Multinationals offshore sourcing of Finance and Accounting in Malaysia: Exploring the drivers from the perspectives of transaction costs, resource-based view and location advantages

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Abstract

The purpose of this research is to analyse the effects of drivers from the perspectives of Transactions costs economics (TCE), Resource-based view and Location Advantages on multinationals (MNCs) Finance and Accounting (FA) offshore sourcing strategy. A survey was developed to evaluate the significance of these drivers based on Malaysia-based MNCs with FA offshore establishments. Hypotheses are developed to advance the understanding of the effects of these drivers. Evidence from the study shows that uncertainty due to technology positively and significantly affects offshore insourcing of FA activities. Human asset specificity, which is always presented as inversely related to offshore outsourcing, demonstrated inconsistent effects. Apart from the economic factors, strategic value FA activities and the development of skills that are customised to the requirement of the firm affect offshore insourcing of FA. However, unique skills do not play any significant role. The study proposed the existence of a synergistic relationship between TCE and RBV. The interaction effects between uncertainty due to technology and strategic value FA activities on offshore insourcing strategy is evidenced, proving that this collaborated effort will not only empower the MNCs to create competitive advantage through innovating their FA processes, it also indicates using TCE and RBV in tandem elevates the benefits of offshore sourcing decision. Results show that the relationship between the integrated TCE and RBV drivers and offshore insourcing strategy is affected positively by the location advantages factors. Results also revealed MNCs' aspirations in offshoring FA activities deviate from solely seeking costs effectiveness or in acquiring FA professionals. The findings suggest the effectiveness of offshore insourcing of FA activities depends on the technological development of digital solutions along with the reengineering of specific capabilities and the access to host country innovations and technical competence. Analyses indicate this portfolio of factors expand MNCs' FA sourcing footprint to the next level which is the offshore insourcing of highly strategic and complex FA processes.

1. INTRODUCTION

1.1 Introduction

The drive for greater competitiveness in the marketplace has influenced multinational corporations (MNCs) across industries to consider offshore sourcing as an important form of business renewal and corporate transformation strategy. While globalisation in the form of offshore sourcing has long been considered as an opportunity to venture into new markets, many firms relate offshore sourcing as a mean to advancing production, employment, communication, and technology development across the world (Choi et al., 2018; Gelderman et al., 2016). In the last decade, technology and communications have enabled MNCs to not only locate manufacturing production abroad but also shift their professional services such as Finance and Accounting (FA) to foreign locations, which previously was thought to be impractical. The availability of technical competencies and infrastructure in these foreign locations have and most likely will continue to affect MNCs to offshore source their FA activities (Graf & Mudambi, 2005). According to the observations of Erramilli and Rao (1993), the expansion to these foreign emerging countries has enabled MNCs to not only acquire these competencies but also replicate and develop their internal resources. Therefore, it is in the interest of MNCs to continue to increase their global footprint to protect their acquired resources and to be able to fully capitalise on their invested resources in foreign locations.

The process of moving the management of the firm's activities to foreign lands is known as an offshore sourcing strategy. In this study, the offshore sourcing strategy of FA is conceptualised as the sourcing of MNCs' FA activities outside the firm's home country to support the country's FA activities or global operations (Massini et al., 2010). It can occur either through insourcing, which means the FA activities are managed internally or outsourcing, which refers to contracting third parties professionals. Offshore sourcing strategy is also known as the Strategy. Researchers believe that at the turn of the millennium era, the Strategy would be the "next wave of globalisation" (Tate et al., 2009; Javalgi et al., 2009), however,

with the recent accelerated technological development, firms are racing to revolutionise their traditional offshore sourcing practices to one that embraces digital solutions led by transformation and automation (Deloitte, 2018). Even though lower costs have always been associated with offshoring efforts, recent studies have found that technology, innovations, and competencies development have greater effects on the Strategy (Rodgers et al., 2017; Gelderman et al., 2016). Accordingly, throughout the last three decades, offshore sourcing opportunities have been argued as the best way to reduce costs, create opportunities for growth, induce business improvement, increase competitive advantage, and promote value creation by acquiring higher-quality resources and talent externally (Tate et al., 2009; Bunyaratavej et al., 2007; Kamyabi et al., 2011). Moreover, researchers have found that offshore sourcing was not only positively affected by the availability of competencies but also through the implementation of the Strategy, firms have gained greater efficiency as they have been relieved of mundane activities (Eldenburg et al., 2019, Hatonen & Eriksson, 2009; Clements, 2003; Manning et al., 2016).

While the study on the Strategy has been widely examined across businesses and industries, less attention has been given to investigating the drivers that affect MNCs to offshore insource or outsource their FA activities. While some studies support leveraging manufacturing analysis on the research of services, some researchers questioned such generalisation such as Graf and Mudambi (2005) and Erramilli and Rao (1993) because FA offshore sourcing is a continuous process and it is expensive to reverse as it involves the development of FA skills over a period of time. Furthermore, the current technological advancement has forced the accelerated explorations on the effects of financial technology and digital transformation as critical drivers in moving MNCs' FA Strategy to the next level (Deloitte, 2018).

Two influential theories in the study of sourcing have been the Transaction Cost Economics (TCE) and the Resource-Based View (RBV). TCE has received much

empirical support in explaining outsourcing decisions, particularly in manufacturing. However, even though TCE has mostly been leveraged to explain sourcing practices in non-service industries, its economic-based approaches cannot be ignored in the study of companies' FA offshore sourcing strategies. On the other hand, unlike manufacturing where offshore sourcing decisions can be driven by external forces in the market, researchers have argued that services sourcing such as FA is a function of internal resources such as unique skills and knowledge (Christensen et al., 2016; Mudambi & Venzin, 2010; Kakabadse et al., 2003; Bunyaratavej et al., 2007). Hence, the RBV perspective is leveraged to analyse the importance of FA internal resources in the form of capabilities in the development of competitive advantage of the firm. Therefore, in the context of studying MNCs' FA Strategy from a strategic approach means analysing the relationship between the Strategy and the organisation's internal capabilities that can affect the competitive advantage and subsequently affect its performance. Hence, through the lens of TCE and RBV, this study investigates the effects of the drivers on MNCs' FA Strategy from external market forces (TCE) and shows how these firms balance the trade-offs between economic gains and development of internal resources (RBV) to sustain competitive advantage.

Also, in the pursuit of studying MNCs' FA Strategy, location advantages (part of Dunning's OLI framework) are leveraged to assess the comparative advantage to offshore FA activities in the host location. Even though MNCs have utilised offshore sourcing strategies to optimise costs and develop competencies, Bartlett and Ghoshal (1989), Choi et al. (2018) and Outreville (2013) highlighted that locational attributes such as geography, cultural similarities, and local government support motivate the rapid growth of the Strategy into emerging countries. According to Caniato et al. (2015), Kotabe and Mudambi (2009) and supported by Ellram et al. (2013), the decision to move the companies' activities offshore is about leveraging on locational attributes in controlling costs and increasing value creations such as capabilities. Therefore, apart from investigating the drivers, the influence of locational attributes on the effects of the drivers on MNCs' offshore sourcing of FA activities is also analysed. The linkage

of the relationship between the drivers, the locational attributes, and the Strategy provides a complete analysis of the Strategy from an economic, strategic, and locational perspective.

Based on these discussions, the knowledge of the drivers that affect FA offshore sourcing decisions is not only critical for MNCs' management but also host countries and other stakeholders that are affected by the Strategy. Therefore, this study empirically investigates FA offshore sourcing by studying the effects of the drivers on MNCs' FA Strategy by undertaking a survey-based study of Malaysia's MNCs with established offshore sourcing arrangements and leveraging Transaction Cost Economics (TCE) and Resource-Based View (RBV) perspectives. This study also incorporates evaluating location advantages as moderator variables and posit these factors have positive interaction effects on the relationship between the drivers and MNCs' FA Strategy. In essence, the model provides a way for MNCs and researchers to have a more comprehensive approach to understanding the effects of the drivers on MNCs' FA offshore sourcing decisions using the perspectives of the TCE, RBV, and location advantages.

1.2 Justification

According to the Deloitte Global Survey (2014, 2016, 2018), MNCs have reaffirmed the Strategy as one of their core corporate strategy to sustain competitive advantage. Although the rise in dominance of this Strategy has encouraged much large-scale research across industries over the last ten years (Tate et al., 2009), Massini et al. (2010) observed there is still very little knowledge about the drivers that affect MNCs to offshore source their FA. Moreover, even though it is expected that MNCs' reliance on the Strategy will increase (Bunyaratavej et al., 2007), there is still very few multi-theory driven research conducted on MNCs' FA Strategy that covers a comprehensive analysis of costs economics, strategy, and location. Therefore, this study endeavours to provide a comprehensive analysis of MNCs' FA Strategy by providing an

explanatory framework of drivers that affect MNCs' FA to an offshore source. The motivations to increase the understanding of the drivers that affect the offshore sourcing strategy of MNCs' FA are as discussed below.

First, empirical research on MNCs' FA offshore sourcing landscape is scarce. In the past, the study on outsourcing has focused solely on the perspective of TCE (Espino-Rodriquez et al., 2005; Kotabe & Murray, 2004). Most of the early research was predominantly on non-service industries and with the strong influence of the TCE theory, the determinants are mainly economically focused. Although the TCE theory is used widely (Barney, 1991), the analyses recommended by TCE are not always consistent, especially when presenting the observations on the effects of firms' boundaries (Williamson, 1981; Poppo & Zenger, 1998). Accordingly, Christensen et al. (2016) and Everaert et al. (2009) claimed that TCE can solely explain the FA outsourcing strategy. On the other hand, Espino-Rodriquez et al. (2005) presented the effects of strategic value activities on sourcing strategies for the hotel industry solely based on the RBV perspective. As argued by Espino-Rodriquez et al. (2005) and supported by Neves et al. (2014), the RBV proposes that firms should not outsource core activities that involve skills that provide a competitive advantage to the firms. These studies have emphasised the effects of the drivers on the Strategy from either TCE or RBV but it remains unclear whether the same observations can explain MNCs' FA Strategy. The question remains if either TCE or RBV can meaningfully assess and explain MNCs' FA Strategy as both cost economics and strategic value had individually provided meaningful explanations to past research on sourcing strategies.

Second, while TCE and RBV have independently explained sourcing strategies, the inconsistencies and differences in the recommendations observed provided the basis that the study of offshore sourcing should probably consider both TCE and RBV perspectives. Even though Yuan et al. (2019), Choi et al. (2018), Kamyabi et al. (2011), McIvor (2009), Gulbrandsen et al. (2009) and Javalgi et

al. (2009) have highlighted the sourcing of services based on combined TCE and RBV, there is very few research that provides a better understanding of the combined effects of economic and strategic drivers on MNCs' FA Strategy. While this study is valuable in analysing the independent effects of TCE and RBV, the effects of combined theories on MNCs' FA Strategy cannot be left unexplored because combining TCE and RBV perspectives provides a comprehensive view of how MNCs manage and operate their FA Strategy (Gulbrandsen et al., 2009; Poppo & Zenger, 1998).

Third, while historically offshoring has been linked predominantly to the international sourcing of activities in the manufacturing industry, the offshore sourcing of FA activities has only been on the rise in the last ten years (Caniato et al., 2014). Bunyaratavej et al. (2007) and Caniato et al. (2014) observed that the study on offshore sourcing has higher complexities due to the host country location factors that have different implications on the Strategy. Based on these observations, are MNCs' FA similarly affected by these location factors, and could these factors possibly alter the effects of the drivers on the Strategy? While Choi et al. (2018), Rodgers et al. (2017), Caniato et al. (2015), Ellram et al. (2008), Massini et al. (2010) have studied the effects of locational attributes on offshoring efforts, the same focus has not been applied specifically to MNCs' FA Strategy. Hence, this study analyses whether locational factors in the host country motivate and strengthen the effects of the drivers on MNCs' offshore sourcing of FA activities. Through the analysis, this study is motivated to analyse if the location factors in the host country assist in the development of comparative advantage to MNCs' FA.

1.3 Problem Statement

Many of the previous studies have concentrated on manufacturing sourcing activities. However, in the last decade, attention has shifted to researching professional services such as information technology, human resources, logistics, and FA (Ellram et al., 2008). While the first wave of offshore sourcing

practices involved labour intensive industries, the current wave has expanded to other services such as FA (Gerbl et al., 2015). Although there is considerable research devoted to offshore sourcing, less attention has been given to survey-based empirical research specifically on the perspectives of FA offshore sourcing of international organisations. Most of the available studies concentrate on either domestic or small-medium enterprises (Kamyabi et al., 2011; Everaert et al., 2009; Murray & Kotabe, 1999). The study of FA offshore sourcing is crucial because unlike manufacturing, FA is more subtle (Ellram et al., 2008) and the loss of knowledge on how these activities are managed directly affects the performance of the MNCs (Espino-Rodriguez et al., 2005).

