

Benefits of sourcing within the EU: A qualitative study

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ABSTRACT

In recent decades, international or global sourcing seems to ever increase in importance. A distinction can be made within international sourcing into transcontinental sourcing and continental sourcing. In the context of this research, continental sourcing implies intra-EU sourcing. During the last 15 to 20 years a trend of declining importance of intra-EU sourcing and increasing importance of transcontinental sourcing has been established. Transcontinental suppliers can offer lower prices and other advantages that intra-EU suppliers cannot always offer, so more and more companies within the EU move to a more transcontinental sourcing strategy. In this paper several benefits of sourcing within the EU will be identified within an environment of decreasing importance of intra-EU sourcing. Qualitative research will be performed by interviewing 25 different purchasing experts from several industries. These purchasing experts seem to see similar relevance in factors relating to intra-EU sourcing as identified in the theoretical framework of this paper. Factors such as the single European market, the Euro, similar regulations and laws, and similar culture all can provide benefits to sourcing within the EU as opposed to sourcing transcontinental. Furthermore, the results show that the purchasing experts put a main emphasis on shorter distances between buyer and supplier which in its turn can provide significant benefits. The reliability of supply seems to gain importance during recent years, especially due to current event such as the covid-19 pandemic and wars which cause supply chain disruptions to happen more often. The problems that these disruptions cause seem to slowly start to outweigh significant benefits of transcontinental sourcing with price being the most significant benefit of sourcing transcontinental.

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1. INTRODUCTION: INTRA-EU SOURCING AS A STRATEGIC CHOICE

Global sourcing has been an important trend over the last decades (Giunipero, Bittner, Shanks, and Cho (2019, p. 8)). Instead of sourcing only locally, most organizations source their resources from all over the globe. However, global sourcing consists of much more than just attaining resources from all over the globe. "Global sourcing involves proactively integrating and coordinating common items and materials, processes, designs, technologies, and suppliers across worldwide purchasing, engineering, and operating locations." (Trent and Monczka (2003a, p. 26)). Sourcing globally usually results mostly in benefits. Many research considers cost savings as one of the main factors for choosing a global supplier (Platts and Song (2010, p. 320); Kusaba, Moser, and Rodrigues (2011, p. 73)). However, other main factors leading organizations to source globally are quality and availability (Cho and Kang (2001, p. 544)). Next to these factors, there are also a lot of challenges that arise with global sourcing such as longer distances, differences in political and legal systems, differences in cultures, differences in currencies, etc. (Cho and Kang (2001, p. 546)).

There is a distinction between different levels of sourcing. Sourcing within national borders can be referred to as domestic or local sourcing and sourcing outside of national borders can be referred to as either international or global sourcing. The concept of global sourcing itself can be dissected into continental and trans-continental sourcing. (Koerber and Schiele (2021a, p. 3)). From a European perspective, sourcing continentally refers to purchasing from suppliers within the borders of the European Union (EU). During the last decades, there was a decline in the relative importance of intra-EU sourcing paired with an increase of the importance of transcontinental sourcing (Koerber and Schiele (2021a, p. 12)). Comparing transcontinental sourcing with sourcing within the EU shows significant differences in actors and factors related to supplier selection. Due to the European Union, there are a lot of rules and regulations that affect sourcing decisions within the EU concerning trade between member states. Throughout the EU, every country uses the same currency, there is freedom of movement due to the Schengen agreement, culture and norms are similar and there is a common market. However, there is still a decline in the relative importance of sourcing within the continental borders of the EU, which means that these factors do not necessarily weigh up to the benefits that transcontinental sourcing can provide.

The purpose of this research paper is to get a better perspective on what businesses think is important when choosing a supplier and how this leads to the choice of either sourcing continental or transcontinental. Following this there will be a focus on sourcing within the EU, especially what theoretical benefits of intra-EU sourcing could be. This focus will contribute to the literature of the relatively little researched distinction between continental and transcontinental sourcing. Most papers concerning global or international sourcing often make the distinction between local or national sourcing and international or global sourcing (Trent and Monczka (2003b); Kusaba et al. (2011); Alguire, Frear, and Metcalf (1994); Jin (2004)). However, a distinction between continental and transcontinental sourcing as stated by Koerber and Schiele is often not present (Koerber and Schiele (2021a, p. 3)).

Following, this research may help businesses with decisions whether to source continental, transcontinental or even

domestic in the future. Therefore, a research questions is formulated:

What are significant benefits of sourcing within the EU in an environment of declining importance of continental sourcing?

To formulate a conclusion, two types of research will be done. First, a literature review will lead to an overview of the distinction of the three different geographical levels of sourcing and theoretical benefits of sourcing within the EU will be identified. Then, after the theoretical part of this paper, qualitative research will be done to get an in-depth insight of what the perceptions of different purchasing experts are regarding intra-EU sourcing. The data of this qualitative research will be gathered by interviewing 25 different purchasing experts from companies in several industries. The combination of both the theoretical part and the qualitative part will help to provide a significant answer to the research question.

2. THE THREE LEVELS OF SOURCING

Sourcing is a significant practice that almost every organization participates in. Sourcing is most often seen as simply purchasing products and resources necessary to operate an organization. However, sourcing can be better 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 paper the distinction between three different levels of sourcing is being made. Sourcing within the same country as the organization, known as either domestic or local sourcing, continental or intra-EU sourcing, and transcontinental sourcing.

Trent and Monczka state that international sourcing is more complex than domestic sourcing. International sourcing organizations have to deal with more rules and regulations, longer material pipelines, fluctuations in currency, customs, language differences and time differences (Trent and Monczka (2003a, p. 29)). Again, according to Schiele and Koerber, International sourcing can be split up into continental and transcontinental sourcing (Koerber and Schiele (2021a, p. 3)). This chapter will further explain the three different geographical types of sourcing.

2.1 Domestic sourcing: sourcing within national borders

Domestic sourcing refers to sourcing within the borders of the country the sourcing organization is located in. Sourcing domestically is the most traditional form of sourcing. From establishing a business to growing it to a multinational organization, most often is looked at sourcing close by first. According to Trent & Monczka, domestic sourcing is the first level of sourcing within an international sourcing continuum (Trent and Monczka (2003a, p. 29)). As mentioned before, they state that benefits of sourcing domestically as opposed to sourcing internationally are shorter pipelines of resources, no or little fluctuations in currency, no international customs requirements, low level of law and regulations and other factors such as no or little language barriers and no or little time zone differences. Next to that, a significant advantage of sourcing domestically is agility since suppliers are located closer to the sourcing firm so shorter distances and delivery times can be attained. This, however, can influence the production prices of these types of products. When the demand of a product is highly fluctuating, agility is needed, even if the cost has to be sacrificed a little (Jin (2004, p. 1300)). However, when sourcing

organizations further develop and get bigger, they seem to move on from just sourcing domestically and start to source more international or global to defend market shares and gain advantages on their competitors (Alguire et al. (1994, pp. 62-63)).

2.2 Global sourcing: continental and transcontinental sourcing

When organizations get bigger and further developed, most often they will include some form of global sourcing to their sourcing strategy to some extent. As mentioned before, organizations will include global sourcing in their sourcing strategy to protect their position in their market and to retain or even gain advantages over competitors (Alguire et al. (1994, pp. 62-63)). According to Trent & Monczka global or international sourcing is defined as “integrating and coordinating common items, materials, processes, technologies, designs and suppliers across worldwide buying, design and operating locations” (Trent and Monczka (2005, p. 24)). Next to that, there are multiple factors influencing the choice for the destination of global sourcing. “The choice of destination for international sourcing is influenced by a multitude of factors, such as the availability of appropriate labour, the infrastructure in the country chosen, the possible network of affiliated enterprises or even language and cultural barriers.” (ALAJÄÄSKÖ (2009, p. 5)).

