increasing regulations, in some sort of form, act as hinder for Intra-EU sourcing. It can be observed that across the interviewed companies, increasing regulations mainly apply to product requirements, which either drives up the product price, or makes it harder to source.

Company O: "If I look at the Chemical industry, with the laws and regulations in Europe, it won't grow very fast anymore in Europe, because it is just too difficult to comply with all the laws and regulations"

An example inside of the chemical industry are REACH regulations, being mentioned twice. In the existing literature, corporate social responsibility was stated in multiple articles as a factor. Meanwhile, environmental regulations were only mentioned once as a push-factor for transcontinental sourcing. It could however be the case that mentioned increases in regulations are an effect of the increased importance of corporate social responsibility.

Concluding, we could state that increasing laws and regulations in Europe is not as frequently perceived as a trend-supporting factor, being mentioned only 13 times, compared to 70 times for price and 65 times for technological development and its results. However, increasing regulations inside of Europe can help to push European companies away from Intra-EU sourcing, in combination with the more important factors.

6.1.6 Decreasing open-trade market; decreasing efficiency of trade in Europe

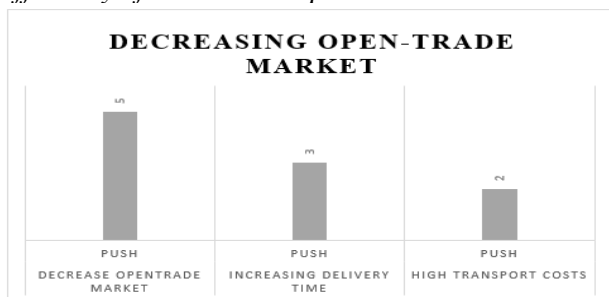


Figure 10: Overview of mentions in category: decreasing open-trade market

When conducting the literature review, the COVID-19 pandemic was identified to be the reason for the decreasing open-trade market in Europe. Because this pandemic had more severe effects inside of Europe, compared to outside of its borders, these effects can be seen as factors to push companies to transcontinental sourcing. Combining all the interviews, the decreasing open trade market inside of Europe, as indicated by the increased difficulty of travel and trade of goods, was mentioned as a factor 10 times, solely consisting of push factors, as indicated in figure 10. Because the open-trade market is decreasing inside of Europe, it is understandable that all the mentioned trend-supporting factors can be classified as a push factor.

When analyzing the interviews, the COVID-19 pandemic was not specifically mentioned as a trend-supporting factor. However, factors were mentioned which can be a result of the impact of the COVID-19 pandemic. Two results could be increasing delivery times, being mentioned 3 times, and increasing delivery costs, being mentioned twice. High(er)

transport costs, along with increased delivery times in Europe can make transcontinental sourcing more attractive, in comparison. Another cause of the decreasing open trade market in Europe can be the increased regulations as explained in section 6.1.5. Decreasing open trade market was mentioned 5 times in the interviews, 4 times it was mentioned in combination with mentioning increasing regulations.

Company I: "Yes, they are constantly trying to get control with extra rules, even between countries in Europe. That should actually improve the trade. But precisely because of all those rules and restrictions, it becomes more difficult."

Concluding, we could state that the decreasing open trade market in Europe is not as frequently perceived as a trend-supporting factor, being mentioned only 10 times, compared to 70 times for price and 65 times for technological development and its results. However, this development inside of Europe can help to push European companies away from Intra-EU sourcing, in combination with the more important factors, same as the increased regulations and laws.

6.1.7 Honorable mentions; uncategorized factors mentioned once

Next to the identified factors which could be categorized into one of the six main categories, also 5 factors were mentioned which did not belong in any category. All these factors were mentioned once. The political situation in Eastern Europe along with the differences between that location and Western Europe (Netherlands or Germany in the context of this research paper) were mentioned as push-factors. Furthermore, better relationships and flexibility were mentioned as pull factors, increasing the perceived easiness of transcontinental sourcing. Another pull factor which was mentioned was exchanging knowledge between cultures, which is possible if a good relationship is built between suppliers located in different cultures. These factors were only mentioned once, and stand apart from the other mentioned factors belonging in one of the six categories. Hence why they will not be taken into consideration, because their implication is to specific for certain companies.

