The Hidden Costs to Offshoring: Exploring the Mediating Effects of Social Responsibility and Employee Layoffs

ABSTRACT
Offshoring has become a routine practice, leading scholars to investigate the consequences of this multidimensional phenomenon. This study seeks to further investigate the relationship between offshoring and financial performance, along with the mediating roles of employee layoffs and corporate social responsibility (CSR) concerns on this relationship. Our empirical study of 204 U.S firms shows that firms that offshore have significantly higher financial performance than those that do not offshore. Furthermore, we find that offshoring firms lay off more employees and face greater CSR concerns. The results suggest that managers must consider both the positive and the negative consequences of offshoring.

KEYWORDS | Offshoring, Performance, Layoffs, Corporate Social Responsibility

INTRODUCTION
Today, MNCs face strong pressures to meet triple bottom line objectives, but given the global economic crisis, attempting to equally satisfy the needs of investors, employees, and the community continues to be a challenge. Whether it serves the purpose of efficiency seeking or asset augmentation, the case of offshoring as an internationalization strategy and its impact on domestic operations calls us to attempt to “unravelling the complex forces at work in offshoring” (Doh et al., 2009: 937, Lewin, 2005). While offshoring may signal a successful MNC that is stretching its arms to pursue opportunities beyond its domestic markets, hence maximizing shareholder wealth, an MNC relocating business operations abroad may also be associated with layoffs in the domestic market and lower social responsibility to the domestic community (Schröder, 2013). While academic focus has been on obstacles associated with maximizing returns from offshoring, less attention has been given to the negative consequences of offshoring that can simultaneously occur in the domestic market (Palugod & Palugod, 2011). From an analysis of US-based companies, we find that although there
is a positive relationship between offshoring and financial performances, there is also a direct significant relationship between offshoring and employee layoffs and corporate social responsibility concerns. In addition, employee layoffs and social performance were found to mediate the relationship between offshoring and financial performance. This study combines the theoretical lenses of transaction costs economics (Jacobides & Winter, 2005; Jain Kundu & Niederman, 2008) with stakeholder theory (Donaldson & Preston, 1995; Berman et al., 1999, Robertson Lamin & Livanis, 2010) to argue that the MNC decision to offshore has implications that are social and economic. While offshoring may lead to greater efficiency and profitability, which may please shareholders, firms that engage in offshoring also need to address the social impact of their decision as it relates to the (a) the number of employee layoffs and (b) perceptions of the firms’ corporate social commitment. The paper attempts to respond to the call for “offshoring” research that provides a more complete picture of its impact on the organization (Robertson, Lamin & Livanis, 2010), while providing insights into moral issues associated with the decision to offshore (Schröder, 2013).

**Offshoring Definition**

“(O)ffshoring refers to the relocation of jobs and processes to any foreign country without distinguishing whether the provider is external or affiliated with the firm” (Olsen, 2006: 6). Within IB theories of foreign expansion, offshoring can be seen as a new type of internationalization in which firms segment their value chain activities across different geographic locations (Lewin et al., 2009), which allows firms to enhance their competitiveness via the reliance on third party partners. The offshoring trend is on a constant rise, while the world economy faces its toughest times (Gartner, 2009). In fact, offshore wealth is estimated to be 11.5 trillion US$ (Hampton & Christensen, 2007). The Ventoro survey in 2004 confirmed that 95% of the Fortune 1000 have an offshore outsource strategy as part of their operations (Olsen, 2006). In less than six years, “offshoring of services has evolved from an exotic and risky strategy to a routine business decision” (Dossani & Kenney, 2007: 779). The magnitude of US firms adopting an offshoring strategy further enhances the importance for IB scholars to examine this “finely variegated phenomenon” and its multiple angles (Doh et al., 2009: 927; Jain, Kundu & Niederman, 2008). Furthermore, scholars have been challenged to bring a “more sophisticated and nuanced eye to this important phenomenon” (Doh et al., 2009: 927). While transaction costs economics (TCE) has been the dominant lens used to examine the economic impacts of offshoring, scholars have also noted the importance of examining how offshoring and the “issues embedded within these decisions” impact other stakeholders (Robertson, Lamin & Livanis. 2010: 168; Bharadwaj & Roggeveen, 2008). The next sections summarize the hypotheses tested in this study which build on scholarly arguments embedded in TCE and Stakeholder Theory. This is followed by a summary of our data and methods, and our regression results. Finally, we present conclusions and implications from this study.
Transactions Cost & Stakeholder Theory