This sub chapter will elaborate further on global sourcing as well as considering the dissection of global sourcing into continental and transcontinental sourcing as stated by Schiele & Koerber. (Koerber and Schiele (2021a, p. 3)).

2.2.1 Continental sourcing: sourcing within the continental borders of the EU

Continental sourcing concerns sourcing within the same continental area as the sourcing company is located. This paper focusses on European sourcing and all interviewed organizations are located within the EU so all perspectives are from within the EU. Herewith, continental sourcing means European sourcing as intra-EU sourcing. The distinction of continental sourcing as intra-EU sourcing is significant since at least 40% of the global sourcing volume of European businesses is from intra-EU sourcing (ALAJÄÄSKÖ (2009, p. 5)). The EU is a political and economic union consisting of 27 countries located in Europe. An important characteristic of the EU is that goods, services, labor and capital can move freely between different member states of the EU (Kox, Lejour, and Montizaan (2004, p. 9)). Next to that, the Schengen agreement also has an important effect on countries within Europe as this agreement grants persons the right to move freely between countries which are part of the Schengen area. These factors indicate that there are certainly positives to sourcing intra-EU. In chapter three, a more in-depth overview of European sourcing factors will be provided including a more detailed elaboration of the EU as well as the Schengen agreement.

2.2.2 Transcontinental sourcing: sourcing from a different continent

Transcontinental sourcing is, as opposed to continental sourcing, sourcing from another continent. “Remote sourcing - or transcontinental sourcing - means that suppliers of a firm are situated in other continents” (Schiele, Hoffmann, and Koerber (2021, p. 57)). To make clear that this paper concerns a distinction within global sourcing as continental sourcing and transcontinental sourcing, the term “remote sourcing” will not be used, since it has the same meaning as transcontinental sourcing. Transcontinental suppliers may provide businesses with higher quality and technology. However mostly, they offer lower costs (Trent and Monczka (2003b, p. 609)) and “A firm is able to offset

competitive disadvantages other than costs” (Alguire et al. (1994, p. 63)). Alguire also mentions ‘comparative advantage’, which means that a company can compare their suppliers from different countries to enable them to benefit from local advantages from the countries the suppliers are located in (Alguire et al. (1994, pp. 62-63)). Transcontinental sourcing does come with potentially more difficulties compared to continental sourcing as longer distances, differences in cultures, differences in time-zones, legal differences and currency fluctuations are more significant compared to intra-EU sourcing (Koerber and Schiele (2021a, p. 223) ;Bohnenkamp, Schiele, and De Visser (2020, p. 87)). Adding to that, supply chain networks become longer which means that more partners are involved, making the supply chains harder to control (Christopher and Peck (2004, p. 5)).

3. THEORETICAL FRAMEWORK: SOURCING IN A EUROPEAN PERSPECTIVE

As mentioned before, global sourcing can be dissected into continental sourcing and transcontinental sourcing. Due to the decline in importance of sourcing within the continental borders of Europe in recent years (Koerber and Schiele (2021a, p. 3)) it is logical to assume that factors concerning supplier selection decisions are in favor of global sourcing as opposed to continental sourcing. However, there are significant factors that point to continental sourcing as a viable option to source. This part focusses on the ongoing trend of decreasing importance of European sourcing as well as significant factors such as the European Union and theoretical benefits of sourcing within Europe as opposed to global sourcing.

3.1 Development of the decreasing importance of continental sourcing

As mentioned before, trade within the EU is experiencing a decline in importance over the last 15 to 20 years. However, traditionally countries within the EU tend to trade more with other countries within the EU (Koerber and Schiele (2021a, p. 6);Eurostat (2022)). A good visualization of the decrease in sourcing within the EU is the fact that during the period of 2003 until 2019, the intra-EU trade has decreased significantly. In 2003, 69,1% of trade was intra-EU and by 2009 only 63,8% of trade was intra-EU. This means that the overall decline of intra-EU sourcing was 5,3% in this time period (Koerber and Schiele (2021a, p. 6)). Furthermore, over the recent years there has been a stagnation regarding global sourcing (Podkaminer (2016, p. 54); Koerber and Schiele (2021a, pp. 5-7)). While global sourcing is stagnating, transcontinental sourcing gained importance which indicates a decrease in importance of continental or intra-EU sourcing Koerber and Schiele (2021b, p. 6)).

Since the goal of this paper is to identify benefits of European sourcing, it is interesting to see that importance of European sourcing is decreasing. Koerber and Schiele identified a number of advantages of transcontinental sourcing as opposed to intra-EU sourcing which seem to explain an increase of transcontinental sourcing and a decrease of intra-EU sourcing to a certain degree (Koerber and Schiele (2021b, pp. 12-14)). As mentioned before, global sourcing can result in lower costs. For example, Asia is quite well known for low-cost production but even in Asia, costs are rising. However, the quality is also rising and even quicker than the costs. This creates a competitive advantage. Next to that, to mitigate quality problems, a strong relationship with a transcontinental supplier is needed. Since it can take quite some time to establish successful relationships with transcontinental suppliers it is hard to exchange a well-developed transcontinental supplier for an EU supplier. This

phenomenon of it being easier to keep transcontinental suppliers instead of choosing a European supplier can be referred to as 'global tenureship'. Following this, they state that the advantages of transcontinental sourcing are further traceable to 4 different categories. These four categories are availability and capacity, increasing quality, technical exclusivity, and volume production exclusivity. Since transcontinental suppliers can provide benefits concerning the four categories just mentioned, which European suppliers cannot always provide, they become more attractive. These 4 factors can lead to specific advantages in certain local clusters. This means that a market in a transcontinental area can provide benefits from the perspective of a supplier which European suppliers cannot offer. When choosing a supplier in such a local cluster, a business can benefit from the advantages of the market in which the supplier is located. This phenomenon can be referred to as 'strategic market penetration' Koerber and Schiele (2021b).

3.2 European Union and Schengen area: providing sourcing opportunities

The EU plays a big role regarding sourcing decisions since it can be considered as an economic and political entity. Out of a total of 44 countries in continental Europe, 27 countries are members of the EU. These 27 countries contain most of the largest economic European countries. The EU provides several theoretical benefits concerning sourcing. In chapter 3.3, several factors will be identified and a framework of theoretical benefits of sourcing within the EU will be provided.

Closely related to the EU, the Schengen agreement is a significant agreement within continental Europe. 26 European countries are part of this entity. As opposed to the EU being an economic and political entity, the Schengen area creates the possibility for freedom of movement concerning people between member states. Therefore, making identity checks at national borders between participating countries obsolete (Felbermayr, Gröschl, and Steinwachs (2018, p. 335)). The Schengen area, however, does not consist of exactly the same members as the EU. Non-EU countries Iceland, Norway and Switzerland are part of the Schengen area whereas EU countries Bulgaria, Croatia, Cyprus, Ireland, and Romania are not part of the Schengen area. In general, there is a significant overlap between EU countries and countries part of the Schengen area which results in these two entities being closely related. In 2015, on behalf of the EU, a survey was taken about what citizens of the EU think is the most positive result of the EU. The freedom of goods, people and services within the EU was the second most popular answer with just 1% less answers than freedom between EU member states (*Standard Eurobarometer - 82* 2014, p. 3)). This further indicates the correlation between the EU and the Schengen agreement.

By reducing or even deleting border controls, the Schengen agreement provides the opportunity to cross borders within the Schengen area easier which provides millions of Europeans with several benefits (Felbermayr et al. (2018, p. 335)). Without having to go through borders checks, people, products and services have less waiting time when going to another Schengen country which stimulates the traffic of people, products and services between these countries (Ademmer, Barsbai, Lücke, and Stöhr (2015, p. 3)).