6.2 Future expectations; Is Intra-EU or Transcontinental sourcing more likely?

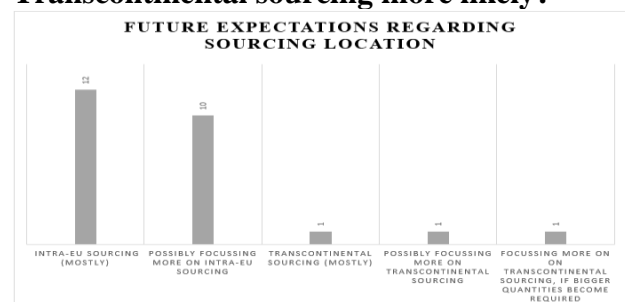


Figure 11: Overview of mentions regarding future expectations of sourcing location

When combining the results of the conducted interview, out of the 25 participants, 22 mentioned that they expected to either (still) source mostly in Europe or focus more on it. Meanwhile only 3 companies mentioned that they expected to source mostly, or more transcontinental. This is indicated in figure 11. While the majority of participants expected to source (mainly) European in the future, factors supporting transcontinental were mentioned more often. Factors supporting transcontinental sourcing were mentioned 217 times, compared to 172 for factors supporting Intra-EU sourcing. When comparing the amount of mentioned factors for both transcontinental- and

Intra-EU sourcing and the mentioned future expectations, contradicting results are present. A reason- or explanation for the indicated future expectation was not stated in every interview, but reliability- and duration of the sourcing- and transportation process can be indicated as the most prominent reason to expect future sourcing to occur (mainly) inside of Europe. The recent supply-chain disruptions caused by the effects of the COVID-19 pandemic and the current war between Russia and Ukraine could pose as reasons for participants to be more attracted to sourcing closer by, thus indicating this as their future expectations, while mentioning more factors supporting transcontinental sourcing. Another reason for this phenomenon could be because of the way the interview was structured. It could be that unconsciously, the questions were asked in such a way that mentioning more factors supporting transcontinental sourcing was more apparent. However, exactly why the participating companies lean (more) to Intra-EU sourcing, while indicating more factors supporting transcontinental sourcing cannot be explained from the results of the conducted interviews. This can be seen as a limitation to this research and will be explained more extensively in section 8.

7. OVERVIEW AND CONCLUSION; A SUMMARY OF FINDINGS

7.1 Overview of literature review- and interview findings; a coherent result of trend-supporting factors

When conducting the literature review, price of sourced products was identified to be the most important trend-supporting factor. It could also be identified that not only the price of products was important, but also the price-quality ratio, as a certain quality is required for European companies. This price-quality ratio is ensured by the technological development, resulting in increasing quality. Another result of technological development in certain sectors is indicated to be exclusive availability of products outside of Europe. Less important, but not irrelevant factors were also indicated; increasing regulations- and a decreasing open-trade market in Europe.

Resulting from the analysis of the conducted interviews, it can be identified that the most important factor supporting transcontinental sourcing is still the price of sourced goods (mentioned 70 times). Followed by availability of sourced products (mentioned 32 times) and quality of sourced products (mentioned 27 times), which are both caused by technological development (mentioned 16 times). Mentioned less, but not unimportant are laws & regulations (mentioned 13 times) and the decreasing trade market (mentioned 10 times).

7.2 Conclusion; Conjunction between trend-supporting push- and pull factors

It can be noticed that conducting the literature review and interviews both result in similar identified trend-supporting factors. This means that the qualitative research for this paper, in the form of conducting interviews with European companies, has reinforced the statements made in already written scientific literature. Because the findings from both the literature review and conducted interviews are similar, they both reinforce the conclusion as stated below.

7.2.1 Main identified trend-supporting factors; what factors drive the trend?

An answer to the research question: **“Which push- and pull factors cause the trend; an increase in transcontinental sourcing at cost of continental sourcing”**, will be formulated,

based on the insights generated from the literature review and conducted interviews.

We can conclude that companies are mainly pulled to transcontinental sourcing because of low product prices- and the results of technological development outside of Europe. Meanwhile, negative developments inside of Europe; the increase in regulations and the decrease of the open-trade market, as indicated in figure 12, help to convince European suppliers to source transcontinental, pushing them outside of Europe. A detailed explanation of this conclusion will be given below.