Many researchers have indicated that the decision to offshore sourcing of professional services was done as an evaluation of costs optimisation (Massini et al., 2010), in many cases due to unstructured planning that places high emphasis on cost savings. Similar observations were presented in the analysis by Aini Aman et al. (2010) when examining the drivers that affect local companies in outsourcing their accounting in Malaysia. Contrary to past observations where cost is the ultimate motive, McIvor's (2009) study on manufacturing Strategy revealed that cost is not the only driver. Rather, offshore sourcing allows these organisations to develop a range of capabilities that assist in the development of core competencies for firms (McIvor, 2009). Recent empirical research have provided different observations of the effects of the drivers on the Strategy in different industries and functions (Eldenburg et al., 2019; Yuan et al., 2019; Zhang et al., 2018; Choi et al., 2018; Kotabe & Murray, 2004; Ellram et al, 2008; Everaert et al., 2009; Kamyabi et al., 2011; Espino-Rodriguez et al., 2005; Kaseri Ramin et al., 2013; Mukherjee et al., 2013; Neves et al., 2014; Aini Aman et al. , 2010,2012; Christensen et al., 2016). These observations show that considerable research and attention have been devoted to investigating the relationship between the drivers and offshore sourcing but as for MNCs' FA Strategy, less attention has been paid on the following:

1.3.1 Using TCE or RBV in assessing the effects of the drivers on MNCs' FA Strategy

Sutcliffe and Zaheer (1998), Murray and Kotabe (1999), Everaert et al. (2008), Aini Aman et al. (2012) and Christensen et al. (2016) have conducted studies on sourcing of services and highlight the perspectives of TCE. TCE has been leveraged widely to examine the determinants of outsourcing decisions (Yuan et al., 2019). On the other hand, Espino-Rodriguez et al. (2005) studied the sourcing strategy of the hotel industry solely depended on the RBV. However, these studies have emphasised on domestic and other forms of services offerings. In instances where the studies pertain to FA activities, the focus was on small-medium enterprises (SME) or domestic organisations. Less attention has been given to empirically analyse the effects of the drivers on MNCs' FA offshore sourcing by assessing the perspectives of the TCE or RBV. Therefore, such focus is needed as the effects of the drivers on MNCs' FA Strategy from both perspective remain unclear and the gap arising from the absence of independent theoretical assessment that can provide separate visibility to the importance of cost economics as compared to value-driven objectives need to be filled. The TCE perspective places emphasis on the effects of uncertainties, frequency, and asset specificity on the Strategy, characterised by firms taking on a cost economising approach. According to TCE, MNCs will offshore source by evaluating the benefits of the economic exchange that the Strategy offers (Holcomb et al., 2007) and provide suggestions for the minimisation of transaction costs (Aini Aman et al., 2012). At the same time, the RBV places focus on the development of competitive advantage. Accordingly, the relatedness between strategic value and capabilities is central to the continuous development of a competitive advantage for the firm (Barney, 1991). However, till now it remains unclear if similar attributes explain MNCs' FA Strategy.

1.3.2 Using combined TCE and RBV perspectives to extend the understanding of the effects of the drivers on MNCs' FA Strategy

According to Massini et al. (2010), the analysis on both American and European companies based on the ORN 2007/2008 survey and Deloitte Global Survey (2014, 2016) suggests that companies' main motivations in conducting offshore sourcing were costs savings and access to skilled talent. Therefore, while TCE has commemorated vast empirical support in the study of outsourcing (Espino-Rodriguez et al., 2005; Christensen et al., 2016), its sole focus on costs and economics will cause the findings to be lacking in other aspects such as the importance of capabilities development. By integrating the RBV which views the importance of internal capabilities in creating competitive advantage (McIvor, 2009) assists the analysis of offshore sourcing from both integrated economic and strategic perspectives. Past research has shown that convergence of these two theories expands the understanding of the effects of the combined drivers on the Strategy, such as the studies conducted by Yuan et al. (2019), Neves et al. (2014), Kamyabi et al. (2011) and Gulbrandsen et al. (2009) revealed that competencies are critical drivers as compared to cost economics drivers. The reverse results were observed by Eldenburg et al. (2019) where transaction costs arising from uncertainty superseded the development of internal capabilities in affecting the Strategy decisions of manufacturing firms. Yet, there is insufficient documentation of similar observations on MNCs' FA, particularly in providing evidence that the integration of TCE and RBV perspectives is necessary and complementary in explaining the effects of the drivers on MNCs' FA Strategy.

Moreover, the existing aggressive technological era calls for more studies on the effects of environmental uncertainty. TCE uncertainty due to technology has been recognised as a critical driver in past and recent studies on the Strategy (Sutcliffe et al., 1988; Banalieva et al., 2013; Eldenburg et al., 2019) suggests that MNCs have plans to capitalise on the development of FA digital solutions to sustain and increase competitive advantage through the Strategy. As the objective of MNCs to invest and participate in FA technological development is to take the Strategy

to another level (Deloitte, 2018), there is a need for more studies highlighting on the integration and assessment of the arguments from TCE and RBV in tandem with the increase of the understanding of MNCs' FA Strategy, as current findings are less apparent, demonstrating a fundamental research gap.

1.3.3 Using location advantages as moderator variables between the drivers and MNCs' FA Strategy

The question of “where” to source in an offshore arrangement is regarded by many researchers such as Hatonen (2009), Kotabe and Murray (2004), Bunyaratavej et al. (2007) as one of the important factors in affecting the offshore sourcing strategy. FA offshore sourcing strategy involves transferring the FA activities to a distant country and prior research has focused on studying the direct effects of these locational factors on the Strategy (Caniato et al., 2014; Banalieva et al., 2013) while limited research has been conducted on the nuances of locational attributes effects on FA Strategy. In this study, location advantages have been leveraged in assessing the effects of locational attributes on the Strategy and not Dunning's other elements such as the Ownership advantages and Internalisation advantages because the objective of the study is not to focus on the firm's reasons in operating in foreign countries. Furthermore, according to Graf and Mudambi (2005), Gerbl et al. (2015) and Hatonen (2009), Dunning's paradigm cannot completely assess MNCs' FA Strategy as it is not as effective as TCE or RBV in providing more consideration to the critical drivers that affect MNCs’ Strategy.

According to the sourcing evolution, MNCs’ FA usually stepped into offshoring following the footsteps of other internal functions. Therefore, instead of projecting direct effects on FA Strategy, these locational attributes are predicted to be able to change or alter the effects of the drivers on the Strategy because different researchers in the past have made observations to different effects of location advantages. According to Choi et al. (2018), Manning (2016) and Gerbl et al.

(2014), offshore sourcing is usually strategically implemented in a different operating environment and location advantages such as culture, language, and time zone become the foundation of survival capabilities of the Strategy in a foreign land. While cost saving is still the major reason, Ellram et al. (2008) and Caniato et al. (2015) noted that the access to talent, the presence of service providers, and co-location with other functions of the firm have equal effects on the Strategy. Similarly, Hatonen and Eriksson (2009) observed that the selection of the right environment for offshore sourcing that provides government incentives increases the sustainability of the right resources.

In studies conducted on Malaysian small-medium enterprises (SME) outsourcing of FA, researchers such as Kaseri Ramin et al. (2013) found that the general accounting and taxation activities were commonly outsourced whilst budgeting and management reporting activities were the least outsourced because locational factors such as the availability of skills and competencies were the main drivers for these SMEs to continue outsourcing their FA activities. Yet, until now, less attention has been given to specifically observe the effects of these locational advantages factors on MNCs' FA Strategies. Hence, the investigation on the effects of location advantages in host countries is important as it affects the relationship between the drivers and the Strategy, thereby contributing to the theory that lacks in the study of FA Strategy (Gerbl et al., 2015).

1.4 Research Questions

Based on the overall goal of the study which is to analyse the effects of the drivers on MNCs' FA offshore sourcing strategy through the lens of TCE, RBV and location advantages, the three research questions are as follows:

1. What are the independent effects of Transaction Cost Economics and Resource-Based View drivers on MNCs' Finance and Accounting offshore sourcing strategy?
2. How do an integrated Transaction Cost Economics and Resource-Based View perspectives expand the effects of the drivers on MNCs' Finance and Accounting offshore sourcing strategy?
3. How do location advantages moderate the effects of Transaction Cost Economics and Resource-Based View perspectives on MNCs' Finance and Accounting offshore sourcing strategy?

1.5 Research Objectives

The general objective of the study is to analyse the effects of the drivers on MNCs' FA offshore sourcing strategy by applying the concepts of Transaction Costs Economics (TCE), Resource-Based View (RBV), and location advantages. To achieve the research aim, the study has three research questions and the specific objectives as discussed below.

1. The study aims to examine and empirically test the independent effects of the drivers from the perspectives of TCE and RBV on MNCs' FA Strategy. By drawing upon the central aspects of TCE and RBV, the perspectives of transaction costs and strategic value can be compared and examined. Moreover, as both theories focus on efficiencies, the independent TCE and RBV assessment evaluates the effects of the drivers from both process and strategic level and compare how firms assess the benefits to costs ratio of economic factors to assessing the emphasis on organisational resources such as FA strategic value activities and internal competencies.

2. This study aims to combine TCE and RBV to provide a more valid perspective on how these two theories operate in tandem. The study

investigates the existence of a synergistic relationship between the two theories by empirically testing the moderating effect of the TCE uncertainty due to technology on the relationship between MNCs' FA Strategy and the increase in the offshore insourcing of strategic FA activities.

3. The study integrates location advantages into the framework to advance the understanding of the relationship between locational attributes, the drivers, and the MNCs' FA Strategy. Dunning's eclectic theory (Dunning, 1980) has been widely accepted in the studies of MNCs' activities in terms of ownership, location, and internalisation advantages (OLI). Although Dunning's OLI framework is widely leveraged on studies relating to conducting business in foreign locations (Graf and Mudambi, 2005), the addition of the location advantages is to empirically test the moderating effects of these factors in positively affecting the relationship between the drivers and MNCs' FA Strategy.

Based on the above specific research objectives, ultimately, the study aims to not only identify and examine the roles and importance of the drivers in affecting the Strategy but also recognising their effects on both competitive and comparative advantage of firms. Through the empirical analyses, the study aims to provide the evidence of MNCs' FA of not only safeguarding but also increasing their competitive strength by leveraging on the drivers to reach the next stage of their offshore sourcing strategy. The alignment of the research questions, research objectives, and methodology are documented in Table 1.1.

Table 1.1 Summary of research questions and research objectives

Research Questions	Research Objectives
What are the independent effects of Transaction Cost Economics and Resource-Based View drivers	The objective is to examine the independent effects of the drivers from

Research Questions	Research Objectives
on MNCs' Finance and Accounting offshore sourcing strategy?	TCE and RBV respectively on the Strategy.
How do an integrated Transaction Cost Economics and Resource-Based View perspectives expand the effects of the drivers on MNCs' Finance and Accounting offshore sourcing strategy?	The objective is to combine TCE and RBV to analyse how these two theories operate in tandem to expand the effects of the drivers on the Strategy. This is analysed by assessing the existence of positive interaction effects of TCE on RBV in affecting the Strategy.
How do location advantages moderate the effects of Transaction Cost Economics and Resource-Based View perspectives on MNCs' Finance and Accounting offshore sourcing strategy?	This is to assess if the location advantages are significant moderator variables between the drivers and MNCs' FA Strategy. This is achieved by assessing the existence of positive interaction effects that location advantages have on the drivers and the Strategy.

1.6 Scope of the Study

As this research concerns MNCs with offshore sourcing establishment, the population was selected based on the grouping of MNCs under the Global Business Services (GBS) by Malaysia Digital Economy Corporation (MDEC). According to Kearney (2009), Malaysia is identified as the third largest most potential location for offshore sourcing strategy in the Southeast Asian region. MDEC is a local government body tasked to accelerate Malaysia's globalisation footprint and one of their charters is to attract the investment of MNCs across the globe. GBS refers to the group of MNCs with offshore sourcing establishment incorporating information technology (IT) and services functions such as procurement, human resource (HR), research and development (R&D), knowledge process outsourcing (KPO) and finance and accounting (FA). The entire group of companies listed under GBS consists of a total population of 670

MNCs, out of which 214 MNCs have combined functions of offshore sourcing of HR, KPO, and finance and accounting. These 214 MNCs are the samples for the study.

The study investigates the effects of the drivers on MNCs' FA offshore sourcing strategy. In other words, the study evaluates whether the drivers affect the offshore insourcing or offshore outsourcing intensity of MNCs' FA Strategy. As the study aims to provide empirical evidence on the independent effects of TCE and RBV as well as integrated TCE-RBV effects on MNCs' FA Strategy, the analyses are conducted with a two-stage approach.

The first research question addresses the first stage analysis which is analysing the effects of the drivers from the perspectives of TCE and RBV. Hence, two separate analyses are conducted. First, the effects of the drivers from the perspectives of TCE on the FA Strategy are analysed. Four hypotheses relating to the effects of uncertainty due to technology, talent as in asset specificity, uncertainty due to management behaviour, and FA process frequency on MNCs' FA Strategy are tested. It is predicted that uncertainty due to technology, talent as in asset specificity, uncertainty due to management behaviour are positively associated with offshore insourcing of FA activities. In addition, non-routine FA activities are predicted to be positively associated with offshore insourcing of finance and accounting matters. Second, the effects of the drivers from the perspectives of RBV on the FA Strategy are analysed. Five hypotheses relating to the effects of strategic value activities, the association of internal capabilities and effects on firm performances are tested. It is predicted that core FA activities are associated with unique skills, not easily adaptable skills and not easily substituted skills and strategic value activities are positively associated with MNCs' offshore insourcing of FA activities.

The second research question deals with the second stage analysis. To expand the effects of the drivers from the perspectives of TCE and RBV, analyses of combined effects of TCE and RBV drivers on MNCs' FA Strategy are conducted. The study adds more value to the theoretical and practical framework by proposing the existence of a synergistic relationship between uncertainty due to technology (TCE) and offshore insourcing of core FA activities (RBV). It is predicted that the uncertainty due to technology has positive interaction effects on offshore insourcing of core FA activities.

The third research question seeks to analyse location advantages as positive moderator variables on the relationship between the drivers and MNCs' FA Strategy. The location advantages are grouped into three main headings such as (1) Location-specific factors that consist of cost of labour and related costs, culture, language, geographic proximity and government incentives; (2) Firm-specific factors that consist of co-location with other functions, a strong presence of offshore sourcing establishments and location of a service provider and (3) Situational-specific factors that consist of high-level expertise and talent pool, quality infrastructure and political and economic stability. Three hypotheses to test the interaction effects of the three groups of factors on the effects of the drivers on MNCs' FA Strategy will be analysed. It is predicted that these factors have positive interaction effects on the relationship between the drivers and MNCs' offshore insourcing of FA activities.

The following variables such as the firm's age, size, and level of education of decision makers are added as control variables to the analyses as observations from similar research have shown that a firm's age is an antecedent to outsourcing (Everaert et al, 2009). A firm's size is also an important factor affecting the extent use of sourcing strategy (Kamyabi et al., 2011) while the level of education of the decision maker is related to the sourcing decision (Park & Krishnan, 2001).