3.3 European sourcing: sourcing benefits provided by being located in the EU

There are multiple intra-EU factors to be identified, which means that the initiation of the EU provides some factors that can influence which suppliers to choose. The increase in transcontinental sourcing is heavily stimulated by low prices

and this is arguably the most significant factor when choosing a supplier. However, price is not always the leading factor. In this section several effects of the EU will be mentioned, and potential benefits of the EU will be described.

3.3.1 Single market

The creation of the EU eventually resulted in a single integrated market. The European single market can be seen as a market in which most trade barriers are lifted. "A cornerstone of the European Union (EU) is the principle that goods, services, capital and labor can move freely between the member states. The internal market for goods functions rather well, after the implementation of the Single Market programme in 1988." (Kox et al. (2004, p. 9)). This principle highlights the fact that freedom of movement of goods, services, capital, and labor is a significant principle of the EU. However, it stresses that the internal market for goods functions well, but this was not the case for services. It wasn't until the introduction of the services directive in 2006 that within the EU service providers have the opportunity to provide services in another member state. (Freeman, Meijerink, and Teulings (2022, p. 9)).

The single market resulted into macroeconomic benefits to members of the EU. In 't Veld examined what level of macroeconomic benefits the single market in goods and services has brought to the EU. He mentions that the introduction of the single market has increased trade flow within the EU by elimination of trade tariffs and reduction in non-tariff barriers which resulted in more output and domestic demand. However, the introduction of the single market also led to lower prices, increased competition, and reduced mark-ups. By combining these effects of the introduction of the single market he states that the introduction of the single market is found to have raised the GDP of the EU by 8 to 9 percent on average in the long run (in 't Veld (2019, p. 19)). Adding to this, Lehtimäki and Sondermann state that the initiation of the EU resulted into the possibility to easier access product markets of other countries within the EU ' During the process member countries opened the door towards common minimum standards and harmonisation in the area of goods and services provision and access to each other's markets, in particular through increasing common decision-making in areas that were previously confined to national competences.' (Lehtimäki and Sondermann (2021, p. 35)). Combining the findings of both in 't Veld and Lehtimäki & Sondermann, it could be stated companies located within the EU benefit from being located there, since sourcing from other countries within the EU is easier than sourcing from companies which are located in other markets which have different standards.

Next to the EU, the Schengen agreement also has an impact on the effect of the single market. The freedom of movement of people further helps the integrations of the trade in goods and services within the EU. Felbermayr et. al state that the flow of goods increase by 2,6% per crossing of a single Schengen border and even 4,1% for services (Felbermayr et al. (2018, p. 349)). Adding to this, Davis and Gift state that the free movement of people improves trade within Europe for three reasons: 'It shifts out the demand curve for foreign goods by consumers, informs retailers about low-cost producers abroad and enables firms to hedge their risks associated with buying and selling outside the country.' (Davis and Gift (2014, p. 1555)). They calculated that labor mobility due to freedom of movement resulted into hundreds of millions of dollars of increased trade every year. (Davis and Gift (2014, p. 1555))

3.3.2 Common currency

Throughout the EU, the Euro is the most common currency used by the member states. However, not all the member states of the EU use the Euro. 19 out of the 27 member states of the EU use the

Euro as their national currency. The member states that do use the Euro are members of the European Monetary Union (EMU). The effect of a common currency is often an increase in trade. E.g. a reduction in transaction costs between nations that use the same currency instead of a different national currency (Rose (2000, p. 10)). Reducing transaction costs by elimination of exchange rate uncertainties between nations in terms of differentiating currencies was one of the main motivations to establish the EMU (Emerson, Gros, Italianer, Pisani-Ferry, and Reichenbach (1990, p. 9)). Other main benefits stated by the commission of the European communities are price stability, public finance, less country specific economic shocks and better international coordination. The introduction of the Euro has resulted in an increased amount of exports between members of the EMU by about 13 to 16 percent (Camarero, Gómez, and Tamarit (2013, p. 1153)). According to Kunroo et al. the introduction of the euro had a positive effect on trade between EMU member states as well. They state that there was a 14% increase of inter-European trade and even 6% more for intra-EMU trade which adds up to about 20% increase in trade (Kunroo, Sofi, and Azad (2016, p. 409)).

3.3.3 Similar laws/regulations

Related to the effects the EU has on the single market, there are laws and regulations within the EU which are binding and apply to all EU member states. Next to that, there are directives within the EU that harmonize legislations within the EU. One of the areas covered by these measures is trade legislation. These laws and regulations strengthen the integration between EU member states since no effort has to be made to get familiar with different laws and regulations of other countries so transaction costs can be reduced. This can in its turn result in potentially more trade between EU member states (Freeman et al. (2022, p. 10)).

A good example to show what the effects of common regulations and laws can have on countries within the EU is the case of the Norwegian referendum on EU membership in 1994. Most countries that integrate with the European economic area also integrate with the EU (institutional integration). However, Norway chose to stay out of the EU and chose for a purely economic integration. By choosing to not follow the institutional integration route, Norway experienced a significant loss of productivity (mainly in industry) during the first 7 years after the referendum. Because Norway chose not to integrate with the EU, the average region in Norway grew 0.6% slower per year than it would have if Norway did choose to join the EU (Campos, Coricelli, and Franceschi (2022, p. 12)).

3.3.4 Common norms & culture

Within the EU, the English language is a common language which is spoken widely throughout the EU. However, during this day of age, the English language is well spoken throughout the globe. There are, however, similarities in cultures which can positively affect trading. "Countries that are located close to each other are often more similar to each other in terms of culture, institutions, preferences, and demand patterns than more distant countries, and these similarities can be expected to facilitate trade" (Kokko and Tingvall (2014, p. 88)). Since the EU is an area which contains a lot of countries relatively close to each other, similar cultures are likely to affect sourcing decision to a certain degree. Kokko and Tingvall state that geographical distance is not the only factor that influence cultural, demand and institutional similarities. Factors such as language, religion, history, political systems, level of development, migration patterns and climate are also likely to play some role (Kokko and Tingvall (2014, p. 88)). A concept closely related to this is 'psychic distance'. This means that there is a higher chance that trade between countries will occur when the trade partners are

familiar with each other to a certain extent because this results in lower costs for managing trade transactions (Beckerman (1956, p. 38)). It is, however, debatable to what extent members of the EU experience a similarity in culture and norms, since there are visible differences between e.g., North-Western Europe, South Europe, and Eastern Europe.

Adding to the previous part, there are visible continental differences in purchasing strategies. As an example, Western Europe and North America have some significant differences regarding purchasing strategies. Europeans have a greater emphasis on price, as reduction in prices as well as total costs. Meanwhile, North Americans put more emphasis on social and ethical guidelines (Karjalainen and Salmi (2013, p. 121)). This further substantiates the fact that countries located closer to each other having more similarities, which can make sourcing within the EU easier for companies located within the EU.

4. RESEARCH DESIGN

4.1 Qualitative research: gaining an in-depth understanding

This paper consists of two parts of research. The first part concerns literature research by using different sources to create an overview of important subjects and a theoretical framework. These are in line with the main subject, being European sourcing. Next to this part of the research a choice between two types of research had to be made. These two main types of research being qualitative and quantitative research. To answer the research question: 'What are significant benefits of sourcing within the EU in an environment of declining importance of continental sourcing?', qualitative research has been chosen to provide an answer.