We use Transaction Cost Economics (TCE) and Stakeholder Theory to examine the consequences associated with offshoring. According to TCE, firms exist to maximize profits and optimize efficiencies (Williamson, 1981) by pursuing actions that will lower transaction costs. Within the context of offshoring, efficiency seeking actions may not please all stakeholders equally. In this examination, we examine the impact of the strategic decision to offshore which may have social impacts that are unlikely to be perceived equally positively by all stakeholders. We build on literature which argues that developing strategies with a sole focus on rational calculations without embedding them in the relational social structure is deficient (DiMaggio & Powell, 1991; Granovetter, 1985). As explained by the complimentary lens of Stakeholder Theory, firms must survive a legitimacy test imposed on them by the expectations of their stakeholders which is increasingly becoming a driver of firm strategies (Eesley & Lenox, 2006; Mitchell, Agle, & Wood, 1997; Grandovetter, 1985). Firms improve their chances of survival by increasing their legitimacy among both workers and citizens (Weber, Roth & Claus, 1978). Building upon this understanding, the next section develops hypotheses which examine the impacts of offshoring on (1) financial performance, (2) corporate social responsibility concerns, and (3) employee layoffs.

Firm Financial Performance

Several arguments can be made suggesting that firms that offshore will have stronger financial performance. First, offshoring may lead to increased product demand since products will be offered to the market at lower prices. The lower labor costs found in offshoring also include lower supervisory and managerial costs. The argument is that cost savings are actually passed to the end consumer so both corporations and consumers are winners; the corporation meets its profitability objectives, while the consumer is offered lower prices (Farrell, 2005). Furthermore, offshoring customer service units to India lead to an average reduction in the cost base between 45% and 55% (Olsen, 2006). According to Porter (1985), the objective of any firm is to maximize profitability by acquiring a competitive advantage that is sustainable (Shonnassy, 2008).

A second major argument in the literature about the benefits of offshoring is that it allows firms to concentrate on their core competencies (Prahalad & Hamel, 1990). Firms that do this are more likely to build and maintain a competitive advantage over their competitors (Insiga & Werle, 2000). Coucke and Sleuwaegen (2008) found that Belgium manufacturing companies that offshored increased their chances at market survival. Based on the above two arguments, we hypothesize:

H1: Firms that engage in offshoring will have higher firm performance.
Social Responsibility Concerns

Bowen (1953: 6) termed business corporate social responsibility (CSR) as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of your society.” With massive layoffs occurring across the nation, many Americans either directly impacted by offshoring or being exposed to the media attack on offshoring are likely to blame the corporations. They ask, “how is laying off people good for the economy?” A January 2009 Government Accountability Office (GAO) report showed that 80% of Fortune 500 companies are utilizing offshoring to escape paying taxes by opening subsidiaries in tax haven locations (GAO, 2009). Although the act is completely legal, the GAO and many others are questioning it in terms of social responsibility (Preuss, 2010). They argue that these firms’ decisions to offshore may not be seen by society as legitimate behavior. These listed companies are perceived to have received billions of dollars of taxpayers’ money to help them recover during the financial crisis (GAO, 2009) and Americans feel somewhat betrayed by their behavior. In fact, Leonning (2009) explains that Americans find it very upsetting that companies who formerly underwent tough economic times are now using offshoring in tax haven locations as a means to escape paying taxes. Moreover, the more consumers negatively experience or are exposed to arguments against offshoring, the greater the potential that companies offshoring will be seen as not being socially responsible.