Finally, in analysing the effects of the drivers from the perspectives of TCE, RBV, and location advantages, the comparison of the effects of process frequency versus strategic value activities can be presented as an additional analysis. This is added as an additional analysis because one of the research gaps in the study of sourcing strategy is the relationship between the drivers, MNCs' FA Strategy, and effects of the selection of the activities on the Strategy (Espino-Rodriquez et al., 2005). According to Javalgi et al. (2009) and McIvor (2009), the study on the selection of what to source is critical particularly if the study is functional in nature such as FA. Javalgi et al. (2009) connect the effective selection of the activities sourced to the results of an effective sourcing strategy and these are important drivers. Effective selection of activities to an offshore source, according to Javalgi et al. (2009) affects value creations and development of competitive advantage to the organisation. Therefore, as additional analysis, this study presents the relationship between MNCs' FA Strategy and the effects of the selection of FA activities from both process frequency (TCE) and strategic value perspectives (RBV).

1.7 Significance of the Study

This study is not industry-focused. Rather, it pays specific attention to MNCs' FA that has the biggest opportunity in terms of offshore sourcing strategy in the current period. Most of the studies conducted have observed that MNCs would always prefer to offshore insource to gain maximum control of their foreign investment (Erramilli & Rao, 1993). However, less attention is given to ascertain if offshore insourcing is indeed the preferred option for MNCs' FA as FA is the core mantra of an organisation where it unites the rest of the support functions in delivering value and strategies to the business. To a more critical level, less attention is given to assess the drivers that will affect MNCs' reliance on the Strategy.

The significance of the study can be explained in five aspects:

First, it enriches and extends the understanding of the effects of TCE based drivers on MNCs' FA offshore sourcing strategy as most of the previous TCE based studies on FA were for either domestic or small-medium enterprises (SMEs) (Everaert et al, 2009; Kamyabi et al., 2011). This study provides an insight into the effects of technology, talent, process frequency, and management behaviour on the FA Strategy. While TCE assists in appreciating the economic benefits of transaction costs minimisation, this study contributes theoretically by revealing a contradictory TCE expectation where management exhibits a trade-off between short-term costs reductions and long term investment into technology. This informs organisations that their willingness to invest in technological innovations of their FA processes directly affect their long term development of skills and costs optimisation. As a result, these MNCs can increase offshore insourcing of their more complex FA activities.

Second, this study not only considers technology advancement, management behavioural uncertainty, process frequency, and talent but also further reviews MNCs' strategic value FA activities and the development of internal capabilities as effective offshore sourcing drivers. The study contributes in theory by explaining that strategic FA activities do not require unique capabilities, rather, it is the development of internal skills that are adapted to the internal business culture, systems and processes that are most valuable to the organisations. The addition of location advantages enriches the study of the location of choice for MNCs' FA offshore sourcing strategy. These results can be used by organisations who wish to reassess their Strategy or those planning to adopt a different offshore sourcing strategy for FA. The integration of the drivers and the interaction effects of location advantages allow a better understanding of how MNCs sustain and drive their FA Strategy to the next level, as such study is rare (Bunyaratavej et al., 2008).

Third, the research highlights the contributions in both theory and practice by integrating TCE and RBV logic in explaining the effects of the drivers on the

MNCs' FA Strategy. The interaction effects and the synergistic relationship between the two theories extend theoretical and practical contributions to the rising importance of technology as the central determinant of future offshore sourcing of FA activities. Through the research discussion, MNCs are made aware that offshore sourcing decisions for FA cannot be made solely from a single theoretical standpoint. The more significant value added to the theory and practice of offshore sourcing is the evidence of the positive interaction effects between technology and core FA activities that enable firms to develop new strategies in moving their FA offshore sourcing strategy to another level.

Fourth, another important area addressed by this research is MNCs are constantly seeking to offshore source more core activities. The research shifts the focus from economic dependence to focusing on value creations. It contributes to practice by providing managers with a richer framework in understanding the potential trade-offs and capabilities that guide their desire to internally manage their FA. The study contributes to theory by analysing the importance of technology in driving digital innovations to enable the increase in offshore insourcing of MNCs' complex and strategic activities. This is important as this leads to continuous costs and quality optimisation of their offshore sourcing efforts. Also, the analysis of the synergistic relationship between technology and its effects on offshore sourcing of core FA activities provide greater insights into the shifting of traditional sourcing practices to embracing digital sourcing solution. The discussion developed in this research provides a valuable basis for MNCs in recognising capabilities considerations for FA offshore sourcing decisions as acute development of internal technology can lead to problems arising from the internal skills gap within the firms.

Finally, the study is unique as the survey is conducted on 214 multinationals with offshore sourcing establishment in Malaysia. Malaysia has been identified as one of the high potential countries in achieving double-digit growth in terms of offshore sourcing strategy across functions. For the government of Malaysia, to sustain

offshore sourcing as its key economic driver, this study provides insight into the specific host country location attributes that require greater attention and continuous improvement. For the organisations, the study is important because it provides organisations with visibility on the critical drivers and significant host country location factors that affect the offshore sourcing strategy. With this information, MNCs are able to improvise and align the decision of their future offshore sourcing strategy to the internal objectives of the organisation.

1.8 Organisation of Thesis

The overall research is organised as follows:

Chapter two focuses on the empirical findings, the evolvement of the offshore drivers that have accompanied the strategy in the revolution, the multi theory framework, and the discussion of the drivers in developing multiple hypotheses to support the quest to answer the research questions.

Chapter three describes the research methodology in terms of the sample, data collection procedures, measures, and analysis.

Chapter four presents the analyses and findings.

Chapter five discusses the findings of the research questions.

Chapter six concludes the study and presents the contributions, study limitations, and potential topics for future research.

1.9 Definitions of Key Terms

Below are listing of key terms as used in this study:

Offshore Sourcing Strategy: Sourcing of activities outside a firm's home country. In this study, this term is also referred to as the Strategy.

Offshore Outsourcing: Offshore Outsourcing refers to contracting a third party in managing part or all of the activities and the management of these activities are conducted outside of the company home country.

Offshore Insourcing: Offshore Insourcing refers to managing the activities internally outside of the company's home country.

Drivers: The factors that affect offshore sourcing strategy. For this study, the drivers that affect MNCs' FA Strategy, through the lens of TCE and RBV are identified as talent, uncertainty due to technology, FA process frequency, uncertainty due to management behavioural and FA strategic value activities.

Transaction Costs Economics (TCE): Transaction cost economics refers to the economic costs transactions of managing the FA activities in the sourcing arrangement.

Resource-Based View (RBV): Resource-Based View considers FA internal capabilities in the creation of competitive advantage. Internal capabilities refer to the knowledge and competencies that are unique to the company and are not easily adaptable and substituted.

Location advantages : Location advantages refers to the factors that can favour host countries such as (a) location-specific factors(LSFs) incorporating the cost of labour and related costs, culture, language, geographic proximity and government incentives), (b) firm-specific factors(FSFs) incorporating co-location with other functions, a strong presence of offshore sourcing establishments and location of a service provider and (c) situational-specific factors(SSFs) incorporating a high level of expertise and talent pool, quality infrastructure and political and economic stability.

1.10 Summary

The offshore sourcing strategy for MNCs' FA has grown exponentially over the last ten years, so has the interest in this topic. However, over this decade, most studies ranged from studying the outcome of offshore outsourcing decisions to

studying the benefits of offshore insourcing capability. Hence, there is a need for a comprehensive review of the entire scope of MNCs' FA Strategy. The comprehensive review of this study offers includes the analysis of the effects of the drivers on MNCs' FA offshore sourcing strategy leveraging the TCE and RBV independent assessment as well as combined conceptions, the proposed existence of an interactive and synergistic relationship between TCE and RBV and the evaluations of location advantages, extending their effects as moderator variables between the drivers and MNCs' FA offshore sourcing strategy. As an additional analysis, the study presents the effects of process frequency (TCE) and strategic value activities (RBV) on offshore sourcing of MNCs' FA activities

Through the lens of TCE, RBV, and location advantages, the analyses show that these theories are relevant in explaining MNCs' strategy. The proposed interactive and synergistic relationship between TCE and RBV reveals a startling fact of technology helming the centre stage as the most dominant driver in affecting MNCs' FA Strategy. The inclusion of the effects of process and strategic activities on the FA Strategy provides more understanding of the effective selection of FA activities for the Strategy. Meanwhile, the inclusion of location advantages adds value in assessing the benefits of locational attributes in affecting the relationship between the drivers and the Strategy.

Finally, by integrating the theories of TCE, RBV and location advantages, this study improves the understanding of MNCs' FA offshore sourcing strategy. The study highlights that as a corporate objective, the Strategy must demonstrate both economic, strategic, and locational benefits. Therefore, while MNCs put utmost priority in obtaining continuous costs optimisation from offshore sourcing of their FA, aggressive efforts are put through in considering the strategic development of internal capabilities and financial technology to stay competitive in the long run. This research thus provides empirical evidence of MNCs leveraging on their core competence which is their acute knowledge in technology to overcome the existing disruptive technological impact. Their efforts will not only sustain the

offshore sourcing of their FA but also obtain more benefits through the reengineering of their internal resources to open up a whole new opportunity to offshore sourcing their core and complex FA processes.

2. Literature review

2.1 Introduction

This chapter aims to develop a theoretical framework incorporating various factors such as drivers and location attributes that affect MNCs' finance and accounting (FA) offshore sourcing strategy. It examines relevant literature and identifies research gaps for this study. This chapter begins with discussing the evolutionary development of MNCs' offshore sourcing strategy (the Strategy), the identification of the drivers that have affected the growth, and the background information to the study. This is then followed by the discussion of the drivers from the perspectives of Transaction Costs Economics (TCE) and Resource-Based View (RBV) in relations to Research Question 1, proposed integrated TCE and RBV effects in relations to Research Question 2 and finally Dunning's eclectic paradigm location advantages for Research Question 3. Based on these discussions, specific hypotheses are developed. The chapter concludes by presenting the study's conceptual model.

2.2 Overview of MNCs' Finance and Accounting Offshore Sourcing Strategy

2.2.1 Offshore Sourcing Strategy Defined

The introduction of international sourcing (Dunning, 1993), which opened up a whole new experience of offshoring leading to the formation of organisations without barriers (Hatonen & Eriksson, 2009) have been the topic of research in the last decade. Offshoring can be referred to as the cross border strategic management of the organisation's activities and it can either be internally managed or externally supported by an external party. Offshore sourcing is one of the most hotly debated topics in international business. However, it is sometimes loosely defined in the popular press as the relocation of business processes to foreign countries to take advantage of the supply of skilled but relatively cheap labour (Javalgi et al., 2009).

In the context of this study, an arrangement where FA activities are transferred to be managed by a professional external provider in a distant land is known as offshore outsourcing. This means, the firm usually delegates some part of the organisation's recurring FA activities to a third party who specialises in managing outsourced FA activities in a foreign country (Everaert et al., 2009; Javalgi et al., 2009; Kamyabi et al., 2011). On the other hand, offshore insourcing is a strategy where firms decide to build and develop their extended team in the foreign land, maintaining full control and ownership of their FA activities (Gerbl et al., 2015). As MNCs could decide between offshore outsourcing and offshore insourcing, this study highlights the objective of evaluating the effects of the drivers on the firms' FA offshore sourcing strategy, thereby identifying the preferred model. The next section discusses the study background information involving the definition of offshore sourcing strategy in the context of its evolutionary development, the definitions of finance and accounting activities, the definitions of offshore sourcing strategy intensity, and MNCs' offshore sourcing of FA in Malaysia.

2.2.2 Background information of the Study

The offshore sourcing phenomenon

Over the last three decades, global competition has forced many MNCs to source goods and services from lower costs locations, often in developing countries. In the development of this sourcing practice, apart from enjoying the lower-cost alternatives, MNCs were not only able to grow their competencies but also combined their suppliers' competencies in developing greater competitive advantage (Kotabe & Mudambi, 2009). In addition, this sourcing practice is further enhanced by gaining the comparative advantage of various geographic country attributes (Massini et al., 2010). The table below summarises MNCs' FA possible choices of sourcing strategy that emerged as a result of uncertain global markets and wider availability of talent and resources in other geographic locations.

Table 2.1 Summary of Possible Choices of Sourcing Strategy

		Geographic Location Strategy	
		(a)Onshore (Domestic)	(b)Offshore (International, cross border)
Type of Sourcing Strategies	Insourcing	In-house	In-house, full control and ownership
	Outsourcing	Third party	Third party

Note: information was adapted from Kotabe and Mudambi (2009).

Referring to Table 2.1, this research focuses on examining option (b) which is the offshore or international sourcing strategies incorporating both insourcing and outsourcing practices. With that being said, this study extends the evaluation of MNCs' FA sourcing strategy beyond domestic markets.

The investigation of the drivers that can impact MNCs' FA offshoring strategy begins with studying the origins. The beginning of this phenomenon can be traced back to the evolution of global sourcing. In the last thirty years, there have been three phases of offshore sourcing development and are discussed as follows.

First Phase of Offshore Sourcing

In the 1970s, companies were usually vertically integrated where all of the processes within the value chains were produced internally. Firms were not only producing the end products but also the majority of the firms even owned the facilities in producing raw materials (Hatonen & Eriksson, 2009). This was the phase where sourcing was predominantly a domestic strategy as shown in Table 2.1 option (a). The progressive market slowed down and forced organisations to procure or transfer a portion of their work to another party who can purposefully

do it better than them. During this time, domestic sourcing was practised in manufacturing space and the objective was purely to achieve cost-effectiveness. This practice was perceived as an effective way to reduce costs while maintaining productivity gains. Ellram and Billington (2001) defined this practice as the transfer of products and services to another domestic party replacing internal production. The objective of sourcing strategy, according to Kotabe and Murray (2004), was a method practised within the domestic market to reduce operational costs as well as to gain efficiency. This underlying concept which focuses more on economic and efficiency gains is more known as the Transaction Cost Economics (TCE) which has been the fundamental model in studying the sourcing strategy over the years.