Quantitative research is a form of research which is aimed at discovering a cause-and-effect relationship between variables. This is used when research can be accurately measured (Ahmad et al. (2019, p. 2828)). Other than quantitative research, qualitative research is a type of research which provides the researcher with an understanding of a problem setting. Qualitative research is used in an exploratory setting for which quantitative research does not suffice, since no hard numerical data is available to research. A qualitative research can be used to gain an insight of the motivations, behavior, experiences, intentions and attitudes of participants of a research (Ahmad et al. (2019, p. 2828)). Aspers and Corte state that qualitative research is defined as 'an iterative process in which improved understanding to the scientific community is achieved by making new significant distinctions resulting from getting closer to the phenomenon studied' (Aspers and Corte (2019, p. 155)). This definition is a combination of two criteria: the method of generating and analyzing empirical data and the 'improved understanding novel to the scholarly community' (Aspers and Corte (2019, p. 155)).

Since the focus of this paper is on intra-EU sourcing, a choice had to be made regarding what form of research to apply. Since this subject is relatively little researched and to successfully identify several benefits of European sourcing, qualitative research fits best. By doing qualitative research, a phenomenon can be studied in its natural setting. This will provide the research with a more in-depth perspective of what the participants think. It will provide reasons behind choices made by participants and it provides the opportunity for an exploratory nature of the research by being able to identify 'unknown' factors related to sourcing within the EU (Meredith, 1998, p. 444). Also, qualitative studies often provide benefits by creating a contextualized and rich understanding of human experience through studying specific cases. (Polit and Beck (2010, p. 1452))

4.2 Semi-structured interviews: 25 semi-structured interviews from several different industries

4.2.1 Sampling approach and data collection

To get enough data to analyze, 25 sourcing experts were interviewed. Most of these sourcing experts were from different companies, however, one company has been interviewed twice. In this case, two sourcing experts from separate departments within the same company were interviewed. Sourcing 'experts' refers to employees or owners within an interviewed company who have a good insight into the sourcing activities within their respective companies. An overview of the interviewed companies regarding their respective industry and location is provided in Appendix A. All interviewed companies were either located in the Netherlands or Germany with a distribution of 72% and 28% respectively. The size of each company interviewed differs from companies with a couple employees up to companies with hundreds of employees. However, as opposed to the allowance of different sized companies, there was one main criterion which the interviewed companies had to fulfill. They had to, at least, either source intra-EU or transcontinental with a favor to companies that using a mixed sourcing strategy. Fulfilling this criterion meant that the data gathered from these interviews was relevant to the research and insights in choices regarding sourcing locations could be gathered. When a company would only source locally, the data would not contain any useful material and interview questions could not be answered to the full extent.

The total amount of interviews was held by 7 people part of the same bachelor thesis circle. Each interviewer held 2 up to 5 interviews and all the data of each interviewed was shared within the group after the interviews were held. The interviews were held either physically or digitally, however each interview was recorded and processed in the same way. After recording the open questions of the interview, the audio file was uploaded into a program called 'Amberscript' which enabled the opportunity to create written transcripts of the interviews. Since the interviews were held in English, Dutch or German, the transcripts that were not in English were translated into English to create a uniform overview of all data. The program used for translating the transcripts to English was 'DeepL' which is a professional translating tool which can translate texts with a higher accuracy than other tools such as 'Google translate'. Finally, before performing the interviews, the interviewees were provided with an informed consent form in which the goal of the research was stated as well as how the data would be processed and recorded. This meant that the interviews could be held and recorded with consent of the interviewee in an ethical way.

4.2.2 Semi-structured interviews

The data necessary for this research will be collected by performing professional interviews. There are two types of professional interviews, individual and group interviews. Individual interviews often result in being the more effective type of interviews. Individual interviews can lead to a more effective way of creating an overview of topics within a domain (Guest, Namey, Taylor, Eley, and McKenna (2017, p. 706)). During this research, generating an overview of topics within a domain is exactly what is to be desired since benefits of sourcing within the EU have to be identified. Next to that, Rabiee states that 'focus-group interviews generate large amounts of data, which tend to overwhelm novice as well as experienced researchers' (Rabiee (2004, p. 657)). Which further substantiates the fact that an

unexperienced interviewer chooses to perform individual interviews.

Further, interviews can be performed in either a structured or semi-structured form. Structured interviews consist of fixed questions in a fixed order. This way, the variability of answers provided in the interviews is minimized (Segal, Coolidge, O'Riley, and Heinz (2006, p. 124)). Semi-structured interviews consist of predetermined questions, but this type provides the opportunity for interviewers to ask follow-up questions and leave out questions to which answers are already given during earlier questions. This means that interviewers can ask the questions more flexible and gain a more in-depth insight of the perspective of the interviewees (Segal et al. (2006, p. 136)). Looking at the characteristics, a semi-structured approach fits better with this research since a more in-depth insight of factors related to sourcing within the EU are desired.

The interview consists of a couple different sections. First, a general explanation for the trend of decreasing importance of continental sourcing and increasing importance of transcontinental is asked. Then, questions mainly related to transcontinental sourcing, followed by questions related mainly to intra-EU sourcing are asked. The interviews are concluded by asking the interviewees about their future expectations regarding sourcing locations of their supplier. A more detailed interview structure can be seen in Appendix B.

4.3 Data analysis: Atlas.ti as a qualitative data analysis tool

After the interviews were recorded and transcripts had been made, the data had to be processed to perform analyses. 'Atlas.ti' was the right program to identify important factors regarding sourcing and especially perceived benefits of sourcing intra-EU. Atlas.ti is a computer program mostly used for qualitative data analysis. In this program, all transcripts could be uploaded in one the same place to create an easier environment to analyze the gathered data (Soratto, Pires, and Friese (2020, p. 4); Schebesta (2018, p. 29)). Next, codes could be assigned to relevant pieces of text from the transcripts. Coding concerns identifying and classifying of factors to compare answers of different interviewees (Schebesta (2018, p. 27)). First, main categories of codes were created to separate codes into groups. The interview focusses on factors influencing transcontinental sourcing, factors influencing intra-EU sourcing and future expectations regarding supplier locations. This resulted in these 3 categories being the main categories. First, the transcontinental sourcing factors were separated into push and pull factors which are factors within the EU pushing companies within the EU to source transcontinental and factors outside of the EU pulling EU companies to source transcontinental. The second category is the most relevant for this research since there is a focus on intra-EU sourcing. This category is separated into positive factors inside the EU and negative factors outside of the EU concerning sourcing decisions. This provides an insight from what perspective interviewees look at the questions. Both result in benefits of intra-EU sourcing as opposed to transcontinental sourcing so they are equally as important for the results of this research. The last category concerns future expectations of interviewees which gives an insight into the perspective of companies within the EU regarding their expectations of sourcing locations in the future. The goal of this last category is to analyze whether the trend of decreasing importance of intra-EU sourcing and increasing importance of transcontinental sourcing is potentially shifting.

Atlas.ti, however, is subject to the interpretation of the people coding the transcripts. To decrease the subjectiveness of the coding process, the process is discussed by me and another student who was also highly invested with the qualitative part of

research in the form of the interviews. The main categories have been discussed before starting to code individually and several transcripts have been coded together to establish a shared understanding of how to code the other transcripts. After all the transcripts had been coded, we have had a meeting to discuss the final details of the coding process and made sure that the results of the coding process would be relevant to analyze.

Atlas.ti can create an overview of how many times a code matched to a quote in a transcript has been mentioned, to get an insight of what codes are most relevant to the research. The more a code was mentioned, the more likely there is a significant effect that the factor this code belongs to has on sourcing decisions. Moreover, this way, conclusions on benefits of sourcing within the EU could be drawn subjective to the representative sample of this research.