In addition to the job loss impact, a more recent study found that ethical evaluation of a firm’s offshoring decision differs by stakeholder group, such that investors viewed offshoring more positively than consumer groups (Robertson Lamin & Livanis, 2010). In this study, they highlight the concerns raised by consumers groups because of the magnitude of consequences of the offshoring decision, which relate to product quality as well as the working conditions under which these products are manufactured across borders. Offshoring was also argued to be associated with lower social responsibility toward the global community at large and not just domestic citizens. Offshoring has created increased dependencies of developing nations on developed country MNCs, which increases the likelihood of MNCs taking advantage of these markets (Doh, 2005). Such dependency is often associated with MNC’s exploitative behaviors like overworking workers for lower wages, or escaping environmental and workplace standards found in developed markets. The increase in wage inequality is a consequence of offshoring that is causing concern in both the home and host markets (Feenstra & Hanson, 2001), although the strength of this concern varies by offshoring destination (Mitra & Priya, 2008). Furthermore, scholars have argued that offshoring negatively impacts the psychological contract between employees and firms (Mir, Mir & Bapuji, 2007). Firms establish their legitimacy only when they have convinced their stakeholders that their actions are acceptable (Suchman, 1995). Ultimately, lack of legitimacy can cause reputation concerns for companies, as well as associated reductions in supportive behaviors by their stakeholders (e.g., Newburry, 2010) and even boycotts (e.g., Gardberg & Newburry, 2013). Robertson et al. (2010) found respondents were
more upset with firms’ offshoring production outside national borders than when they outsourced within the nation. Given the issues noted above, we hypothesize that firms engaged in offshoring are more likely to be the subject of corporate social responsibility (CSR) concerns.

**H2: Firms that engage in offshoring will have higher CSR concerns.**

Significant research has sought to investigate the relationship between corporate social responsibility and financial performance, making the argument that perceived socially responsible firms are likely to outperform their non-socially responsible counterparts (Margolis & Walsh, 2003). When firms’ actions are perceived legitimate and socially responsible, they may be able to more easily attract investors and increase financial performance (Waddock & Graves, 1997; McWilliams & Siegel, 2000). In addition, firms that were subjected to public protests were found to take a hit on their stock price (King & Soule, 2007). Accordingly, we hypothesize that offshoring may have an indirect influence on firm financial performance through the mediating variable of CSR concerns:

**H2a: Corporate CSR concerns will partially mediate the relationship between offshoring and firm financial performance.**

**Employee Layoffs**

Downsizing is defined in the literature as the purposeful act of reducing the number of employees in an organization to gain efficiency or effectiveness (Cameron, Freeman, & Mishra, 1993). The number of workers filing for Trade Adjustment Assistance (TAA), a government program to assist those who have lost their jobs either due to increased imports or operations being moved to an offshore location, is climbing and is regarded to very much underrepresent actual figures (AFL-CIO, 2009; GAO, 2009). Forrester, a consultant in technology research, estimates that about 3.3 million US jobs will be gone due to companies offshoring activities by 2015 (Kierkegaard, 2003). What makes the offshoring impact more critical is that unlike before, it is not only limited to low skill, low paying jobs, but also increasing its impact on white collar, high skilled jobs (Prasad & Prasad, 2007) in knowledge intensive sectors Abdelzaher, 2012). Offshoring critics have argued for the negative impact of offshoring on society as a whole. As noted by Levy (2005: 685), “reducing wages through offshoring leads to wealth creation for shareholders but not necessarily for countries and employees.” Due to offshoring, any displaced workers have difficulty ‘trading up’ to higher skilled jobs. Hanson and Feenstra (2006: 46) revealed that such “foreign outsourcing, contributes to skill upgrading and increases in the skilled-unskilled wage gap”. Levy (2005: 685) warns that the “wave of international outsourcing signals a new structural development in the global political economy, one that raises concerns not just for the competitiveness
of countries but for the welfare of large groups of workers." More recently, scholars found that large US companies offshore a large number of jobs and explored how other organizational characteristics can be used to explain the magnitude of job offshoring (Wang, Cruthirds & Baeza, 2010). Given the above evidence that suggests that offshoring leads to a reduction of jobs in a firm’s home market, we suggest:

H3: Firms that engage in offshoring will have higher numbers of employee layoffs.

A firm’s responsibility towards their employees includes significant costs, which firms often struggle to control or reduce without jeopardizing their legitimacy in the community. Nevertheless, layoffs have become common practice among firms struggling to meet bottom line objectives, particularly during the recent financial crisis. Employees’ layoffs can be a way by which firms can effectively manage their workforces and improve profitability in a proactive way, which can boost a firm’s reputation (Datta Guthrie Basuil & Pandey, 2010: 292). In either case, the effect of offshoring on performance could be partially captured by employee layoffs. Accordingly, we suggest that offshoring may have an indirect influence on firm financial performance through the mediating variable of employee layoffs:

H3a: Employee layoffs will partially mediate the relationship between offshoring and firm performance.

Conceptual Model

Our hypothesized relationships presented above are summarized in the theoretical model contained within Figure 1.