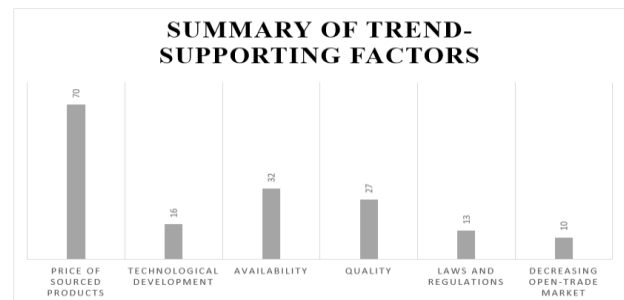


Figure 12: Overview of mentioned factors; a summary

The main factor which pulls European companies to transcontinental sourcing is the price of products. Product prices when sourcing transcontinental, more specifically, in Asia are generally still lower, compared to Intra-EU sourcing. This is the result of lower wages in these countries. While product prices are still perceived to be low, quality of products in Asia have seen an ongoing increase, resulting in a good price-quality ratio. This increasing quality is necessary for companies in Europe to benefit from the lower product prices, as certain quality levels are required. This increase in quality is a result of the second most important pull factor; technological development outside of Europe, mainly in Asia. While this factor on its own is not a reason to pursue transcontinental sourcing, the resulting opportunities for Asian companies are. The main opportunities which rose from the technological development are; the already mentioned increase in quality, availability and increasing communication. Availability applies to specific products or quantities of products. Through technological developments, companies in Asia are able to supply products which are not- or scarcely available in Europe. Also they can offer large quantities of products, because of the mentioned low wages. This availability can in some cases also be a result of geographical location, giving access to specific required raw materials. Another aspect of technological development resulted in digitalization, which in its turn opened up new possibilities of communication. Availability of products or quantities of products pulls, or even forces European companies to source transcontinental, while the increasing communication possibilities allow them to get into contact- and communicate with transcontinental suppliers. This supports the process of transcontinental sourcing, making it easier.

While low products prices and the results of technological developments pull European companies to transcontinental sourcing, this is not the only force which is working on them. Negative developments are also occurring within Europe, which help to push European companies to transcontinental sourcing. These push-factors are; increasing regulations- and a decreasing open-trade market within Europe. Increasing regulations, resulting in the decrease of the open-trade market within Europe create obstacles for Intra-EU sourcing. These obstacles are increasing product requirements along with slower, more expensive delivery inside of Europe as result of the increasing regulations. While these push-factors would most likely not

convince European companies to pursue international sourcing independently, they can have a positive effect on deciding to source transcontinental, along with the more important trend-supporting factors.

7.3 Managerial implications; the meaning of this trend in global sourcing

In this research paper factors were indicated which support the trend in global sourcing; an increase in transcontinental sourcing at cost of Intra-EU sourcing. These factors were either possible drawbacks of Intra-EU sourcing (push-factors) or possible benefits of transcontinental sourcing (pull-factors). Transcontinental sourcing will not suit every company, depending on size, market of operation, strategy and philosophy for example. However the identified benefits of transcontinental sourcing, and the drawbacks of Intra-EU sourcing could have a big impact on current- and future sourcing operations and decisions. For example, a European company that only pursues Intra-EU sourcing, but needs large quantities of products, could benefit from transcontinental sourcing, as the capacities can be higher, while offering lower prices. When taking this trend into consideration, and its possible future continuation, it could also occur that competing companies are taking into account- or pursuing transcontinental sourcing, benefitting from lower product prices, thus being able to offer products in Europe for a sharper price. Therefore, (purchasing) managers should consider transcontinental sourcing as an option and analyze if this could create a competitive advantage for their company.

8. LIMITATIONS AND FUTURE RESEARCH; WHAT IS NEXT?

8.1 Limitations; timing and contradicting future expectations

A research paper can never be fully inclusive, also this research paper has some limitations. First of all, the amount of participants for the interviews was only 25. If the same interviews would be conducted among a different set of participants, it could be that the results would be different. Also, this research was conducted from an European perspective, focusing mostly on transcontinental sourcing in Asia. This is the main location for sourcing transcontinental for European companies, therefore the available information in existing literature focused mainly on sourcing transcontinental in Asia. While these limitations result in the conducted research not being fully inclusive, one main limitation of this research paper can be identified. Based on the conducted research, it cannot be explained why there are more factors supporting transcontinental sourcing, but still future expectations mainly resulted in Intra-EU sourcing.

8.2 Future research; extending insights

To ensure legitimacy and inclusivity, future research conducted could be used to compliment to the performed research in this research paper. Future research could focus on different transcontinental sourcing locations, to identify factors which support transcontinental sourcing in other global regions. Combined these research papers could result in the identification of factors for the complete term of transcontinental sourcing; everywhere except sourcing in Europe. Also a comparison could be made between the trend-supporting factors in this research paper and the factors which motivate companies to still source Intra-EU. In this way, hopefully it can be explained why companies still expect to mainly pursue Intra-EU sourcing, while indicating more factors supporting transcontinental sourcing. Another option would be to conduct this research again, for example, in five years. In five years, it could be that the recent

effects of the COVID-19 pandemic have less effect on the participants future expectations.

9. ACKNOWLEDGEMENTS

As a final remark, I want to express thanks to the individuals who helped me conduct this research papers. I want to thank Prof. Dr Holger Schiele and Thomas Koerber for their guidance and shared knowledge during the timespan of this research. I also want to share my thanks to all the individuals who participated in the interviews, without them this qualitative research would not have been possible. At last I want to thank Pieter Harink for the great communication while the creating, conducting and analyzing the interviews.