5. RESULTS: DATA ANALYSIS

In this chapter, the qualitative data gathered by the semi-structured interviews will be displayed. The results will provide inputs to give an answer to the formulated research question: *'What are significant benefits of sourcing within the EU in an environment of declining importance of continental sourcing?'*

As mentioned before, the data is gathered from a European perspective due to the interviewed companies being either Dutch or German. 17 of the interviewed companies are located in the Netherlands and 8 of the companies are located in Germany (72% and 28% respectively). The interviewed companies will be referred to in pseudonymized form. Each company will be appointed a letter from A to Y to enable the possibility to refer to a specific answer from a specific company without compromising the confidentiality of the companies. An overview of the companies can be found in appendix A. This overview will contain the specific letters for each company as well as the location of that company and their respective industry.

The results will consist of the most mentioned factors regarding sourcing decisions in general to give an insight of what is perceived to be most important when choosing a supplier, an overview of the relevance of the factors stated in the theoretical framework to see whether these factors tend to be relevant factors in practice as well, relevant factors mentioned regularly by the interviewees apart from the identified factors of the theoretical framework and an overview of future expectations of sourcing locations.

5.1 Most often mentioned factor influencing sourcing decisions in general: price

Price is often seen as one of the main factors when deciding what supplier to choose, like mentioned a couple times before. By looking at the results, factors related to price are mentioned significantly more than other factors. There were multiple codes related to price from both the transcontinental sourcing category as well as the continental sourcing category. The most often mentioned factors related to price are low prices as a pull factor to source transcontinental (23), high prices as a push factor to source transcontinental (13), low wages outside of the EU as a pull factor to source transcontinental (17), high wages within the EU as a push factor to source transcontinental (14), price quality ratio as a positive factor within the EU (8) and high transport costs as a negative factor outside of the EU (7). In total, factors related to price were mentioned 104 times. This means that the statements of price often being one of the most important factors when choosing a supplier in earlier chapters seems accurate. To substantiate this, when asking the interviewees what they thought could be reasons for the stated trend of increasing transcontinental sourcing and decreasing intra-EU sourcing,

most often the first reply were a couple factors including the factor price.

what do you think, what could be reasons for this phenomenon of decline in sourcing within Europe?

In general, costs. A composition of labour costs, as a main driver. (Q)

I think it's particularly price for almost everything. I think a lot of it, is just bought on price. And yeah, I think that the only reason to go further away is price, because there are really no other good reasons to go further away. (O)

We are purchasing mainly chromed products from China as well as molds. That is for price purposes. (T)

In the next subchapter, several factor from the perspective of sourcing within the EU apart from price will be tackled to provide an overview of factors that could result to sourcing within Europe to be preferred to transcontinental sourcing.

5.2 Overview of identified perceived benefits of sourcing within Europe

Within the theoretical framework 4 main factors of sourcing within the EU have been identified. Part of the interview was dedicated to reasons for sourcing within the EU. The 4 identified factors have been mentioned to the interviewees and they were asked whether each factor was relevant according to them when choosing a supplier within the EU. When a factor was considered to be relevant, follow-up questions have been asked to get a deeper insight into what the effects of these factors are. Next to the 4 identified factors in the theoretical framework, some other factors have also been mentioned such as closer distances to the supplier, quality, and corporate social responsibility. Since these factors are also mentioned a significant number of times, these will also be covered.

5.2.1 Single market

The creation of the EU provided the possibility for goods, services, capital, and labor to move between member states with little to no barriers. This created a single market in which companies from EU member states could trade. During the interview, interviewees were asked whether the single market was relevant according to them when choosing a supplier within the EU. Out of the 25 interviewees, only 2 specifically stated that they think that the single market is not relevant when choosing a supplier within the EU.

Several factors have been mentioned related to the single market. Each of the mentioned factors were from the perspective of being positive factors from within the EU.

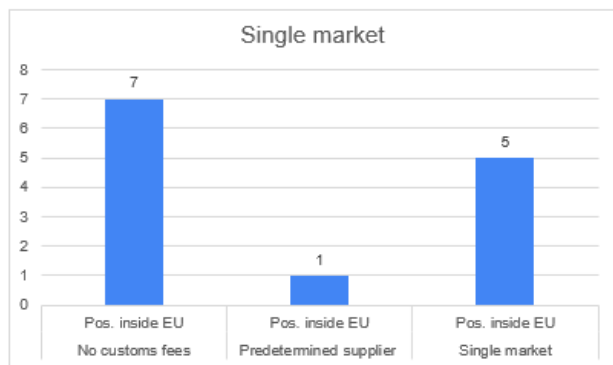


Figure 1. Single market factors

In total, factors related to the single market were mentioned 13 times. As pictured in figure 1, the single market has been mentioned as a factor itself 5 times in answers that did not provide a further explanation of the perceived relevance of the single market. These mentions indicate that the interviewees who mentioned this factor do think that the single market is relevant but could not provide a concrete example of how the single market is relevant.

The factor related to the single market that is mentioned most often is no customs fees (7) in combination with import tariffs. By sourcing within the EU, there are almost no customs fees and import tariffs compared to sourcing transcontinental. This could provide a benefit to sourcing within the EU as opposed to sourcing transcontinental.

We obviously don't have import tariffs within and things like that, within the EU. (O)

It all seems pretty straightforward a customs procedure ... it's just a lot easier if you trade within the EU. (P)

Not having to pay customs fees can translate into a lower price. This means that price differences with products from countries such as China can be smaller than expected. So, the perception of lower prices outside of the EU can be skewed. As mentioned by company U ongoing problems in the world such as the ongoing war between Russia and Ukraine can even result into countries picking sides and import tariffs and customs fees could increase when sourcing from countries like China.

This is becoming more relevant due to the current wars going on and countries picking sides. I could see higher tariffs for sourcing from China which might push us to reconsider our supplier decisions. (U)

Concluding, factors of the single market like customs fees and import tariffs can provide a benefit for sourcing within the EU as opposed to sourcing transcontinental.

5.2.2 Common currency

Within the EU, most countries use the same currency in the form of the Euro. The benefits of using the same currency are relatively straightforward. The Euro can provide the benefit of reducing transaction costs by eliminating the risk of currency fluctuations between two currencies used when sourcing outside of the EU (EMU).

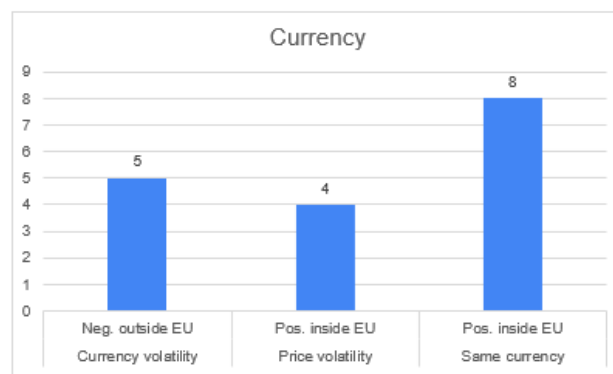


Figure 2. Common currency factors

The most mentioned factors related to common currency were currency volatility as a negative factor from outside of the EU, price volatility as a positive factor from within the EU and same currency as a factor itself as a positive factor inside the EU. In some cases, interviewees mentioned that they think using the same currency is relevant to sourcing within the EU without explaining what their perceived benefits of using the Euro are. In total, factors relating to common currency were mentioned 17 times. Out of the 25 interviewees, only 6 specifically stated that using the same currency is not relevant when choosing a supplier within the EU.

Looking at the factors mentioned related to using the same currency, it can be observed that in essence only currency volatility has been mentioned as an influencing factor on sourcing within the EU. Some interviewees approached this subject from the perspective of a supplier located outside of the EU which means that a different currency must be used, and risk of currency fluctuations exist.