Second Phase of Offshore Sourcing

The second phase of sourcing evolution happened in the 80s and 90s and was fundamental to the development of MNCs' FA offshore sourcing strategy. During this period, MNCs' manufacturing firms kick-started the offshoring concept by increasingly using suppliers from foreign countries to take advantage of more optimised alternatives in terms of costs and resources. Despite many researchers claiming that costs reduction was the underlying reason of offshore sourcing strategies, researchers such as Hatonen and Eriksson (2009) argued that apart from the focus on the reduction of costs, the second phase of the evolution opened up new engagements among the organisations in securing greater ties among different industries, competitors, and suppliers in emerging markets. Clements (2003), Lacity, Willcocks and Feeny (1996) and Nicholson and Aman (2012) highlighted that apart from costs, the offshoring phenomenon enabled international access to emerging markets' resources and technology at a much-reduced cost. These researchers added that the phenomenon was able to minimise time management which allowed them to focus on more impending and serious issues, bringing a greater focus on efficiencies and core competencies.

According to Kotabe and Murray (2004), the second phase of the evolution raised the benefits of offshore sourcing strategy in opening up opportunities of globalisation. One of the important opportunities was the extensive technological development that began to sprout out in foreign countries. MNCs quickly identified the benefits of acquiring competent resources to advance their technological development at lower costs. However, MNCs' FA ventured into the offshore sourcing market very much later compared to the rest of the more matured functions such as human resources and operations. As pointed out by Aini Aman et al. (2010, 2012) it cannot be denied that cost optimisation was the original reason for embarking into this Strategy but it was the discovery of prominent drivers such as competent talent, excellent infrastructure such as technology in emerging countries that elevated the offshore sourcing of FA into double-digit growth in the third phase.

Third Phase of Offshore Sourcing

The current phase of offshore sourcing is the third phase which can be illustrated as an enhanced borderless opportunity of global sourcing as a result of exponential growth in the market place that has greatly extended the sourcing strategy beyond domestic markets. The technological advancement and the newly acquired talent in emerging countries enabled less important processes to be offshore sourced. Therefore, as a result of offshore sourcing their less important work, firms were able to refocus their attention on their core competences. At that juncture, technology was known as the driver in lifting the offshore sourcing strategy to the next level (Kotabe & Murray, 2004). Accordingly, the aggressive progression in technology advancement in the 2000s resulted in the rise of the business process of offshore sourcing that extends beyond IT services to a range of back end functions such as FA, human resource management, and marketing.

There were two major events that led to the aggressive offshore sourcing of MNCs' FA. First, the success of IT transformation provided a blanket of

confidence and encouragement for finance leaders to set their foot on the offshore sourcing strategy. FA is a process-oriented function and it is best managed in an environment allowing for massive data storage and logical accessibility of power. The successful IT transformation was the basis for finance leaders to enhance the aggressiveness of the sourcing of FA which later became a game-changer in providing them the level playing ground to venture into international markets. The success of offshoring IT into emerging markets has enhanced the management's confidence in the abilities of newly acquired talent in emerging markets (Anderson et al., 2006). In addition, the centralisation of IT processes has greatly transformed how FA can be managed internationally. Technological development not only has allowed MNCs to simplify their FA processes but also enabled the centralisation of global management of these activities into emerging countries.

Second, at the beginning of the year 2000, finance leaders in MNCs were tasked by their senior leaders to reduce their general and administrative expenses. At this time, the corporate world viewed globalisation as a means to achieve cost competitiveness, improved technology, and the opportunity to acquire competent talent at optimised costs. Hence, these effects triggered a series of restructuring within the MNCs' FA to attain a competitive edge amid excessive cost pressure. As the pressure surged, as pointed out by Sargent Jr. (2006), finance leaders were quick to identify that offshore sourcing strategy will be the fastest option to catch up with the progress of globalisation. Therefore, even though the motive to offshore source the FA activities was originally to achieve costs optimisation, researcher such as Zhang et al. (2013) showed that it was the advancement of technology and new talent development “that had enhanced offshoring interest in finance leaders in going international” (Anderson et al., 2006; Zhang et al., 2013, p140; Bunyaratavej et al., 2007).

In the beginning when companies first started implementing the Strategy in finance and accounting, the selection of what activities to offshore remained a

challenge and was limited to the simple routine of day-to-day activities (Clements, 2003). As observed by Hatonen and Ericsson (2009) and McIvor (2010), most organisations have limited avenue in deciding what activities should be outsourced to offshore locations and has remained a research gap until today. However, as these firms regard the continuity of this Strategy to be crucial to stay competitive, the selection of what FA activities to be outsourced to offshore locations would be critical in determining the success of the Strategy (Anderson et al., 2006; Clements, 2003). Therefore, apart from increasing the understanding of drivers that have affected MNCs' FA Strategy, as additional analysis, this study seeks to examine and compare the effects of FA process frequency and strategic value on MNCs in their selection of FA activities to offshore source.

Finance and Accounting Activities Definitions

In general, the end to end of FA activities incorporate the following four major processes as shown in Figure 2.1 below, adapted and modified from Everaert et al. (2009).

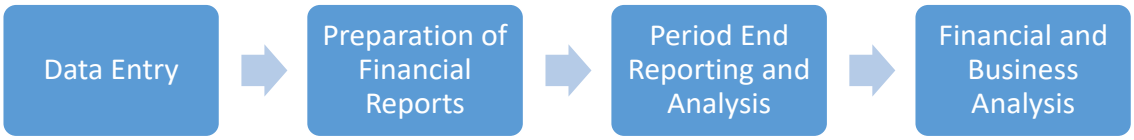


Figure 2.1 shows the Finance and Accounting processes groupings

These grouping of tasks are interdependent and in combination result in each period completion of FA financial statements. However for this study, instead of analysing FA activities in the form of groupings of tasks which was a research limitation in the study by Everaert et al. (2009), the four major groupings are further broken down into fifteen types of FA activities as follows: Credit/Cash Management, Credit Analysis, Accounts Payable, Accounts Receivable, All types

of Payment/securities processing, Product/Services Costing, Fixed Assets Accounting, General Ledger Reconciliation, Statutory Reporting and Analysis, Financial Planning (Flash, Budgeting), Forecasting (Periodically), Financial Reporting, Performance Analysis, Business Advisory Analysis, Internal Audit (adapted from ORN, 2012-2013 International Survey; Everaert et al., 2009 & Kamyabi et al., 2011).

In a multinational setting, FA transactional activities or routine activities are usually referred to as Accounts Payable (A/P), Accounts Receivable (A/R), General Ledger Reconciliation and low impact Financial Reporting (Krell, 2007) and these are normally high-frequency activities (Everaert et al., 2008). High-frequency activities are activities that have many recurrences in any given period. In reference to Figure 2.1, all these activities are included in the "Data Entry" and "Preparation of Financial Reports" process boxes. "Period End Reporting and Analysis" is regarded as a non-routine process and usually of low frequency as it requires some expertise in the course of interpretation (Everaert et al., 2009). Typical examples of analytical work are performance analysis related such as profit and gap analysis as well as forecasting activities, cause and effect analysis for organisation decision structure (Lindvall et al., 2011) in addition to business advisory support (Everaert et al., 2009). While some parts of the analytical activities can be replaced by systems enabled spreadsheets, the "brain" part of the process continues to be skilled and experienced dependents. These tasks are included in the "Financial and Business Analysis" process box.

The reason for studying the effects of the drivers at the MNCs FA activities level is to enable: (a) the evaluations of TCE based drivers' effects at the process level, meaning having the ability to analyse the effects of the drivers in affecting variations on how the work is performed in driving efficiency and economic gains, (b) this will not only extend the analysis to comparing routine and non-routine activities but also enable the collection and evaluations of data for TCE effects specifically at the individual accounting activities. Moreover, as argued in

previous research conducted by Gerbl et al. (2015), the characteristics of the activities directly affect the decision on sourcing as FA activities usually have complex interdependencies with each other (Gerbl et al., 2015; Everaert et al., 2008) therefore, (c) by applying the lens of RBV, the detailed analysis of activities leads to the investigation of the FA Strategy at the firm's level. This is achieved by analysing the effects of the level of importance of each activity (the strategic value) and the development of long term internal capabilities on MNCs' FA Strategy.

MNCs' FA Offshore Sourcing Intensity Definitions

The measure of the effects of the drivers on MNCs' offshore sourcing strategy is defined as offshore sourcing intensity. This study considers offshore sourcing intensity as the dependent variable based on below:

Based on the studies by Gilley and Rasheed (2000) and Everaert et al. (2009), both offshore outsourcing and offshore insourcing are not a unidimensional concept. This means, for any of the FA activities, there is a probability that the activity is entirely or partly outsourced offshore. The same applies to offshore insourcing of any of the activities and in some instances, some activities outsourced offshore while the remaining of the related work is offshore insourced. Moreover, it is crucial to note that an offshore sourcing strategy is not a static objective, rather, it is dynamic and a continuously evolving process. According to Tate et al. (2009), their evaluations of nine large organisations revealed that the Strategy for these firms changes over time. Therefore, following the footsteps of Gilley and Rasheed (2000) and Everaert et al. (2009), in the context of this study and as a reflection of the flexibility of this Strategy, the offshore sourcing strategy is studied as a combined construct of the firms' breadth and depth dimensions. Breadth is defined as the number of activities sourced as a percentage of the total number of activities in which the firm could engage, and in this study, the number of activities is fifteen. The breadth dimension is important as it provides some

understanding of the selection of activities. Some MNCs' FA may choose to offshore insource more activities compared to offshore outsourcing. In contrast, some MNCs' FA may choose to offshore outsource a broader range of activities. The second dimension is the depth of the firm which is defined as the extent of the activity that is sourced offshore. Depth is expressed in percentage and if a firm offshore source activities at higher depth over others, it means a higher portion of the work of those activities is being sourced offshore. The combined construct of the breadth and depth of offshore sourcing forms a single measurement of the level of offshore sourcing. This construct is referred to as offshore sourcing intensity. For this study, offshore sourcing intensity measures MNCs' FA overall reliance on the Strategy.

MNCs' FA Offshore Sourcing in Malaysia

In a traditional offshore sourcing decision framework, the question on the sequence of the decision to source versus where to source usually refers to the former as the most prominent (Hatonen & Eriksson, 2009). In today's strategic environment, the sequence will be influenced by which will maximise the benefits of the organisation's strategy (Mudambi & Venzin, 2010). As corporations continue to expand their FA Strategy, they will need to source for a strategic location that will be able to provide both cost attractions and competent resources. This is because to sustain their reliance on the Strategy, most likely these MNCs need to offshore source all the activities including the more critical and complex FA activities. The offshore sourcing of complex activities requires the development of new capabilities and information technology-enabled processes (Manning et al., 2016). Moreover, according to Espino-Rodriquez et al. (2005), the selection of the right location in studying the Strategy for a service-oriented function is very crucial as the Strategy depends a lot on the location advantages that are available locally as locational attributes such as infrastructure, talent, and culture influence the effectiveness of the Strategy.

The corporate world refers to the Shared Services model as a strategy where their transactions are standardised and centralised across the organisation's global footprint. From a business perspective, the FA Global Shared Services model is synonymous with this research topic of FA offshore sourcing strategy. In the case of offshore insourcing, shared services refer to the leveraging of FA services across the same firm business units where they share the accountability and responsibilities of the model. Whereas in the case of offshore outsourcing, shared services refer to the leveraging of services across different firms and the professional outsourcer executes legal contractual terms with the different firms they support. Before 2010, most of the offshore sourcing centres in Malaysia were focused on manufacturing and information technology. At the turn of 2010, there was a rapid development of FA shared services activities in Malaysia where according to MDEC (Malaysia Digital Economy Corporation), the Finance Shared Services cluster generated about RM4.58 billion in revenue in 2012 which accounted for 57 percent of the total Shared Services revenue (Accountants Today, July/August 2013). Most of the past research was drawn at studying the effectiveness of manufacturing and information technology outsourcing in Malaysia while there are still limited investigations on FA offshore sourcing strategy. Moreover, since 2004, AT Kearney has continuously ranked Malaysia as the third most potential country in its Global Services Location Index. According to Kearney (2016, 2017), Malaysia ranks third in terms of financial attractiveness, people skills and stable business environment.

In the last few years, local Malaysian researchers have shown increased awareness and interest in FA sourcing in Malaysia but the majority of the studies focused on local SMEs' outsourcing strategies. Aini Aman et al. (2010) maintained that Malaysia is a leading destination for the establishment of shared services and outsourcing hubs due to its low costs, modern infrastructure, business environment, and high levels of global integration. Malaysia is not a low-cost location but is considered a mature location for offshore sourcing due to its strategic geographic location, stable business and economic environment as well

as strong government and industry support. Moreover, Malaysia is a multi-racial country and boasts strong and diverse language capabilities. “Over the years, more than 300 foreign and multinational shared services companies have set up their regional and global centres here, generating billions of ringgit in investments and thousands of employment opportunities.” (The Star Online, 2014). According to the National ICT Association of Malaysia (Pikom), "The outsourcing industry in Malaysia was set to double in growth by 2017 with a Compound Annual Growth Rate (CAGR) of 15%" (The Star Online, 2013).

Through the studies of small medium-size firms in Malaysia, Kaseri Ramin et al. (2013) concluded that skills and competencies availability were the most important drivers and this is aligned to the findings by Hatonen and Eriksson (2009). In addition, Clements (2003) and Manning et al. (2016) observed that cost-benefit was not the sole reason for an offshore sourcing strategy, rather, quality and talent were more important factors. On the contrary, Aini Aman et al. (2012) found that the minimisation of transaction costs arising from good contractual management arrangement and the evidence of good system management control on costs (Md Auzair et al., 2013) were the drivers that promoted Malaysia's SMEs to continue the outsourcing of their FA activities. In essence, local researchers found that as SMEs may not have high levels of financial planning abilities, the absence of cost benefits discourage the decision on the outsourcing of their FA activities. The compilation of the recent local research on Malaysia's FA Strategy can be found in Appendix 1.

In the case of MNCs that are residing in Malaysia, as documented by MDEC, there are a few clusters of shared services organisations. The Global Business Services (GBS) group is the largest one and comprised of information technology, human resource, procurement, research and development, and FA. According to a review done by MDEC in 2017, the GBS cluster recorded a 26 percent growth in 2017 and was the highest contribution to growth overall. The GBS industry is

one of the core focus in the Malaysian economic development plan towards a high-income and knowledge-based economy by 2020. With its commitment to continuous development, Malaysia is indeed a very attractive location to study the effects of the drivers on MNCs' FA offshore sourcing strategy.