10. BIBLIOGRAPHY

10.1 Appendix

10.1.1 Appendix A; conducted open interview

Open Questions

Research has shown that the share of European companies source in the EU (continental) has steadily been declining in the last 20 years. For instance, while in 2002 the UK was still trading 63% of its total volume in the EU, by 2016 this value had declined to 46%. Apparently, firms are choosing more supplies in other continents (transcontinental).

1. Would you have an explanation for the phenomenon of a loss of importance of intra-EU sourcing, i.e. of suppliers from the EU, which factors have influenced this?
 - 1b. How does this trend impact your company? Which type of product is sourced in Europe / what is sourced transcontinental?

2. Considering the situation of your company: Which push factors would influence the decision to source transcontinental?
(push factor = A factor inside of Europe, which pushes companies to source transcontinental)
 - 2b. Would the following push factors have an effect?
 - Increasing wages in Europe
 - More regulations in Europe
 - Decreasing trade openness in Europe

3. Considering the situation of your company: Which pull factors would influence the decision to source transcontinental?
(pull factor = A factor outside of Europe, which pulls companies to source transcontinental)
 - 3b. Would the following push factors have an effect?
 - Technological improvements outside of Europe
 - Quality improvements outside of Europe
 - Lower wages outside of Europe, compared to in Europe

4. *(only if back shoring is mentioned in question 1, 2 or 3)*
What are the perceived benefits and drawbacks of back shoring, meaning going back to sourcing domestical or EU from transcontinental?

5. Considering your sourcing decisions, what would be reasons for you to source within the EU?
 - 5b. Following the previous question, how relevant are the following factors for you, regarding sourcing within the EU?
(Only ask for the follow-up questions when it is applicable, e.g. if a factor is not relevant to the interviewee you can't ask for benefits that factor creates for the interviewee)
 - Single market: Which benefits does it create for you? How much of this is (still) relevant? Which aspects in particular?
 - Similarity of regulations / law: Which regulations / laws are specific for your business? How exactly do you benefit from them being similar?
 - Common currency (Euro): What benefits does the Euro create?
 - Closer distances (transport, visit): To what extent does this benefit your business?
 - Similarity of culture: To what extent do you notice a similarity between your business and your suppliers? What benefits does this create?

6. What are the future locational sourcing expectations of your company (is the trend for transcontinental sourcing planned to be continued)?

10.1.2 Appendix B; Overview of interviewed companies (pseudonymized)

	Interviewed company; Country of origin	Sourcing strategy; Intra-EU or Transcontinental?	Interviewed company; Operating industry
A	Netherlands	Intra-EU	Building
B	Netherlands	Mainly Intra-EU	Plastics
C	Germany	Mainly Intra-EU	Mining
D	Germany	Mainly Intra-EU	EM tyre re-treading
E	Germany	Both	Food
F	Germany	Mainly Intra-EU	Plastic
G	Germany	Both	Automotive
H	Netherlands	Intra-EU	packaging
I	Netherlands	Intra-EU	Log cabins
J	Netherlands	Both	Food
K	Netherlands	Both	Software and technology
L	Netherlands	Both	interlining
M	Netherlands	Both	Rubber and Silicone
N	Netherlands	Intra-EU	Engineering industry
O	Netherlands	Transcontinental	Chemicals industry
P	Netherlands	Intra-EU	Enrichment technology
Q	Netherlands	Both	Pharma
R	Netherlands	Both	Pharma
S	Netherlands	Both	Telecommunication
T	Netherlands	Both	Automotive
U	Netherlands	Mainly Intra-EU	Plastics
V	Netherlands	Mainly Intra-EU	Plastics
W	Germany	Both	Automotive
X	Germany	Both	Automotive
Y	Germany	Both	Telecommunication

10.1.3 Appendix C; Overview of codes and frequencies

Price of sourced products			Technological development			Availability		
High price	push	13	Increasing technology	Pull	10	Low availability of products	push	7
High wages	push	14	Increasing communication	Pull	6	Low production capacity	push	3
High price raw materials	push	1				Exclusive availability	pull	15
Low price	pull	23				Products with specific req	pull	1
low wages	pull	17				High production capacity	pull	6
Low price in bulk	pull	1				Automation	Pull	3
Euro more value foreign	pull	1						

Quality			Law and regulations			Decreasing pen trade market			Uncategorized		
Increasing quality	pull	16	Increase in regulations	push	9	Decrease opentrade market	push	5	Political situatoin	push	1
price-quality ratio	pull	11	REACH regulations	push	2	Increasing delivery time	push	3	Culture difference in EU	push	1
			Environmental regulations	push	1	High transport costs	push	2	Better relationships	pull	1
			Easier regulations	pull	1				Flexibility	pull	1
									Intercultural exchange	pull	1

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