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**Figure 1**

Conceptual Model
As offshoring was a highly contentious issue in the US at this time, examining the effects of offshoring on performance in this context seems appropriate for testing our hypotheses. We start with the sample drawn from the US Fortune 1000 companies for the year 2007, with the unit of analysis being the firm. We then compared the Fortune 1000 firms list with a published data set on the offshoring status (see variables below) of leading US firms published by CNN’s Lou Dobbs. We merge the datasets together while disregarding from the CNN’s list all smaller companies that were not categorized as Fortune 1000 firms. The data merging led to a possible data pool of 252 US-based Fortune 1000 firms, which is further reduced to 194 firms for our CSR concerns models and 204 firms for our employee layoffs models due to missing data. Of the sample firms, 32% engaged in offshoring. We make the assumption that Fortune 1000 firms not listed on Dobb’s list are not involved in the “Exporting America” offshoring practice.

**Dependent Variable**

Company Performance is measured by the dollar amount of firm profit earned in 2007 extracted from Fortune 500 Magazine Rankings (http://money.cnn.com).

**Hypothesized Variables**

Firm Offshore Status: According to a 2006 government accountability report, there are “concerns that data understate offshoring activities of U.S. companies because of the difficulty of accurately measuring the prices and quantities of imported inputs” (Houseman, 2006:2; GAO Report 2004; National Academy of Public Administration, 2006). We computed a binary offshoring status variable coded “1” for companies that were engaged in offshoring and “0” otherwise. This variable was developed from the company listing issued by CNN’s Lou Dobbs in 2004, which confirms names of companies who are “exporting America”. “These are U.S. companies either sending American jobs overseas, or choosing to employ cheap overseas labor, instead of American workers” (http://www.cnn.com/CNN/Programs/lou.dobbs.tonight). This data source has been utilized previously in empirical research by Tesfom and Birch (2008). The list includes the names of 793 US companies, of which 266 were Fortune 1000 companies. Although offshoring volume can be measured at the industry level by examining imports of intermediate goods (Feenstra & Hanson, 2001), it is worth noting that offshoring degree is not available publicly at the firm level, which is understandable, given that many firms are not willing to publically announce that they are offshoring to other countries.

Corporate Social Concerns is measured using data extracted from the KLD dataset (2006), with is the most widely used measure of Corporate Social Performance (Sharfman, 1996; Waddock & Graves, 1997; Brown & Perry, 1994). We constructed a factor analysis of the KLD CSR concerns variables. We found “Total Number of Corporate Governance Concerns” and “Total Number of Product Concerns” to load
on the same factor with factor loadings of 0.73 and 0.81 respectively using varimax rotation. These two variables were combined to form the CSR concerns variable used in our models. This variable was mean centered.

Employee Layoffs measures the actual number of employees who were affected by firms’ decisions to layoff employees either due to operation shut down or mass layoffs of 50 or more employees. Unlike recent studies that have used a dichotomous variable, such as layoff announcements, to measure employee layoffs (Coucke, Pennings, & Sleuwaegen, 2007; Brookman, Chang, & Rennie, 2007; Flanagan & O’Shaughnessy, 2005; Yawson, 2006), in this study we utilize a continuous variable, which we believe is a significant contribution. Datta and colleagues (2010: 339) in their review of employee downsizing literature call for the development of a more valid uniform measure of the downsizing construct, advising that the “downsizing literature would benefit significantly from a more careful consideration of the construct validity of downsizing”. In our study, we utilize a more sensitive measure of the number of employee layoffs which is a continuous variable of the actual number of employees laid off, aggregated from an unbiased government data source at the firm level. We feel that this measure is likely to have higher explanatory power than the often used binary variable of layoff announcement that is used in many studies (Coucke, Pennings, & Sleuwaegen, 2007; Brookman, Chang, & Rennie, 2007; Flanagan and O’Shaughnessy, 2005; Yawson, 2006).

The Worker Adjustment and Retraining Notification (WARN) Act requires that companies inform workers 60 days in advance of a plant closing or mass layoff. We collected all WARN notices issued by firms from 2006-2007 across the U.S based upon the issuance date of the WARN notices. This data is available from labor offices at the individual state level with the company name, location, date, and number of employees being layed off. We aggregated the total number of layoffs issued by a given company in a given year across the United States. This process involved aggregating data from the individual state websites to arrive at a total number of layoffs for each company in a given year. Our collected sample constitutes companies from states representing 83% of the US GDP. The variable used in the regression model is the average number of employees laid off over the two-year period of 2006 and 2007.