2.2.3 The Discourse

From evaluating the evolution of offshore sourcing, several drivers such as technology advancement, the ability to acquire talent, and finance leaders' willingness to be part of the Strategy could have affected MNCs' FA offshore sourcing strategy. It was visible that the Strategy redefined itself relative to the evolution that shaped its practices in the last 30 years. Successes in international sourcing had increased MNCs' reliance on the Strategy and as firms became more creative, the objective of offshore sourcing strategy incorporated the sourcing of responsibility and accountability. In terms of offshore outsourcing of FA, according to researchers such as Clements (2003) and Hatonen and Eriksson (2009), as the Strategy assisted in developing a partnership with a third party, its definitions deviated from the traditional buy-and-sell concept to a contractual agreement of collaboration and cooperation. This is critical as finance leaders delayed in joining the offshore sourcing wagon mainly because they were concerned about losing control over the reporting, accuracy, and integrity (Anderson et al., 2006) of financial data. Based on Ellram et al. (2008) exploration of the perspectives of eight supply chain organisations found that FA was always the follower when it comes to deciding on offshore sourcing strategies. This is a crucial observation as finance leaders are highly risk-averse. They desire to have full ownership and control over their financial management (Erramilli & Rao, 1993; Clements, 2003; Anderson et al., 2006), hence, instead of leading the internal functions in implementing the Strategy, they were observed to have followed the footsteps of other internal functions such as information technology in offshore sourcing their activities in the emerging countries (Ellram et al., 2008).

From the study of the evolution, Kotabe and Murray (2004) and Hatonen and Eriksson (2009) elaborated that the evolvement of offshore sourcing was a result of extreme development of internal resources such as skills, technology, and survival of a borderless market economy in attaining competitive advantage that resembles RBV's focus on the importance of internal firms capabilities. This means even though over the years offshore sourcing concepts and drivers were identified leveraging TCE that focused on transitional costs perspective, recently, the Strategy has become a critical strategic decision that is also affected by the requirement to develop new internal capabilities that can sustain the firm's competitive advantage (Kotabe & Mudambi, 2009). This is in alignment with RBV's argument on the criticality of the development of internal capabilities in sustaining the firm's core competences. Through offshore sourcing of FA activities, these firms were able to transfer certain FA jobs from the developed countries to the emerging countries. The transfer of jobs incorporated the transfer of skills and knowledge. Hence, these firms not only acquired costs optimisation from the lower costs of labour but also replicated a new group of talent and capabilities that can replace the outgoing resources in the developed world. Therefore, to have a more comprehensive analysis of MNCs' FA offshore sourcing strategy, economic drivers from the perspective of TCE as well as strategic drivers from the perspective of RBV need to be assessed.

The development of offshore sourcing strategy is a complex decision incorporating not only factors relating to transactional costs and internal capabilities. As discussed earlier, finance leaders were usually followers of other internal functions in deciding the offshore sourcing location, there is the possibility that locational attributes such as communications, culture and other locational attributes are effective drivers of the Strategy (Choi et al., 2018; Caniato et al., 2014) or playing the moderator role in affecting the relationship between the drivers and MNCs FA offshore sourcing strategy (Aubert et al., 2004). However, it is also recognised through understanding the evolution, locational attractiveness factors alone cannot fully explain MNCs FA offshore sourcing phenomenon, and the analyses need to include factors at the firm and process

level. Therefore, in order to have a comprehensive assessment of MNCs' FA offshore sourcing strategy, the first and second research questions analyse the effects of the drivers on MNCs' FA offshore sourcing strategy from the perspectives of TCE and RBV. These analyses incorporate firm-level evaluations such as the effects of RBV strategic value, development of internal capabilities, and competitive advantage in addition to analyses conducted at respective TCE drivers in affecting the FA work at the process level. On the other hand, the third research question assesses the comparative advantage by analysing host country location attributes as moderator variables between the drivers and MNCs' offshore sourcing strategy.

Appendix 2 documents the key research on the evolution of offshore sourcing and the accompanied theoretical framework.

2.2.4 Summary

In summary, even though there was limited research conducted on MNCs' FA offshore sourcing, there was evidence to show that towards the beginning of the year 2000, offshore sourcing of FA activities has become an increasingly attractive option for many MNCs, offering a means of gaining access to scarce skills, cutting costs and achieving competitiveness (Nicholson et al., 2012). Therefore, in short, summarising the observations of Yuan et al. (2019), Kamyabi et al. (2011), Kakabadse et al. (2003) and Kotabe and Murray (2004), MNCs FA offshore sourcing strategy is a collective amalgam of TCE and RBV ideologies. In addition, the study on foreign location attractiveness enables the evaluations of MNCs in locating their Strategies at the most efficient locations.

2.3 Theories, Drivers and Hypotheses

2.3.1 Introduction

This section aims to draw on TCE, RBV, and location advantages perspectives in developing hypotheses to examine the effects of the drivers on MNCs' FA

offshore sourcing strategy. In this context, the effects of specific TCE independent variables such as asset specificity, uncertainty due to technology and management behaviour, and process frequency on MNCs' FA offshore sourcing strategy will be analysed. Meanwhile, through the lens of RBV, the objective of this study was to establish to what extent MNCs' FA analyse their activities strategically from the perspective of the development of their internal capabilities and subsequently aim to analyse the effects of FA strategic value activities on MNCs' FA offshore sourcing strategy. Finally, this section evaluates the effects of location advantages in playing the moderator role in the relationship between the drivers and MNCs' FA Strategy.

The following section discusses the theories and the development of hypotheses in understanding the effects of the drivers and location attributes on MNCs' FA Strategy.

2.4 Transaction Costs Economics (TCE)

2.4.1 Overview

Transaction Cost Economics (TCE) refers to the economic gains arising from the cost of transactions by buying products or services from the market as compared to producing internally. In other words, the theory refers to the reasoning of cost reduction and savings to the company by procuring from the market. The Transaction Costs Economics theory application was first made known by Oliver E. Williamson (1975) but the underlying idea came from Ronald Coarse (1937). The strategy originates from Coarse (1937), who coined the prominent idea of the logic of cost savings arising from buying from another party if it costs less to produce internally. Coarse (1937) noted that in the process of procuring a product or service, a firm will incur transaction costs that incorporate costs related to searching, negotiating, and contracting with relevant parties (Neves et al., 2014). As explained by Christensen et al. (2016), Coarse's (1937) insightful contribution

to the theory stems from differentiating the market structure as "differing in their transaction costs" (Christensen et al., 2016, p988).

The TCE approach to the studying of outsourcing is prevalent in many kinds of research over the years. Hatonen and Eriksson (2009) studied the revolution of sourcing development leveraging on transaction cost economics. Clements (2003) examined the benefits and risks of finance sourcing focusing on transaction costs while cautioning the need to gain a greater focus on core competencies. McIvor (2009) exemplified the transaction costs theory in determining the effects of different TCE characteristics in defining the outsourcing strategy while Christensen et al. (2016) fully leveraged on the TCE approach in defending the vertical integration and management of risk related processes. Meanwhile, recent studies conducted by Manning (2016), Gerbl et al. (2015) and Lee (2014) have extensively leveraged TCE in studying offshore outsourcing strategy.

TCE has two main behavioural assumptions or is commonly referred to as factors invoking transactional difficulties. These behavioural assumptions are bounded rationality and opportunism (Christensen et al., 2016; McIvor, 2009). Bounded rationality refers to the limitations of humans in predicting matters relating to the transaction while opportunism refers to benefits deriving from unanticipated changes in the conditions surrounding the transaction (Williamson, 1975; Christensen et al., 2016; McIvor, 2009; Neves et al., 2014). In most research, TCE has been affiliated with outsourcing practices, as according to Williamson (1975, 1981), TCE limits the activities to be conducted internally versus conducting an economic external exchange based on the boundaries of the organisation. However, in many recent studies, researchers such as Christensen et al. (2016) and McIvor (2009) have opened up opportunities to study various types of sourcing strategies leveraging on the insights of TCE, including supporting the insourcing model. According to these researchers, the boundaries are defined as the level of transaction-specific investment that needs to be considered when deciding on producing internally or externally procured. This

means the decision to outsource or insource is dependent on a cost comparative approach. The main element of TCE which is more referred to as the cost minimising framework is further broken down into three transaction characteristics namely asset specificity, uncertainty, and frequency (Williamson, 1975; McIvor, 2009; Christensen et al., 2016).

As TCE focuses on the studying of costs and efficiency rather than revenue (Tate et al., 2009), the higher the asset specificity, the greater the motivation to offshore insourcing or manage internally. Asset specificity refers to the value of the degree of customisation performed on the transaction (McIvor, 2009; Christensen et al., 2016; Zhang et al., 2018). TCE defines asset specificity transactions in the form of talent, product, and location. Accordingly, talent is the asset specificity applicable for FA sourcing analysis (Christensen et al., 2016). This is because, from a FA perspective, asset specificity is best interpreted as skills and knowledge required in performing the work. Although TCE asserts three-dimensional transactional characteristics, it is asset specificity that has shown the greatest influence on offshore as well as domestic sourcing decisions in the past. According to Everaert et al. (2009) and Murray and Kotabe (1999), many empirical studies found that asset specificity as in human capital was the significant driver in both offshore and domestic sourcing decisions spanning across all industries. However, similar observations or empirical evidence of research on MNCs' offshore sourcing of FA using the TCE framework is still very limited. In addition, Everaert et al. (2009) concluded in their findings that more emphasis should be placed on the (human) asset specificity to result in a more effective services sourcing strategy analysis. Conventional TCE explains that MNCs would prefer to offshore insource their high specificity FA activities, however, the reverse can be observed when certain circumstances change. For example, the development of technological innovations increased the firm's efficiencies by standardising and simplifying the FA processes. As a result of such uncertainty due to technological development, apart from offshore insourcing of high specificity FA activities, the offshore insourcing of low specificity FA activities can equally sustain effective transaction costs. Following this line of logic, asset

specificity alone may not be the only significant driver. Therefore the study on the drivers that affect MNCs' FA strategy needs to incorporate both uncertainty and frequency.

Uncertainty due to technology refers to the uncontrollable environment such as the acute development of technology incorporating software, systems, and process innovations, while management behavioural uncertainty refers to associated issues of management control and confidence (Christensen et al., 2016, Kamyabi et al., 2011). Both these dimensions are included in the subsequent discussion of technology and management behavioural uncertainty in affecting MNCs' FA offshore sourcing strategy. Process frequency has always been related to the volume or number of transactions. According to TCE, more transactions will result in higher costs and suggests the higher the frequency, the higher the opportunity to outsource (Zhang et al., 2018; Ellram et al., 2008). TCE asserts high uncertainty leads to an increase in transactional difficulties whereby in situations where both skills and uncertainty are low, the transactions are relatively frequent and repetitive in nature (Gelderman et al., 2016; McIvor, 2009). However, as argued by some recent controversial studies, Christensen et al. (2016) observed that the advancement of technology has enabled the standardisation of the processes of managing higher frequency or routine FA activities. Hence, standardisation efforts have enabled many of these FA processes to be automated. As a result, the management of these FA activities will no longer attract high transaction costs and will be more economical to be managed internally or offshore insourced (Gerbl et al., 2015; Christensen et al., 2016).

TCE even suggests organisations to move from higher-cost to lower-cost regions whereas locations that infuse great cultural and language differences are less attractive as there is a greater potential of opportunism (Ellram et al., 2013). In other words, assessing the different transactions costs of asset specificity, uncertainty, and frequency can assist MNCs' FA in determining whether they should offshore insource, offshore outsource or leveraged on combined theories

(Hatonen & Eriksson, 2009; Clements, 2003; Kotabe & Murray, 2004; Kakabadse et al., 2003; Lee, 2014). In short, this study maintains that based on TCE, there are economic and efficiency gains reasons for MNCs FA to offshore outsource or offshore insource their activities. Asset specificity, uncertainty, and frequency can be measured relatively, and analysing their effects in differing transaction costs can lead to understanding MNCs' reliance on the selected type of offshore sourcing strategy.

The next section evaluates these TCE based drivers and the development of hypotheses in analysing Research Question 1.

2.4.2 Technology, an element of "Uncertainty" in TCE

Williamson (1975) distinguished uncertainty as environmental uncertainty and behavioural uncertainty. Uncertainty in the external environment deals with the degree of unpredictability. In the context of FA, as its workflow integration is similar to information technology, the most salient aspect of uncertainty as described by TCE is technological change (Miranda et al., 2006) and it is also known as a primary uncertainty in Williamson's (1975) study (Sutcliffe et al., 1998). Such understanding is also aligned to the impact of IT transformation on the evolution of MNCs' FA offshore sourcing strategy. Davenport and Iyer (2015) highlight that the next extreme technological development of digital solutions age as a forceful acceleration adoption of artificial intelligence with the highest impact on services offshore sourcing strategy such as FA. Technological advancement has evolved, and it is believed that the coming of the new age of technology will reshape and change the opportunities for offshore sourcing strategy (Deloitte, 2016).

Extreme automation has enabled efficiency gains and process improvement in FA, potentially shifting the offshore sourcing landscape from high-frequency FA activities to low-frequency, more complex FA activities. In essence, technological development for FA is the knowledge of any process that transforms inputs into

outputs (Christensen et al., 2006) as a result of products such as software and process innovations. In essence, for MNCs, the investment in technology is usually assessed as a benefit to cost ratio in the discussions of offshore sourcing strategy. According to Erramilli and Rao (1993), in contrast to smaller firms, MNCs viewed the investment made in continuous improvement of the FA systems and processes as a basis in gaining control over the resources acquired. In such situations, the benefits derived from the ability to have full ownership and control of the technology acquired by offshore insourcing the FA activities surpass the costs of relying on the expertise of the third party in developing FA process innovations.