You have to pay in a foreign currency anyway. You're dealing with many more different price difference uncertainties. (N)

Other interviewees approached it from the perspective of a supplier located within the EU (EMU) which means that no problems with currency fluctuations can occur, and prices will not change following this.

This allows for a more certain contract. The price that you pay for contracts over the years is then not dependent on exchange rates. (U)

Concluding, using a common currency can provide the benefit of no exchange rate uncertainties when sourcing from a supplier located within the EU.

5.2.3 Similar laws and regulations

Within the EU there are union wide laws and regulations which influence trading within the EU. During the interviews, the relevance of similar laws and regulations were mentioned relatively often. In total, factors related to laws and regulations were mentioned 25 times. Out of the 25 interviewees, not one person specifically mentioned that similar laws and regulations are not relevant.

Similar regulations and laws has been mentioned 14 times as a factor on its own without an in-depth elaboration of what the effect of similar regulations and law could have on supplier selection. However, out of these 14 mentions, the reason why interviewees mentioned them were mainly concerning similar quality standards between countries within the EU and in some industries, certificates are needed for a certain level of quality.

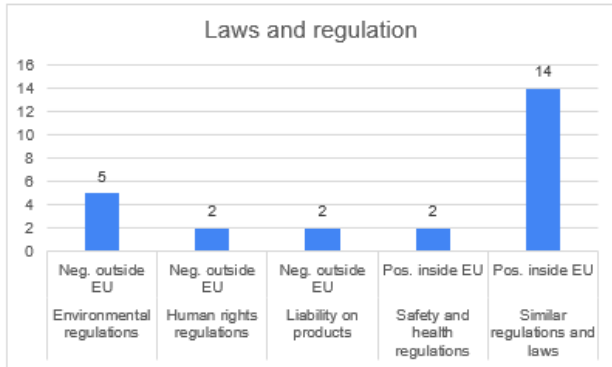


Figure 3. Similar laws and regulations factors

So, companies within the EU sometimes need to consider sourcing specifically within the EU or even start producing themselves.

We didn't talk about outside Europe, because we are in a situation that because of certifications we produce mainly within Europe. (K)

In the automotive business we see a lot of differences in quality standards. Similarity would be a big help in preventing unsuspected setbacks. (T)

Further specific mentioned factors related to similar laws and regulations are separated by negative factors from outside of the EU and positive factors from within the EU.

In total, negative factors from outside of the EU were mentioned 9 times. Each of these mentions were related to explanations of how similar regulations and laws can influence sourcing decisions of interviewees. The most often mentioned factor is environmental regulations. Since the EU has relatively strict environmental regulations, it is often easier to source within the EU since the suppliers located here are most often also aware of the same environmental regulations.

If there will come even stricter sustainability regulations in the future that might make it harder for us to source from countries such as China where the regulations tend to be a little less strict. (U)

The other factors related to similar laws and regulations were human rights regulations, liability on products and safety and health regulations. However, these factors were only mentioned 2 times each. Which means that these factors are less likely to be considered to provide benefits by sourcing within the EU. Nevertheless, these factors all indicate that similar regulations and laws create an environment of easier trading since less problems between two parties could occur when trading within the EU.

Doing business with European suppliers is easier than with countries like China and Turkey for this matter. It takes a lot more paperwork to do than with European suppliers. (S)

Concluding, common laws and regulations can provide benefits when sourcing within the EU as opposed to sourcing transcontinental since similar laws and regulations create an

environment in which companies have similar expectations of what qualifications products have to comply to. This means that it takes less effort when trading with other companies located within the EU and transaction costs can be lower.

5.2.4 Similar cultures within the EU

The last factor identified in the theoretical framework is similar cultures within the EU. Like mentioned in the framework, countries that are located relatively close to each other often show some similarities in terms of culture, institutions, preferences, and demand patterns. This could facilitate more trade between countries located close to each other.

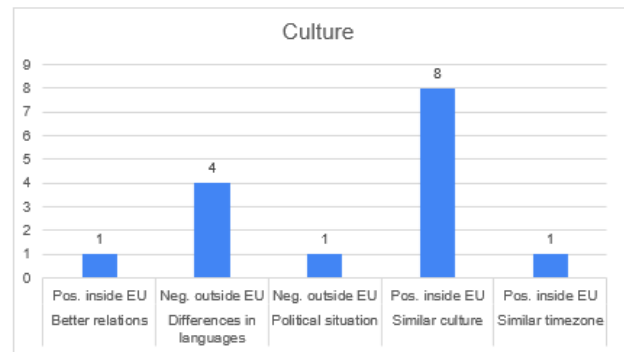


Figure 4. Similar culture factors

In total, factors related to similar culture have been mentioned 15 times. Out of the 25 interviewees, only 7 stated specifically that a similar culture is not relevant when choosing a supplier within the EU. This means that similar culture is the least relevant factor out of the 4 factors identified in the theoretical framework. However, this does not directly imply that this factor is not relevant since there still have been plenty mentions of similar culture.

The factor similar culture itself has been mentioned 8 times. These mentions did not have elaborate explanations of the effect that similar culture has, but most often the interviewees did mention that a similar culture in general makes sourcing easier due to similar expectations and ideas related to trading within the EU.

We notice that German suppliers have more or less the same culture which means that a deal actually is a deal. In comparison with suppliers located more in the east, where they do not always take deals or contracts that seriously. (S)

There in Estonia is, is indeed an advantage of Europe, they do have a fairly similar culture. (I)

The factors relating to similar culture that provided a deeper insight of what benefits a similar culture can provide were differences in languages (4), better relations (1), political situation (1) and a similar time zone (1). Differences in languages is the factor which is mentioned most. Within the EU, the average understanding of the English language is relatively high, which means that sourcing within Europe could result in less problems compared to areas in the world where the understanding of the English language is lower.

For culture only the language, but otherwise, they're pretty much on par. (H)

There are also linguistic differences, no question. So it's not the case that when you talk to suppliers from Eastern Europe, for example, that you can have a wonderful conversation... English has to be at least one of the working languages. And if someone

on the supplier side does not fulfil this requirement, it will be difficult. (C)

Concluding, having a similar culture as a supplier can benefit the sourcing process. Mainly by similar expectations and relatively high levels of the English language.

However, as mentioned earlier, closer distances can also be relevant when choosing a supplier. This is partly linked to similar cultures as countries which are located closer to each other often show more cultural similarities. There have been a relatively high number of mentions of factors relating to closer distances. Since this is not completely part of the identified factors of the theoretical framework, this will be further elaborated in the next sub chapter.

5.2.5 Other factors mentioned

The interview has been designed in a way that interviewees had the opportunity to name factors relevant to them when choosing a supplier within the EU which were not specifically asked for. This provided this research with a broader range of perceived benefits of sourcing within the EU and substantiates the hypothesis that sourcing within the EU can have significant benefits compared to sourcing transcontinental.

Factors that have been mentioned a significant number of times that could not be completely linked to the 4 identified factors from the theoretical framework have been separated into 3 subcategories: factors related to corporate social responsibility (CSR), factors related to quality and factors related to shorter distances between buyer and supplier. Factors relating to these categories have been mentioned 8 times, 10 times and 57 times respectively. This indicates that factors related to CSR and quality are relevant to a certain degree, but factors related to shorter distances are most relevant when sourcing within the EU. Factors related to shorter distances have even been mentioned more often than the factors relating to the identified factors in the theoretical framework.

5.2.5.1 Corporate social responsibility

CSR is a term used for policies and processes of companies being done in an ethical responsible way which have a positive influence on the environment and humanity. During the interviews, 3 separate factors related to CSR have been mentioned: Ecological footprint (3), sustainability (3) and Human rights regulations (2). In total, factors related to CSR have been mentioned relatively little, however, these factors are relevant to a certain extent.