Controls Variables

Industry may impact the relationship between offshoring and performance. Hence, we create a binary variable of industry type with 1= Service and 0=otherwise. Firm size is measured by the natural log of the number of employees in 2007. An earlier study showed that there is a significant correlation between company size and offshoring practices (Jensen & Pedersen, 2012).
Table 1 presents descriptive statistics and correlations for our variables. Our sample included 194 firms for our CSR concerns models and 204 firms for our employee layoffs models. We conducted multiple regression analysis to test the direct and mediating relationships between offshoring status and performance. Table 2 presents results for our direct effect and mediating hypotheses. In order to test our partial mediation hypotheses, we follow the procedure advocated by Baron and Kenny (1986), under which we first demonstrate a direct relationship between offshoring and performance. We then examine whether direct relationships exist between offshoring and our two mediating variables (CSR Concerns and Employee Layoffs), and between our mediating variables and performance. Finally, we examine whether introducing our mediating variables into our original direct offshoring-performance model causes a decrease in the significance of the offshoring variable. We centered the direct effects, and also conducted collinearity diagnostics that showed low variance inflation factors (VIFs), suggesting that multicollinearity is not a concern (Netter, Wasserman & Kutner, 1996).

Our empirical findings support H1 which argued that firms that offshored had higher performance when industry and firm size were controlled. In Model 2 (Table 2), the unstandardized coefficient for offshore status is positive and highly significant (p<.001). The model has an adjusted r-square of 0.18, with a highly significant F change compared to the control model.

Hypothesis 2 suggested that firms that engage in offshoring will have higher CSR concerns, and hypothesis 2a suggested that CSR corporate concerns will partially mediate the relationship between offshoring and performance. In Model 7, the unstandardized coefficient for offshore status is positive and highly significant (p<.001) supporting H2. The model has an adjusted r-square of 0.24, with a highly significant F change. For H2a, we find evidence of a partial mediation, given that offshoring is associated with CSR concerns in Model 7 and CSR concerns are significantly associated
Table 2: OLS Regression: Results of Direct and Mediator Effect Models

<table>
<thead>
<tr>
<th>Hypothesis #</th>
<th>Models</th>
<th>Offshoring, CSR Concerns, Layoffs + Performance</th>
<th>Offshoring, CSR Concerns, Layoffs</th>
<th>Offshoring + Layoffs</th>
<th>Control</th>
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<tr>
<td>H1, H2a, H3a</td>
<td>M1</td>
<td>Constant</td>
<td>2752.98***</td>
<td>2752.98***</td>
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<tr>
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<tr>
<td></td>
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<td>Employee Layoffs</td>
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<td></td>
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<td></td>
<td>M7</td>
<td>Adj. R-Square</td>
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<td></td>
<td>M9</td>
<td>R-Square change</td>
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</table>

1 - Note: + p<.10, * p<.05, ** p<.01, *** p<.001, two-tailed tests.
2 - Reported unstandardized coefficients are rounded to 2 decimal places, with standard errors in parentheses.
3 - R-square change relative to an alternate Model 1 (not shown) using the N=204 employee layoffs sample.
4 - Adding Employee Layoffs to Model 5 alone (without CSR Concerns) does not reduce the significance of offshore status.
with performance in Model 3 (p<.01). Moreover, when CSR concerns and offshore status are included together in Model 5, the significance of offshore status decreases from p<.001 (Model 2) to p<.05, consistent with a partial mediating effect. However, the nature of the mediation is contrary to our expectation since the relationship between CSR concerns and performance is positive, indicating that firms with higher CSR concerns perform better. A possible explanation for this may be that firms that perform well in the market due so as a result of reducing CSR investments. However, this relationship requires further investigation.

Hypothesis 3 suggested that firms that engage in offshoring will have higher numbers of employee layoffs, while hypothesis 3a suggested that employee layoffs will partially mediate the relationship between offshoring and performance. In Model 9, the unstandardized coefficient for offshore status is positive and significant (p<.05) supporting H3. The model has an adjusted r-square of 0.27, with a significant F change (p<.05) compared to a control model. For H3a, we find some evidence of a partial mediation given that offshoring is associated with layoffs in Model 9 and layoffs are significantly associated with performance in Model 4 (p<.05). The layoff-performance relationship was significant and in the expected positive direction in Model 4 with an adjusted r-square of .11 and a significant F change. However, we find no evidence that adding the employee layoffs variable in Model 5 is responsible for a significant decrease in the predictive power of the offshoring variable. Thus, we cannot conclude that a partial mediating effect is occurring.

