Back-sourcing vs. outsourcing in Denmark

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What are some of the major expectations and concerns in Danish firms in regards to their current and future Backsourcing/outsourcing practices?
Bagground - survey:

- Research performed in co-operation with Berlingske Research
- Sample of CEO’s -1000 biggest Danish firms measured on turnover
- Response rate of 17%
- Data collection period — late spring 2013
Outsourcing frequency – a historical perspective

Have your firm outsourced one or more parts of the production abroad?

- Yes: 15%
- No: 44%
- Not relevant: 41%

Have your firm outsourced one or more of its functions abroad?

- Yes: 32%
- No: 67%
- Not relevant: 1%
Back-sourcing frequency

Have your firm back-sourced parts of the production or functions (to Denmark) that have previously been outsourced abroad?

- 7% We have already back sourced within the last few years
- 1% We have already made plan to back source within the next two years
- 2% We have considered back sourcing within the next two years
- 74% No
- 16% Not relevant
Have your firm decided to outsource production or functions abroad during the next 5-years?

- Yes: 38%
- No: 53%
- Do not know: 8%
- Confidential information: 1%
Which of these decision factors will be most important when considering back-sourcing in the next 5-years?

1. Expected reduced cost in DK
2. Political action such as improved infrastructure/education ect.
3. Expected higher cost growth rates in outsourced production
4. Intellectual property (IP) protection in DK
5. Branding purposes
6. High level of competencies in DK
7. Proximity/Distance to market
8. Other factors
Which of these factors are the most important when considering back-sourcing during the next 5-years?

- Proximity/Distance to market: 55%
- Expected higher cost (cost growth) in outsourced production: 25%
- High level of competencies in Denmark: 20%
- Political action such as improved infrastructure/education etc.: 16%
- Other factors: 13%
- Expected reduced cost in Denmark: 13%
- Improved protection of Intellectual property (IP) in Denmark: 7%
- Branding purposes / Supporting employment in Denmark: 6%
Outsourcing not meeting expectations

- Has the firm in the past 5-years had outsourcing cases where quality or savings substantially have not met initial expectations?

- What were/are the likely consequences of these disappointments?

![Outsourcing not meeting expectations](image)
Preliminary findings

• Continued expected high levels of outsourcing the next 5-years (38%)
• 7% have back-sourced, additional 3% are likely to do so in the near future
• Interesting results concerning the decision factors that may increase the likelihood of backsourcing
But what about....

• Industry differences / Product service differences?

• Back-sourcing / Near-shoring to Europe from Asia?

• Who are the decision makers within the firm, and on what basis are decisions made?

• Businesses coming from abroad to DK?
Next steps

• European Manufacturing survey - Extended survey?
• Research project on decision making processes leading to outsourcing and back-sourcing decisions
• Please approach me if this sounds interesting, and your firm would like to be involved
• E-mail: ksh.om@cbs.dk
In your opinion: Are decision making tools such as “total cost calculations” sufficiently used when making outsourcing/back-sourcing decisions in DK?

1. Yes
2. No
3. Do not know
In your opinion: To what extend is it a problem when outsourcing/off-shoring leads to a separation of production and product development activities?

1. This is a major problem
2. This can cause some minor problems
3. This is no problem