You can say, if there were quality advantages, I would always buy in Europe, because it's all about sustainability. (D)

If you look at the ecological footprints, it might be much more interesting to sourced close by then. (M)

Concluding, sourcing within the EU can help companies with reaching sustainability goals doing business in an ethical manner.

5.2.5.2 Quality

Two factors related to quality have been mentioned during the interviews. These factors are high quality of products as a positive factor within the EU (8) and low quality of products as a negative factor outside of the EU (2). These two factors are essentially the same, the only difference is that these two factors are mentioned from different perspectives. So, in total, factors related to quality have been mentioned 10 times. By looking at the interviews, there is a general perceived view of products from within the EU being of a better quality than products from outside of the EU.

Advantages are probably the increased quality. (R)

The quality is not yet as it should be. (I)

Concluding, the quality of products from supplier located within the EU are often perceived to be of a higher quality compared to products of supplier from countries located on other continents.

5.2.5.3 Shorter distances

Factors related to shorter distances have been mentioned significantly more than all the other factors mentioned before. The total number of mentions related to shorter distances is a staggering 57. There are multiple factors related to shorter distances identified within the interviews as can be seen in figure 5.

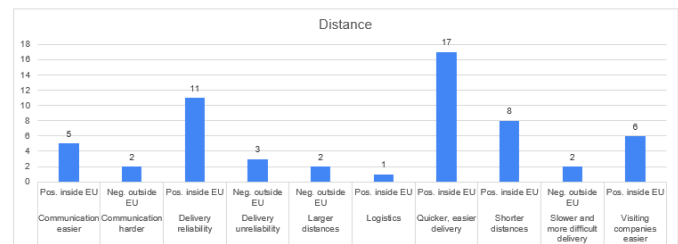


Figure 5. Factors related to distance

During the interviews, 10 different factors related to shorter distances have been mentioned. As can be seen in figure 5, multiple factors have been mentioned from different perspectives but essentially represent the same benefit. Combining the number of mentions for the factors representing the same benefits creates a clearer overview of all factors related to shorter distances. Shorter distances itself has been mentioned 10 times, which means that 10 times, interviewees have indicated that shorter distances result into benefits of sourcing within the EU without a further explanation of what these benefits exactly are. Factors that have been mentioned that provide more in-depth insights of what benefits closer distances provides are: easier communication (7), delivery reliability (14), quicker and easier delivery (19), logistics (1) and visiting companies easier (6). The factors of delivery reliability and quicker and easier delivery are closely related, and both are most often mentioned and are therefore the most relevant factors related to shorter distances by the sample of this research.

After analyzing the interviews, it became clear that a lot of interviewees mentioned that delivery reliability becomes more and more important. Due to the covid-19 pandemic and now the ongoing war between Russia and Ukraine, delivery reliability from suppliers outside of the EU decreased significantly and this resulted in several processes of companies coming to a halt for a while since there is not enough input.

From my point of view, In the last two years there has been a very clear trend in purchasing and sourcing towards stable supply chains, where price increases or additional costs are accepted. Supply chain stability is clearly more important. (F)

Yes, supply chain, the issues that play a role there, I think that is the most important. In the end, security of supply is related to that, perhaps from a strategic point of view, that countries just want to be more independent from other countries. (P)

Concluding, shorter distances between supplier and buyer seem to be the most relevant factor when choosing a supplier within the EU. More often companies struggle to get all the products they ordered in the recent years. Most often these products have to come from companies located on other continents. Companies seem to move more to suppliers that can offer more supply

security which can be significantly more important than the price of a product since some product deliveries get delayed by months.

The increasing importance of delivery reliability seems to start to change the trend of decreasing importance of continental sourcing. The next sub chapter will elaborate more in depth on this subject.

5.3 Future expectations regarding sourcing in the EU

Arguably the most interesting result of the qualitative research was the fact that the interviewed companies mostly saw a change in the trend of decreasing importance of European sourcing and an increase of importance of transcontinental sourcing. Out of the 25 interviewed companies, 23 mentioned that they expect to source mainly within the EU (13) or at least start to look more at sourcing within the EU (10) against only 2 of the interviewed companies that expect to source mainly transcontinental (1) or start to look more at sourcing transcontinental (1). Since in recent years, the focus was on transcontinental sourcing which only increased in importance, it could be argued that said trend is experiencing a change to some degree.

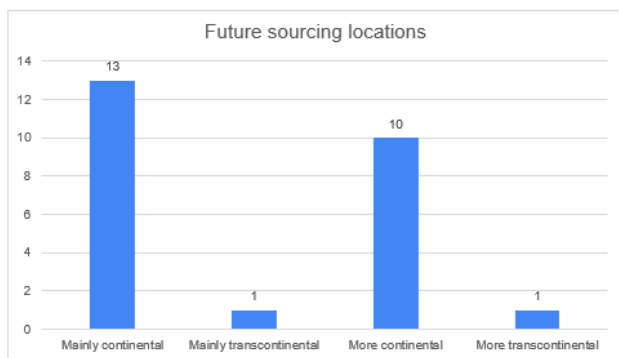


Figure 6. Future expectations of supplier locations

The most frequently mentioned reasons for companies to expect sourcing within the EU to be more important in the future are delivery reliability and lead times of deliveries. As mentioned before, delivery reliability is perceived to gain importance during the recent years. Significant factors such as price seem to lose a bit of relevance since low prices cannot always outweigh longer lead times and delays with deliveries.

We have a lot of local suppliers which are located near us and seeing the transportation costs only increase, I expect to see more and more sourcing locations coming near us. (S)

In our market as I said it's all about the delivery times and that we have to serve fast and serve the customer, is not feasible for us to do abroad from outside the EU. So we are only getting closer. (H)

We've been in supply disruption with China for three, four years now, and I think that's a reason that we're going to look within Europe anyway like, 'can't we buy closer anyway', but only if we can also market that because those higher costs must be able to be passed on somehow. (O)

It could, however, be hypothesized that the size of a company can influence the future expectations of the locations of suppliers.

If there is really going to be large series and things are a bit more developed, or we have to go to other suppliers, who are cheaper

and better, or the production is taken away from us, then it goes to Asia, for example. (N)

Bigger companies could have more resources to tackle potential delays in delivery which means that more risks can be taken.

6. CONCLUSION: BENEFITS OF SOURCING WITHIN THE EU

6.1 Key findings: comparing results with literature

After processing and analyzing the interviews, perceived benefits of sourcing within the EU can be identified. Together with the findings of the theoretical framework, an overview of said benefits can be created. This overview will act as an answer to the research question:

What are significant benefits of sourcing within the EU in an environment of declining importance of continental sourcing?

After performing the literature research and creating a theoretical framework followed by performing qualitative research by doing interviews, a relevant overview of benefits of sourcing within the EU can be created.

During the literature research, effects of the EU and the Schengen area related to sourcing within the EU are described. The establishment of the EU provided the opportunity that goods, services, capital, and labor can move freely between the member states. The Schengen agreement adds to this by providing the opportunity for people to move freely between member states of the Schengen area. Following this, four different factors related to sourcing within the EU could be identified. First, the single European market was identified. Due to goods, services, capital, labor, and people being able to move freely between member states, trade between member states becomes easier. The main benefit that the single market provides is that companies from member states have to pay little to no import tariffs and customs fees. Next, the Euro as a common currency provides benefits for companies located within the EU and the EMU. By using a common currency, countries do not have to pay transaction costs due to currency fluctuations. Following this, similar laws and regulations provides a common understanding of what specifications products and services have to comply to and what can be expected from other companies located within the EU. This results into companies having to put less effort in sourcing within the EU since most laws and regulations are known by both parties and little agreements have to be made to make sure that both parties have the same understanding of the deal. Lastly, within the EU there is a higher chance of similarities in culture since countries located close to each other often show similarities of culture, institutions, preferences, and demand patterns. Next to that, countries within the EU often have a similar level of language, often being English as a professional working language.