CONCLUSIONS
With the offshoring phenomenon still an understudied growing area of research, this study sought to contribute to the debate on the advantages and disadvantages of offshoring by empirically examining multiple factors to understand how the offshoring decision impacts firm performance? In doing so, we incorporate in the model the impact of employee layoffs and CSR concerns, both of which were found to be linked to the offshoring decision. We then explored the impact of these two variables as mediators of the offshoring to performance relationship. With this approach, we sought to account for the perspectives of various key firm stakeholders: investors, employees, and the community. As the trend continues with more firms adopting an offshoring policy, more attention is needed to examine the positive and negative outcomes of offshoring decisions in the domestic market.

Contributions of Study

This study contributes to the debate on the advantages and disadvantages of offshoring, while capturing the impact at a micro level, with the firm as the unit of analysis. It is worth noting that offshoring is not a practice that firms publicly announced, therefore attempting to capture the impact of this phenomena at a firm level (verses
industry or country level) is a contribution of this study. The tested models thought to capture the impact of offshoring on key multiple stakeholders simultaneously. We examine how offshoring impacts performance, which is the concern of investors. We also captured the impact of offshoring on layoffs, which is main concern of current and potential employees. Furthermore, we also look at how offshoring impacts the greater community by examining its impact on corporate social responsibility concerns. Our findings support the view that offshoring has positive financial implications on the firms, but also it is associated with (1) layoffs and (2) greater social responsibility concerns, which should raise the concern level of these firms. While these two sources may not negatively impact performance of the firm in the short-term, they are both likely to impact directly the firms’ ability to recruit employees and also potentially its corporate reputation as a socially responsible firm. While this study did not empirically capture the long term effects of the impact on these two key stakeholders groups (employees and greater community), we feel this is likely to present obstacles for firms in the future. Our study contributes to the debate of offshoring by (1) calling for the examination of the impact on multiple stakeholders and (2) calling for the need to balance the pursuit of short term vs. long terms gains and (3) combines several data sources to examine this complex and most common business practice. It also utilized an untapped source for capturing downsizing, which is unique to employee layoffs due to shut down post overseas relocations of work sites (WARN Reports).

**Managerial Implications**

The OECD declared that the debate on offshoring continues and the benefits of offshoring are still context dependent (Olsen, 2006). We argue that managers may find it wise to consider the multiple stakeholders involved when making such a decision and the importance for firms to satisfy their stakeholders’ expectations. These include investors, employees and the community at large. If a firm fails to do so, it may also lose the resources that are associated with these stakeholder groups (Cornell & Shapiro, 1987). Firms very often tend to overemphasize the importance of short-term cost savings over long-term gain (Bharadwaj & Roggeveen, 2008). Firms need to consider and balance long-term vs. short-term benefits of offshoring. While offshoring may improve bottom line financial performance today, such gains may not be sustainable in the future. Additionally, since many US-based companies are seeking emerging markets as the target for their offshored operations, we believe it would be helpful for firms from emerging markets to understand the implications offshoring has on their clients in their respective home markets.

**Limitations and Future Research Directions**

As with all academic research, there are limits to this study which provide opportunities for future research. First, our offshoring measure is limited in that it
assumes that only the companies that are listed by our published source are engaged in offshoring, which is somewhat too broad of an assumption and may raise external validity issues. Another limitation is the use of a dichotomous offshoring variable. Future research utilizing a variable that can measure degree or volume of offshoring is likely to have higher explanatory power. We also recognize that there are limitations to the statistical methods used to test our mediation hypotheses, and that future studies could assess these using other methods such as structural equation modeling. In addition, future research can investigate the impact of the offshoring destination on the firms’ domestic operations and reputation. Given a demonstrated relationship between reputation and employment attraction (Newburry, 2010), the joint impacts of offshoring and employee layoffs on reputational assessments of firms warrant future examination. Additionally, it would be interesting for future studies to examine the impacts of home country institutional and cultural factors (e.g., Deephouse, Li, & Newburry, 2009) on the reputation impacts of offshoring.
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