In addition, technological development in FA also refers to the changes and workload variations at the process level, affecting how the FA work is performed as a new FA workflow is developed through process innovations. Apart from the changes observed in how FA work is performed, the difficulty arising from the need to obtain and learn new software and systems increase the uncertainty arising from technology. The involvement of time and internal training of the new FA work process and systems prompted many of these firms to internally manage or offshore insource their FA activities. Even though high uncertainty has always been linked to offshore insourcing strategy, according to Aubert et al. (2004) and Sutcliffe et al. (1998), there are controversial research findings showing uncertainty due to technological development pointing to reverse relations to offshore insourcing model. This is because some firms were reluctant to invest in the continuous development of their internal technologies. As the pace of technological development is expanding rapidly, MNCs cannot afford to ignore the effects of this progress on both efficiency and organisational performance. The hectic technological advancement and its effects on FA can be ascribed to the progress described below.

The beginning of the era of extreme offshoring of FA in the 2000s, and concurrent development of robotics bookkeeper (ACCA, 2015) signal the massive

transformation and automation of FA activities. However, while FA could be extremely computer reliance, it cannot be denied that human interventions will continuously be needed. Physical human involvement in managing the compliance and meaningful interpretations of forecasts and reporting will continue to bear an emblem of success in the competitive business world but the traditional way of how FA was managed and structured could be altered.

In one of the recent chief financial officer (CFO) survey conducted by SAP (a multinational software corporation) on the future of FA, one of the respondents commented on the coming of the digitisation era in the most acute manner:

> "It is a critical moment, where the role of finance is experiencing rapid evolution and the value of the finance function is being rediscovered" (Forbes, 2015).

As discussed in the evolution of MNCs' FA offshore sourcing strategy, the continuous development in information technology, particularly with the advancement in software-enabled robotics will likely cause excess changes in how FA work is performed (Pan & Seow, 2016). As a result, it will also cause explicit changes in how the FA organisation will be structured. This is because the advancement in automation provides the ability to transmit and make simple analyses (WSJ, 2016). It is believed that in the next decade, automation, coupled with virtualisation, advanced analytics, and further unknown digital technologies development will enable organisations to streamline, optimise their FA activities, and reorganise their internal FA structure (McKinsey, 2016). Therefore, extreme technology can lead to economies of scale (WSJ, 2016), which will result in significant savings of time and money and even boasts up to fifty percent improvement in productivity (McKinsey, 2016). Moreover, apart from affecting how FA work is performed, with the installation of new software and processes, the changes in technology could also potentially alter the traditional structure of the FA organisation.

Even though these firms are aware of the coming of the technological age, TCE claims that the uncertainties involved refer to the inability to foresee future possibilities. Therefore as uncertainty increases, transaction costs will also increase. However, from MNCs' FA perspective, uncertainty due to technological development can be evaluated as potential gains from future possibilities as it incorporates the changes in process innovations and research and development in developing improved FA software. This directly links to the learning of new software and processes in addition to developing the ability to integrate such knowledge into the existing and revised finance architecture. As such, innovations call for the development of talent with company-specific knowledge and rooted understanding of the financial system architecture. Researchers such as McIvor (2009) and Christensen et al. (2016) advocated these activities that require specific knowledge of the firm should be managed internally by adopting an offshore insourcing strategy.

Furthermore, the studies from these researchers reflect that technology uncertainty brings along the required knowledge to obtain, train and integrate new software (Christensen et al., 2016) and in many situations, this requires company-specific information (McIvor, 2009) and knowledge that is unique and requires many years of training in the same company (Sutcliffe & Zaheer, 1998; McIvor, 2009; Espino-Rodriquez et al., 2005; Gulbrandsen et al., 2009). As these researchers seek to find the effects of uncertainty from a technological investment perspective, they even argued that the advancement of technology may result in lower transaction costs as new software and systems integration can increase productivity and efficiency (Neves et al., 2014). Therefore, as MNCs' FA offshore sourcing practices are grounded on technological development, it is imperative for these firms to evaluate their benefits to cost ratio assessment of technology development. It is estimated that their appetite to control and have full ownership of their development induce their interest to manage their activities internally.

Based on the above argument on technology as the uncertainty dimension, the below hypothesis is developed for MNCs FA:

Hypothesis 1**: **Offshore insourcing of FA activities is expected to increase with the uncertainty due to technology

2.4.3 Process Frequency

The element of frequency in TCE represents the volume and value of transactions (Murray & Kotabe, 1999; Everaert et al., 2009; Christensen et al., 2016). Process frequency can be referred to as the frequency or recurrence of the activities and TCE permits that high-frequency activities create benefits of economies of scale (Everaert et al., 2009; Murray & Kotabe, 1999). Therefore, usually, TCE asserts these activities to be internally managed. As for FA, process frequency can be understood through the periodicity of each of the activities (Murray & Kotabe, 1999; Everaert et al., 2009). Frequency here refers to whether the activity is performed on a routine basis which is defined as a daily, weekly or non-routine basis such as monthly, quarterly, and annually (Murray & Kotabe, 1999). Therefore, from a FA perspective, it is estimated that the routine activities which are predominantly more recurring and simple day-to-day activities are ideal candidates for offshore outsourcing as the skills required are not unique and the activities are easily transferred (Clements, 2003). Moreover, as these activities do not usually require unique resources or capabilities internally, some researchers have argued that these routine activities can be offshore outsourced (Barney, 1991; Gerbl et al., 2015).

Routine versus Non-Routine Finance and Accounting activities

In the last decade, most MNCs have concentrated their offshore outsourcing services around activities that are simple, routine, and usually less strategic (Espino-Rodriguez et al., 2005; Anderson et al., 2006; McIvor, 2009). As researched by Ellram et al. (2008), routine activities are outsourced offshore as it is more economical than the non-routine activities. However, Christensen et al.

(2016) have made reverse observations in which advances in technology have encouraged the offshore insourcing of routine FA activities. This was because the development in technology has enabled some of the FA processes to be simplified and standardised. Once the FA processes are standardised, they can be further automated. Therefore the FA automation process has allowed firms to enjoy greater cost benefits and efficiency (Christensen et al., 2016). Hence, offshore insourcing of routine FA activities is considered practical for firms that are willing to invest in technology development.

The idea of TCE, as vindicated by Coarse (1937) and Williamson (1975) defined the framework of today's offshore sourcing disintegration of routine versus non-routine activities (Hatonen & Eriksson, 2009; Mudambi & Venzin, 2010). Much empirical research in the past has explained that TCE (Williamson, 1975) asserts that routine activities are more likely to be outsourced offshore as firms believe the costs of opportunism is far less than creating and maintaining the non-routine activities in-house (Christensen et al., 2016; Hatonen & Erikkson, 2009; Massini et al., 2010). Contrary to the expectation of TCE, based on the studies conducted by Murray and Kotabe (1999), high frequency or routine activities that demand high asset specificity are observed to affect offshore insourcing strategy contrary to the norm of offshore outsourcing. This observation is reasonable as when activities involve a high level of asset specificity, specifically in the form of talent, firms are usually required to invest more in the development of skills and knowledge to sustain the management of these activities. On the other hand, in the study on logistics outsourcing strategy, Yuan et al. (2019) intentionally ignored frequency from the study because according to these researchers there were indications in the past that frequency had very little relationship with transaction costs.

In FA, routine activities are often referred to as high volume, standardised, and less complex activities (Anderson et al., 2006; Lindvall et al., 2011). As reported by the Deloitte Global Outsourcing Survey 2016, towards the end of this decade,

the majority of these routine FA activities that have been offshore sourced to the emerging markets would have completed the life cycle of standardisation and automation. Accordingly, since MNCs agree to take their offshore sourcing strategy to the next level (Deloitte, 2016) to sustain and retain the competitiveness of both costs and efficiency, MNCs must consider the offshore sourcing of more complex FA activities if they intend to move their offshore strategy to the next level.

TCE researchers have argued that the routine type of activities was offshore sourced to lower costs locations to maximise the returns on labour arbitrage as pointed out by McIvor (2000). According to McIvor (2000), the selection of "what to source" usually succumbed to the ones that gave the highest cost savings while leaving out the thoughtful consideration of long term organisation benefits. TCE also asserts the internal uncertainty of many organisations in not having clarity of what best to source offshore (Ellram et al., 2008) therefore, firms tend to choose the option to obtain help from external providers. As offshore outsourcing involves contractual boundaries and the dictation of the level and type of support, it is predicted that many MNCs' FA may select to offshore insource their non-routine activities compared to offshore outsourcing to avoid the mandate of the contractual obligations that could result in excessive risks to the firms (Ellram et al., 2008). Therefore, it is estimated that the frequency of transacting is associated with less offshore outsourcing of non-routine activities which are usually associated with a higher level of complexities. Therefore, as FA non-routine activities are usually associated with more complex activities, they usually attract higher risks of ethical reporting and critical process breakdown. Moreover, since MNCs have more capacity to expend resources, researchers have argued that it is in their best interest to keep the non-routine FA activities to be managed in-house (Christensen et al., 2016).

This leads to the hypothesis below for these MNCs:

Hypothesis 2: MNCs are expected to increase offshore insourcing FA activities that are low in frequency

2.4.4 Talent, an element of "Asset Specificity" in TCE

TCE asserts that the more specific the asset, the less likely to offshore outsource the activity. In FA, the asset is best described as skills and knowledge achieved by specialised training or learning-by-doing (Everaert et al., 2009; Christensen et al., 2016, Kamyabi et al., 2011), talent owned by the firm. Even though TCE asset specificity can refer to physical, site, dedicated and human assets, the findings from Ellram et al. (2008), Everaert et al. (2009) and Christensen et al. (2016) indicated that for FA, the study on human asset is most applicable for offshore sourcing research. The knowledge and skills required to effectively carry out the activities are more strategic because unlike manufacturing, FA is less capital-intensive and more people-intensive. Everaert et al. (2009) added that value creation lies in the company's employees' knowledge of the company's unique culture and activities (Murray & Kotabe, 1999, Christensen et al., 2016). In the context of MNCs, these organisations usually have developed an internal unique approach in reporting and financial analyses in addition to customising their FA software to the needs of the organisation. Therefore, these developments as they are accumulated over the years increase the specificity of the talent in the company.

In this study, the effect of asset specificity is analysed through the efficiency gains arising from performing the FA work that requires the company's unique information. This means that MNCs' offshore sourcing strategy could be affected because unlike physical asset specificity, this unique, non-deployable resources with specific skills and talent as suggested by Choi et al. (2018), John and Weitz (1988), Murray and Kotabe (1999) and Ellram et al. (2008) are costly to switch to other alternatives. When these employees are trained to work on the firm's specific FA software and internal way of analysing the activities, the skills of these employees are regarded as highly specific. In addition, as claimed by Erramilli and Rao (1993), companies by default want to assume control and ownership of their resources that they have invested a lot in terms of learning and development of company unique skills. This characteristic is further enhanced in the presence of high switching costs. In such situations, highly specific employees are costly to be replaced as additional

training costs need to be incurred and the opportunity costs lost while training the new employee to the same level of expertise. In the study conducted by Choi et al. (2018), switching costs also relate to costs required to adjust to the differences in economic, institutional, and cultural differences. Therefore, in such situations, these firms would rather offshore insource the activities.

As observed from the evolution of offshore sourcing strategy, the changes in acquiring talent relate closely to the expectations in delivering the work. In the days of an arms-length transaction, talent was pretty much needed simply to complete making the product or the required service. As for the FA Strategy, talent was sourced for specific reasons such as skills requirements. Bunyaratavej et al. (2007) argued that access to skilled and qualified resources is a significant driver of service offshore sourcing such as FA where such move is considered a means in acquiring equal quality resources at a lower cost. Moreover, Manning et al. (2016) and Anderson et al. (2006) argued that the key economic factor in the decision of continuing the offshore sourcing journey is the geographic presence of a highly-skilled, highly-motivated, English-speaking, and technologically literate workforce. In addition, many researchers such as Hatonen and Eriksson (2009), Treanor (2016) and Pan and Seow (2016) supported and persisted that the rightly skilled talent will be the new competitive edge of the future. Therefore, successful MNCs' FA offshore sourcing strategy depends on the ability to acquire skills and talent that can be developed over time at the most optimised costs (Aini Aman et al., 2010).

As highlighted by Massini et al. (2010), one of the complexities of offshore sourcing strategy is outsourcing because the companies' fear resides in the loss of FA knowledge as well as the reduction in the quality support to management. Therefore, most researchers have defended the scarcity knowledge of FA as relating to the in-depth understanding of company-specific knowledge and systems (Christensen et al., 2016). According to Hatonen and Eriksson (2009), regardless of how the requirement of talent has changed over the years, it is evident that talent remains an important driver of a successful offshore sourcing strategy.

However, the skills in performing more complex FA activities are highly specific because a substantial amount of time and effort is required to train the talent (Christensen et al., 2016). This attracts and increases transaction costs. Survey results conducted on SMEs and risk management FA processes by both Christensen et al. (2016) and Everaert et al. (2009) demonstrate that human asset specificity is negatively associated with outsourcing activities, meaning the higher the asset specificity, the less likely the activities will be outsourced. In essence, it is predicted that the accumulation of knowledge and specific information of the firms increases the specificity of these talents and hence increases MNCs' reliance on offshore insourcing of such activities.

Therefore based on the theoretical implications as discussed, the hypothesis for these MNCs can be evaluated as follows:

Hypothesis 3: Offshore insourcing of FA activities is expected to increase with FA talent specificity

2.4.5 Management Behavioural Uncertainty

According to Sutcliffe et al. (1999), uncertainty is not unidimensional because it can manifest into different dimensions that can impact the offshore sourcing strategy differently. Williamson (1981) claimed and as reiterated by Sutcliffe et al. (1999), uncertainty arising from changes in the firm strategies such as technology is considered a primary uncertainty. However, there is another dimension of uncertainty, which arises from the lack of knowledge on how other relevant and impacted parties would respond to the offshore sourcing strategy, and this is known as management behavioural uncertainty. Sutcliffe et al. (1998) describe this dimension as secondary uncertainty and according to Williamson (1981), this type of uncertainty is the key form of uncertainty in the context of the transaction. In this study, this is reviewed from the perspective of management belief, confidence, and perception of the skills and abilities of the FA employees hired in the offshored host countries. Management belief and confidence are crucial to the success of the Strategy because as international firms, offshore sourcing

strategy is part of their corporate objective and it is a consensual decision of the senior management. Therefore, it is believed that the management knowledge and confidence in the ability of the local host country employees directly affect their willingness to offshore source their activities (Mukherjee et al., 2013).