By doing qualitative research, the relevance of the identified factors in the theoretical framework could be tested. First, by analyzing the interviews, it can be stated that price is indeed often the most relevant factor when making sourcing decisions since factors related to price have been mentioned more than any other factors. The great importance of price when making sourcing decisions has been stated in several papers mentioned in earlier chapters (Platts and Song (2010, p. 320); Kusaba et al. (2011, p. 73); Trent and Monczka (2003b, p. 609); (Alguire et al., 1994, p. 63)). However, benefits of sourcing within the EU have been mentioned a significant number of times. All factors identified in the theoretical framework seem to be relevant to some extent according to the majority of the research sample. Most factors

related to the single market indicate that the most relevant benefit of the single market is not having to pay customs fees and import tariffs. This fits well with part of the theoretical framework as Kox et al. and in 't Veld state that the single market provides free movement of goods, services, capital, and labor which results into almost none or no import tariffs or customs fees to be paid when sourcing within the EU (Kox et al. (2004, p. 9); in 't Veld (2019, p. 19)). Next, when asking the interviewees about the effect of mostly using the Euro within the EU, the factors mentioned all pointed towards no currency fluctuations which, in its turn, results into lower transaction costs. These perceived effects of using the Euro fit perfectly with the literature (Rose (2000, p. 10); Emerson et al. (1990, p. 9)). When asking the interviewees about the effect of similar laws and regulations within the EU, the answers often indicated that sourcing within the EU makes trading easier since companies within the EU are familiar with the similar laws and regulations (Freeman et al. (2022, p. 10)). However, in practice it seems that specific benefits of similar laws and regulations mostly depend on what type of company is considered. For example, some companies focus more on sustainability goals and the EU has stricter environmental regulations and other companies focus more on ethical work environments and the EU has relative clear human rights regulations. Finally, the last factor identified in the theoretical framework was similar culture and norms. Similar cultures and norms were often perceived as a benefit of sourcing within the EU as interviewees think it is easier to do business with suppliers that they feel to have somewhat of a similar culture, without an in-depth explanation. When a company feels like they are similar to a supplier, there is a higher chance that trade between these two parties occurs (Beckerman (1956, p. 38)). One specific benefit of sourcing within the EU that has been mentioned most often is the fact that companies located close to the location of the sample most often have a sufficient level of the English language. This fits with the statements of Kokko and Tingvall, but other factors such as religion, history, level of development, migration patterns and climate seem to play less of an active role according to the research sample (Kokko and Tingvall (2014, p. 88)).

Comparing the theoretical framework and the qualitative research resulted into better substantiated findings, since relevant sections of the theoretical framework are also mentioned in the qualitative research. However, the qualitative research provided a broader range of factors that can represent benefits of sourcing within the EU. The main factors identified specifically during the qualitative research were corporate social responsibility, quality, and shorter distances. By sourcing within the EU, sustainability goals and ethical responsible ways of doing business seem easier to be reached. The perception of high quality of products within the EU also has a positive influence on sourcing within the EU. For certain companies, quality is more important than factors such as price, so sourcing within the EU can provide more benefits for said companies rather than sourcing transcontinental. Finally, the most significant benefit of sourcing within the EU is the reliability of delivery. The reliability and speed of delivery seem to increase in importance in recent years. Many companies experience problems with supply chain disruptions due to pandemics, wars, etc. and the security of supply often starts to outweigh factors in favor of transcontinental sourcing, especially low prices since a delay of delivery can indirectly significantly increase costs.

The final findings of this research are related to a potential shift in the trend of decreasing importance of continental sourcing. The vast majority of the sample of the qualitative research mention that they expect intra-EU sourcing to gain significantly more importance. Disruptions in supply chains seem to get to a

point where transcontinental sourcing cannot provide more benefits than intra-EU sourcing. Considering the fact that the benefits of sourcing intra-EU identified during the literature research have not changed during the recent years and the importance of delivery reliability has seemingly increased significantly in recent years, the potential shift in the trend of decreasing importance of intra-EU is most likely due to the latter. This means that current events such as the Covid-19 pandemic and ongoing wars influence the view on sourcing significantly since companies start to value different aspects of sourcing like delivery reliability more than several years ago.

6.2 Managerial recommendations

This research can be used by managers to gain an insight of benefits of sourcing within the EU and to use these benefits as a strategic choice as opposed to transcontinental sourcing. As transcontinental sourcing often offers significantly lower prices compared to EU suppliers, they cannot always offer benefits which are desired by certain companies. Sourcing intra-EU is often an easier type of sourcing for companies located within the EU since there are similarities in currency, laws and regulations, culture and there is a single market. Each of these factors cannot often be provided by suppliers located outside of the EU. However, more important, during recent years the security of supply has significantly increased in importance. For example, companies sourcing from China have often experienced significant delays in delivery during the Covid-19 pandemic and events like these can often be the source of huge supply disruptions. Not being able to continue with processes due to supply disruptions can result in increasing costs which means that the relatively low costs often attained by transcontinental sourcing does not always outweigh most other factors relating to sourcing anymore. Therefore, it can be recommended that purchasing managers of companies located within the EU consider sourcing more intra-EU or to integrate intra-EU sourcing to some extent. This could provide significant benefits in the long-run since events like Covid-19 or wars can occur in the future as well and during these events, security of supply is proven to not be an unnecessary luxury.

7. LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH

Since the distinction and differences of continental and transcontinental sourcing is relatively little researched before, this research is a great addition to the current literature. However, this research is based on a sample of 25 different interviewees which could be argued to be relatively small. For future research purposes, a bigger sample size would provide an even more in-depth insight of the benefits of sourcing within the EU. The most relevant factors identified can, however, be used in future research as a basis to further discover the relevance of these factors and potentially identify even more benefits of sourcing within the EU. Next to that, the method of analysis by using Atlas.ti is subjective to a certain degree. By coding using this program, the results are dependent on the interpretations of the person coding. This is a more common limitation when doing qualitative research.

Further, it could be interesting to further research the potential change in the trend of decreasing importance of intra-EU sourcing. During this research, a significant number of interviewees were certain that intra-EU sourcing will gain more importance in the near future, which indicates that a change in this trend is feasible. This could be useful research for purchasing experts located within the EU when considering purchasing strategies for the upcoming years. It has to be noted that this research is done relatively soon after the covid-19 pandemic or

potentially still during this pandemic, which could have influenced the interviews due to recency bias.

8. ACKNOWLEDGEMENTS

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10. APPENDIX

10.1 Appendix A: Overview of locations and industries of interviewed companies

	Interviewed company. Location	Interviewed company. Operating industry
A	Netherlands	Building
B	Netherlands	Plastics
C	Germany	Mining
D	Germany	Tyres
E	Germany	Food
F	Germany	Plastics
G	Germany	Automotive
H	Netherlands	packaging
I	Netherlands	Building
J	Netherlands	Food
K	Netherlands	Software and technology
L	Netherlands	Textile
M	Netherlands	Rubber and Silicone
N	Netherlands	Engineering
O	Netherlands	Chemicals
P	Netherlands	Enrichment technology
Q	Netherlands	Pharma
R	Netherlands	Pharma
S	Netherlands	Telecommunication
T	Netherlands	Plastics
U	Netherlands	Plastics
V	Netherlands	Automotive
W	Germany	Automotive
X	Germany	Automotive
Y	Germany	Telecommunication

10.2 Appendix 2: Interview questions

Research has shown that the share of European companies that 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).

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?

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

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

(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?

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?

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