For FA, the first decade of year 2000s was known as a very transformational offshore sourcing period. Within a few short years, many MNCs developed steep business models incorporating offshore outsourcing or insourcing of their FA. In short, there was a sudden transfer of FA knowledge and skills from developed nations to emerging countries (Anderson et al., 2006). As the decision on what activities to source offshore was not done in the most effective manner (Hatonen & Eriksson, 2009), the emerging countries received disintegrated pockets of activities which resulted in the risk of the lack of FA knowledge of how the entire process is managed (Krell, 2007). In other words, as commented by Ellram et al. (2008), the firm did not know what activities to source offshore and neither does the management have a full understanding of the potential of the employees hired or professional outsourcer in the case of offshore outsourcing. Lahiri (2016) made a great observation that even though the activities were transferred to the resources in the emerging countries along with the development of aggressive innovations and data simplification, poorly constructed job structure arising from weak process disintegration efforts had created issues on work quality and this had contributed to the loss of confidence in the resources sourced locally. From a TCE perspective, these are bounded rationality which means these are the issues that management cannot comprehend nor effectively address.

As the success of offshoring of FA is partly dependent on the availability of the right skills, the question points back to whether the parent company management trusts and believes that the performance of these locally sourced employees in the host countries are sustainable, in which such situation is described by Williamson (1981) as the risk arising from management behavioural uncertainty (Sutcliffe et al., 1998). Williamson (1981) refers to behavioural uncertainty as

arising from human action and claimed that the screening of trustworthiness cannot fully eliminate the acquired risk. This is further described by Christensen et al. (2016) as positive or less positive behaviour and characteristics of management in believing that the employees hired in the offshore sourcing arrangement were able to perform the job as required. According to Everaert et al. (2009), it also reflects difficulties in monitoring and evaluating if the employees are performing the job accurately and per expectations.

On the other hand, in relations to management behaviour, the number of years of service and level of education of the executives who are in control of the sourcing decision influence the Strategy (Christensen et al., 2016; Kamyabi et al.. 2011; Evereart et al., 2009; Murray & Kotabe, 1999). This is because the support and decision of the firm finance leader in the adoption of new technologies, development of skills, and offshore location of choice are extremely critical and it is predicted that more experienced executives show greater support in retaining these activities within the company (Christensen et al., 2016; Evereart et al. 2008; McIvor, 2009). As observed from the evolution, support from the finance leaders was one of the key drivers in the growth of international sourcing of FA. Therefore, based on the findings of Christensen et al. (2016) and Everaert et al. (2009), the management that spends more number of years in the company have greater support for the offshore sourcing strategy and hence demonstrate greater trust on the performance of the local host countries employees. It is also predicted that in the absence of trust, management fails to assess the skills and performance of the locally sourced employees which results in low retention of the employees. High employee turnover attracts incremental transaction costs and reduction in offshore sourcing of activities.

Hence, as management may not know the full requirement of what activities can be supported by the host country resources nor the ability of the local resources, the firm may choose to keep the FA activities offshore insourced. In other words, by offshore insourcing, management has the flexibility to decide on the

requirements at a later stage especially when they have more clarity on the skills and capabilities of the resources in the offshored environment.

Based on the above argument, the below hypothesis can be tested:

Hypothesis 4: Offshore insourcing of FA activities is expected to increase with management confidence in foreign talent in performing FA activities

2.5 Resource-Based View (RBV)

2.5.1 Overview

Resource-Based View (RBV) is considered as an alternative in understanding the concept of offshore sourcing but in recent research, RBV is considered a strong complementary approach to TCE (McIvor, 2009; Everaert et al., 2009; Mukherjee et al., 2013). Contrary to TCE which refers to the organisations' boundaries as the factor in decision congruence, RBV views the deployment of the organisation's assets and resources as important factors in developing competitive advantage (Barney, 1991; Gulbrandsen et al., 2009; McIvor, 2009; Tate et al., 2009; Kamyabi et al., 2011). While RBV's origin was argued to be evidenced by Penrose's studies, according to Neves et al. (2014), it was both Richard Rumelt and Birger Wernerfelt that shaped the modern theory of RBV. They ascribed the theory as the positioning of the productive and available resources in defining strategies that ensure the firm's competitive advantage.

This study incorporates RBV in examining MNCs' development of internal capabilities that could affect MNCs' FA offshore sourcing strategy. Ascribing to the offshore sourcing evolution, it is learned that these firms are able to acquire knowledge and capabilities by sourcing their activities offshore, contrary to solely seeking cost reductions (Mudambi & Venzin, 2010; Giao & Moacir, 2012). Therefore, the study of the linkage between capabilities and FA offshore sourcing is crucial. The investigation of the firm's internal capabilities development is an

extension of TCE asset specificity evaluations (McIvor, 2009; Kamyabi et al., 2011), taking the study from the TCE based framework of overemphasising on cost minimisation efforts to incorporating RBV's maximisation of long term strategic value of the firm. This is crucial as at the turn of this decade, MNCs' FA has taken the offshore sourcing strategy as their strategic objective in sustaining their competitive advantage (Deloitte, 2016). In other words, MNCs' FA is not solely seeking to reduce their transaction costs but also to realise their strategic gains by developing sustainable internal core competencies.

Before the introduction of a borderless organisation, costs reduction was primarily the prime objective of offshore sourcing practices. According to Javalgi et al. (2009), the overemphasis on costs minimisation of the TCE framework is often balanced through the complementary focus of the RBV approach in believing that the maximisation of profits is derived through developing strategic resources for competitive advantage. Researchers such as Everaert et al. (2006) realised that both TCE and RBV views on offshore sourcing strategies are not entirely mutually exclusive, therefore when Everaert et al. (2006) investigated the small firms outsourcing strategies, they employed an extended factor that could affect small firms outsourcing. This extended factor was resource deficit, defined as the inability to perform the job due to the lack of resources or skills. Moreover, in smaller firms, the hiring and development of scarce talent could not be executed to create economies of scale because of affordability issues. Therefore, based on the findings of Everaert et al. (2006), the higher the deficit, the more likely for small firms FA to outsource their activities. However, in the case of MNCs' FA, which predominantly are larger firms may not face the issue of resource deficit arising from the lack of resources. Rather, these MNCs are more prone to lose the expertise and skilled resources that they have developed to competitors resulting in the loss of unique internal capabilities that have been developed over time. Therefore, instead of solely focusing on the lack of resources as a potential factor in affecting the Strategy, the study of MNCs' FA sourcing needs to be reviewed from internal capabilities deficit and development perspective.

Gulbrandsen et al. (2009) argued that RBV assumes that firms are willing to offshore insource to invest in developing capabilities for activities that they know. Hence, this capitalisation on capabilities in the form of existing skills and knowledge has become the firm's strategic resource and can offer a comparative advantage over offshore outsourcing to a third party provider. As ascribed by scholars such as Holcomb et al. (2007), capabilities refer to how these firms effectively integrate and use their resources to not only implement their strategies but to sustain and increase their efficiency. Moreover, RBV theorists believe that when the firm's strategic resources are employed in a distinctive manner, they can sustain a competitive advantage for the firm. In the context of MNCs' FA, the evaluation of their strategic resources can be assessed through the strategic potential of FA activities in deriving competitive advantage.

Erramili and Rao (1993) and Murray and Kotabe (1999) suggest that strategic FA activities require a high level of professional training of specialised skills which they defined as idiosyncratic activities. These professional and intense specialised skills are the internal capabilities that these MNCs develop over time. Therefore, this study does not only focus on evaluating the drivers from an economic perspective but it also integrates the analysis of the extent of the effects of strategic value FA activities on MNCs' FA offshore sourcing strategy. Moreover, this study builds on and contributes to RBV's focus on internal competencies and seeks to enhance the understanding of the importance of developing, deploying, and protecting resources or capabilities for MNCs to sustain their competitive advantage (Barney, 1991). The discussion in this section starts by understanding what constitutes strategic value and subsequently reviewing the impact of the internal capabilities on MNCs' FA offshore sourcing strategy.

2.5.2 Strategic Value Finance and Accounting activities

According to Espino-Rodriguez et al. (2005) and Mukherjee et al. (2013), the decision on sourcing of an activity depends on how strategic it is in providing a

competitive advantage. Aligned with the interpretations of Gilley and Rasheed (2000), high strategic value FA activities are essentially the activities that are considered highly important to FA. In other words, these high strategic value FA activities are the core activities of the organisation. These are the activities that the organisation is willing to protect and it is expected that MNCs' FA would want to only insource these activities offshore. On the other hand, activities that are of low-level importance are the non-core FA activities. As these activities do not contribute to the core competences of the organisation and usually only require skills with little strategic value, they are expected to be good candidates for offshore outsourcing.

2.5.3 Finance and Accounting Strategic Value Activities: Core versus Non-core

As corporate organisations revert to offshore sourcing as a strategic corporate objective in developing the core competences of the firm, the selection of activities for sourcing will be synonymous with McIvor's (2009) observations. According to McIvor (2009), by leveraging RBV provision of value and rarity, the selection of activities is based on whether the activities are core to competitive advantage or non-core to competitive advantage. In other words, the selection of the right activities for the selected type of offshore sourcing strategy refers to MNCs' objective in achieving competitive advantage at the lower-cost position while creating higher levels of differentiation in comparison to the competitors.

As most RBV theorists argue scarce resources should be allocated to areas that assist the company in developing core competencies (Gerbl et al., 2015), in the case of FA, scarce resources can be referred to as a highly-skilled FA workforce armed with the creativity in applying the skills in supporting the business. If the firm decides to outsource the activities that require specific skills offshore, the reliance of offshore professional outsourcer in managing the more complex or higher value-added activities (core activities) can cause the loss of tacit knowledge, and eventually result in the loss of capabilities in the long run (Kotabe

& Murray, 2005 and Massini et al., 2010). Tacit knowledge refers to the specialised knowledge of how specific activities within the firm are managed (Sutcliffe et al., 1998). In addition, such action can further lead to opportunism as described by TCE where the offshore outsourcer will take the advantage to imitate (Massini et al., 2010) and acquire the expertise and eventually command a higher contractual price (Ellram et al., 2014). This is of concern to the MNCs as the focus of the selection of sourcing activities offshore is now pointing to the high value-added and strategic FA activities as it is always in their interest to protect the knowledge that is tied to the higher value-added activities. Moreover, researchers cautioned the motivations for offshore sourcing of professional services such as FA activities have shifted from solely labour arbitrage to attaining skills, specialised capabilities, quality, and flexibility (Massini et al., 2010; Bunyaratavej et al., 2007). On the other hand, extended RBV theorists assert that firms are not capable to develop all required resources or capabilities, therefore strategic capabilities can also be obtained from external parties (Espino-Rodriguez et al., 2005). In the study of logistics outsourcing, Yuan et al. (2019) observed that if the third party suppliers have high confidence in developing capabilities of critical resources, firms tend to have more confidence in logistics outsourcing. Moreover, the findings from the case studies by McIvor (2009) demonstrate that some of the manufacturing companies are willing to offshore outsource their core businesses because the competitors can perform the activities at a much reduced cost because while FA places more focus on capabilities development, manufacturing remains costs conscious.

Hence, one of the core factors in attaining whether to insource or outsource certain activities offshore depends on the organisational and technological capability to manage a core set of activities successfully. While "what" to source offshore remains a research gap (Hatonen & Eriksson, 2009) as it is a critical strategic offshore sourcing decision, the objective of this study is to disaggregate and assess the effects of the highly strategic activities (core) from the less strategic activities (non-core) on the Strategy. The distinction between core and non-core FA activities through the evaluations of strategic value is based on the

requirement of strategic resources with unique, not easily substitutable, and not easily adaptable skills (Espino-Rodriguez et al., 2005). In the context of this study, the highly strategic FA activities are the core FA activities while the less strategic ones are the non-core FA activities. From the offshore sourcing of the FA perspective, it is expected that the selection of activities to source offshore is also affected by the ability to find the right talent in the right geographic location that is needed to compete and uphold the competitive advantage of organisations (Kotabe & Murray, 2004). Therefore, this study will evaluate the effects of core and non-core FA activities on MNCs' FA offshore sourcing strategy.

However, to support and sustain these strategic value FA activities in attaining long term competitive advantage, MNCs FA must be willing to invest in developing internal capabilities in sustaining the core competence of the organisation. RBV suggests that the sustenance of competitive advantage is made possible through the development of internal capabilities that must not only have the capability to differentiate (Espino-Rodriguez et al., 2005; McIvor, 2009; Tate et al., 2009), it must be valuable, rare, not easily imitable and not easily substituted (Barney, 1991). The elements of internal capabilities are discussed as follows.

2.5.4 Internal Capabilities and MNCs' Finance and Accounting offshore sourcing strategy

RBV differs from the TCE approach in such that the development and investment of competencies establish the strength of the organisation in competing in the market and hence explains and support the firm's offshore insourcing strategy (McIvor, 2009). The integration of RBV into the study of offshore sourcing helps determine the value of capability apart from opportunism as explained by TCE (McIvor, 2009). Tate et al. (2009) argued that RBV protects competitive advantage because it is not just a function of opportunities in the external market but also a function of how the high strategic value FA activities are supported with

valuable capabilities that draw a high perception of quality. This means that competitive advantage is not just a function of talent availability but it is a function of what internal capabilities MNCs' FA can acquire, develop, contribute, and protect. Therefore, based on these considerations, MNCs' FA internal capabilities are considered valuable if they possess several criteria such as rarity or uniqueness, not easily adaptable and not easily substituted.

2.5.5 Capabilities that differentiate (rarity or uniqueness)

As reiterated by researchers such as McIvor (2009) and Espino-Rodriquez et al. (2005), differentiation exists when the resources supporting the activities are considered as unique and valuable to the firm. In FA, resources that support a unique task are designated as not only providing high strategic value but also contributing to the core competences of the firm and are usually more desirable to be retained within the organisation (McIvor, 2009; Everaert et al., 2009; Christensen et al., 2016; Espino-Rodriguez et al., 2005). Leveraging on the interpretations of Kotabe and Murray (1999), Espino-Rodriguez et al. (2005) and Gulbrandsen et al. (2009), capabilities that differentiate are unique to the organisation and refer to high professional FA skills which require greater investment and specialised knowledge. Therefore, it is expected that MNCs' FA is willing to acquire unique skills in performing their core FA activities and hence would protect such investment by insourcing these activities offshore instead of passing on to third parties. Based on the above, the following hypothesis is developed:

Hypothesis 5a: MNCs are expected to increase offshore insourcing FA activities that require unique skills

2.5.6 Capabilities that are not imitable (or adaptable) and not easily substituted

In order for the capabilities to be valuable, these resources must be not easily imitable and substituted. RBV is aligned with TCE on this specific proposition as RBV theorists argue that unique resources that are comparative to specific assets in TCE are not readily transferred (Ellram et al., 2008) nor easily acquired from the market (Neves, 2014). Therefore, such processes are usually managed in-house, and in situations where offshoring is involved, offshore insourcing is adopted. It is expected that MNCs' FA will not be interested to outsource their activities that require such capabilities as the tacit knowledge in performing these activities will be passed on to the outsourcer. These capabilities require incremental costs and time to develop, hence activities that require such capabilities are not preferred to be outsourced to external partners offshore as observed by Espino-Rodriguez et al. (2005). Hence, it is predicted that for MNCs, the strength in managing the highly strategic FA activities requires years of adaptation to the company's culture and finance architecture and they are not easily re-deployable in other firms. Moreover, such talent with years of development is not easily replaced nor substituted.

In line with the above observations about inimitability (inadaptability) and non-substitutability of the capabilities, the below hypotheses are proposed:

Hypothesis 5b: MNCs are expected to increase the offshore insourcing of FA activities that require skills that are not easily adaptable

Hypothesis 5c: MNCs are expected to increase the offshore insourcing of FA activities that require skills that are not easily substituted

2.5.7 Strategic Value Activities and their effects on MNCs' finance and accounting offshore sourcing strategy and organisational performance

According to RBV theorists, high strategic value activities or core activities must be supported by resources with capabilities that are unique, not easily adaptable, and not easily substituted. It is expected that the uniqueness of these resources, in particular when they have deep insightful knowledge of the firms' financial

architecture and culture, improve efficiency when these activities are insourced offshore. This is because the understanding of the firms' financial architecture and culture is key in not only improving the performance of the activities but also enable continuous innovations in performing the activities. On the other hand, non-core FA activities that require less specific skills are expected to be candidates for offshore outsourcing. Therefore, it can be expected that the reliance on the type of offshore sourcing strategy is dependent on the evaluations of the activities' strategic value. This leads to the following hypothesis:

Hypothesis 5d: MNCs are expected to increase offshore insourcing FA activities that are high in strategic value

As researched by Massini et al. (2010), McIvor (2010) and Tate et al. (2009), the operating implications of insourcing high strategic activities offshore based on RBV views are critical to the development of core competence. RBV experts argue that organisations will attain a competitive advantage by focusing their assets and resources on areas that will evolve greater performance expectations (McIvor, 2009). For example, Apple Inc. is a company that has been known traditionally as a research and development (R&D) centric organisation. R&D is Apple's core competence as this capability is unique and rare in comparison to its competitors. Apple has demonstrated a successful disintegration of its processes where it insourced R&D offshore which is its core competence while remaining products or services are outsourced offshore to external international vendors. Apple's focus on R&D exemplifies RBV's regards to strategic value activities as an important factor in determining the offshore sourcing strategy model as it focuses on internal capabilities that can develop competitive advantage or in other words in achieving the organisations' performance objectives (Espino-Rodriguez et a., 2005). Hence, if superior performance can be achieved internally relative to competitors, then the process should be performed internally or insourced offshore (Gerbl et al., 2015). Apple's example demonstrates the central objective for an offshore sourcing strategy which is the focus on competency development, and using McIvor's (2000) observations,

"competencies are the skills, knowledge, and technologies that an organisation possesses on which its success depends" (McIvor, 2000, p24). This phenomenon is reflective of Holcomb et al. (2007) observations of the manufacturing strategic outsourcing where they contended that TCE mainly is confined to outsourcing more repetitive activities while RBV focuses on explaining strategic functions such as designs and research and development.

Based on this example, offshore insourcing of MNCs' FA core activities has the potential in improving organisation's performance because first, more focus and concentration are given to the more important FA activities and second, the development of tacit knowledge enables the firm to capitalise on developing internal resources and capabilities that help sustain their competitive advantage (Gilley & Rasheed, 2000; Espino-Rodriguez et al., 2005, 2006). In other words, this leads to the increased perception of quality because of the continuous improvement of processes on the FA activities that are sourced offshore, and subsequently, through offshore insourcing, these strategic activities can be managed with lower-cost options while maintaining the required quality. As the performance of FA of organisations is mainly assessed internally, therefore leveraging on the works of Espino-Rodriguez et al. (2005), both costs and quality satisfaction are leveraged as representations of the organisation's performance arising from the offshore sourcing strategy. This leads to the following hypothesis:

Hypothesis 5e**: **Offshore insourcing of high strategic value FA activities is expected to increase FA organisational performance

2.6 Location advantages- Dunning's OLI Framework

The relationships between the TCE and RBV based drivers and MNCs' FA offshore sourcing strategy may be more complex than they first appear. As discussed, the focus of these drivers is their effects on the firms' ability in managing firm-specific transformation and in sustaining competitive advantage. However, when certain conditions exist, such as the availability of the host

country's locational attributes, the effects of these drivers on the Strategy may change. Therefore, in this section, the potential role of Dunning's (1988) location advantages on the relationship between the drivers and the Strategy are discussed.

In the case of offshore sourcing of MNCs' FA, the locational choice is believed to affect the success of the Strategy in general and offshore insourcing strategy in specific. This is because based on previous studies, locational factors that motivated MNCs to own and operate from a foreign country were to acquire economic gains and to increase their competitive advantage (Dunning, 1988 and 2000). In this study, this is known as offshore insourcing of FA as through such strategy, MNCs own and control the management of their FA activities. On the other hand, in an offshore outsourcing arrangement, the responsibility of selecting the right location for the strategy rests with a third party professional outsourcers. Even though these MNCs are allowed to provide suggestions on the selection of the location to the third party, they have minimum interference on the locational attributes available.

Dunning's eclectic paradigm has been applied widely to explain MNCs' offshore sourcing of activities incorporating international production and foreign-owned investment (Gerbl et al., 2015). Dunning's eclectic paradigm proposes three determinants of international production or more well known as the OLI framework: ownership advantages, location advantages, and internalisation advantages. Ownership advantages refer to the assets and resources owned by these firms that are not only rare and hard to imitate but ones that can sustain the competitive advantage of these firms in the market. Location advantages can be geographical or in the context of resources, the availability of cheap raw materials, low wages, a skilled labor force, or attractive government incentives. The internalisation advantages seek to assess if it is more attractive for these

firms to perform their activities in-house in foreign lands or to allow them to be performed by external international firms.

As this study pertains to analysing MNCs' offshore sourcing of FA activities, it incorporates the eclectic framework in the study's conceptual design. This is because, for many decades, the OLI framework has been instrumental in explaining MNCs' foreign investment efforts extending the focus on deriving greater competitive advantage from FA offshore sourcing. The ownership (O) specific advantages asserts that MNCs are willing to increase their foreign footprint if they can acquire or increase their competitive advantage as compared to other firms in foreign establishments. The location advantages (L) as referred to the resources and capabilities available in the foreign environment that when put together with the internal resources of these MNCs would jointly generate greater value-added advantages. The internalisation advantages (I) offer alternative ways in which these MNCs can further create or develop their core competencies to be able to internalise their FA activities instead of sharing the acute knowledge with third parties professional providers.

The ownership (O) advantages refer to MNCs' ability to take advantage of the diversities of operating in multiple countries (Dunning, 1980) and these ownership advantages are created either by the firm or purchased from other parties such as brand names and trademarks in which the firm can derive earnings (Eden et al. (2010). Dunning (1980) further argued that when ownership advantages are acquired, it can be transferred across the firm's multi countries operations to develop value-added activities to generate more profits for the firm (Dunning, 1980; Eden et al., 2010). Therefore, Dunning (1988) recognised that ownership advantages provide the firm with the capability to internalise the foreign markets and allow MNCs to generate international productions. The existing technological age shifts the scope of ownership advantages to incorporate intangibles such as the creation of the internet and e-business, new operating systems, and financial

technology (Dunning et al., 2000). The access to capitalise on these new financial instruments in generating profitable international productions restates the importance of ownership advantages factors in assisting MNCs to evaluate the reasons and motivations of their cross country strategy. Therefore, ownership advantages in Dunning's view are key to the decision process of international production. The answer to the question of 'why engage in international production, given the extra costs of doing business abroad', according to Dunning (Eden et al., 2010), is through ownership advantages. This is because it allows MNCs to have a competitive advantage over local firms in the host country resulting in effective costs optimisation and reaping of profits from doing business abroad.

On the other hand, internalisation advantages seek to assist the firm to realise the benefits of using the ownership advantages itself rather than selling or leasing them to others. In other words, internalisation advantages provide motivations for these MNCs to own or internalise markets. Researchers have argued that firms internalise their activities in foreign markets because of the perceived risk of unmanageable transaction costs that arise from the market uncertainty (Kedia et al., 2009). In an offshoring environment, outsourcing transaction costs can be associated with costs of entering into a contractual agreement with the third party versus insourcing transaction costs that can be associated with start-up costs and hiring and training of new FA resources in the host country. Therefore, internalisation advantages assist firms in realising the benefits of offshore insourcing versus offshore outsourcing.

As this study does not relate to studying the reasons or the motivations of why these MNCs decide to do business and run operations in foreign countries, both ownership advantages and internalisation advantages are not included in the framework. Moreover, as argued by researchers such as Graf and Mudambi (2005), Gerbl et al. (2015) and Hatonen (2009), Dunning's eclectic paradigm cannot sufficiently explain the complexities of MNCs' FA offshore sourcing

strategy as it does not consider critical drivers such as the effects of FA process optimisation and changes in the FA work arising from the offshore sourcing strategy which can be more effectively explained through TCE and RBV perspectives. However, as this research includes the studying of the effects of locational attributes on offshore sourcing strategy, location advantages are assessed. Location advantages explain that MNCs seek to exploit the host country's locational attributes to operate more profitably outside the home country (Eden et al., 2010). Most researchers such as Massine et al. (2010) and Ellram et al. (2013) agreed that the location of choice for offshore sourcing strategy has largely been explained by location advantages. Research conducted by Bunyaratavej et al. (2007) and Gerbl et al. (2015) identified that firms used a parity perspective approach in comparing home versus host country factors and they found that firms are more likely to offshore insource to locations that have wages, culture and competencies parity to their home countries.

Dunning (1988) identifies three categories of location advantages that impact the decision made by firms such as infrastructure, country risk factors, and government policies. Much has been analysed and researched, for example, Bunyaratavej et al. (2007) found that countries that can provide efficiencies in wages and infrastructure are deemed to be more attractive as a location of choice whereas Graf and Mudambi (2005) and Manning (2016) agreed that human capital and exclusive skills influence the choice of the right location. As FA organisations are followers of other internal functions in regards to the selection of the offshore locations, the focus is not to study the factors' direct effects on FA offshore sourcing strategy but to leverage other nuances in assessing the effects of these factors on MNCs' Strategy. For example, Caniato et al. (2014) explored the moderating effects of location advantages by analysing the effects of these factors on the relationship between offshore sourcing strategy and the performance of the firm. The study shows that locational attributes such as resource availability and local infrastructure strengthen the operational performance of firms that are outsourced offshore while locational attributes such as the effects of lower costs and local infrastructure strengthen the strategic

performance of firms that are insourced offshore (Caniato et al., 2014). While most of past studies such as Ellram et al. (2008), Graf and Mudambi (2005), Massini et al. (2010) and Mukherjee et al. (2013) focused on studying the location advantages as potential reasons or antecedents for firms to source their activities offshore, Caniato et al. (2014) and Banalieva et al. (2013) provided the observations that firms leveraged on the location advantages to strengthen their operational and strategic advantages that they intend to achieve through their offshore sourcing strategy. Similarly, in this study, as FA tailed behind other internal functions in their offshore sourcing efforts, it is predicted that these location advantages are not just antecedents of the Strategy, rather, the focus is on the potential moderator role they play in helping MNCs' FA to achieve and sustain long term competitive advantage. It is predicted that the presence of the location advantages will strengthen the effects of the drivers on MNCs' offshore sourcing strategy. Therefore, this study posits these location advantages have positive interaction effects on the relationship between the drivers and MNCs' FA offshore sourcing strategy and such empirical analysis is unique. The assessment of the interaction effects of the location advantages on the relationship between the drivers and the Strategy is crucial since FA most often did not take the lead in entry mode decisions, therefore, the interaction assessment is to determine if the factors possess the ability to increase the effects of the drivers on MNCs' offshore sourcing strategy.

The decisions on offshore sourcing location can be driven by different locational advantages factors. For example, it can be costs, infrastructure or resources related. Therefore, looking beyond the direct effects of these factors help provide more insights into the Strategy because the empirical evidence can support if the location advantages have the potential to strengthen the effects of technology, talent, management confidence, process frequency, and strategic value of the FA activities on MNCs' offshore sourcing strategy. Therefore, as this research extends the study on the relationship of the drivers and MNCs FA offshore sourcing strategy incorporating the question of "where to offshore source", the

location advantages' role as moderator variables between the drivers and their effects on MNCs' FA offshore insourcing strategy is investigated. Even though the location advantages may not have direct effects if these MNCs were to outsource their FA activities offshore, a similar investigation is conducted on offshore outsourcing as to ascertain if these MNCs will equally assess the importance of the locational advantages factors when they decide to outsource their FA activities offshore.

Location advantages are depicted as moderator variables in this study as the factors within location advantages are antecedents of the location of choice when MNCs decide their offshoring sourcing efforts. This study extends the analysis on the effects of host country attributes on offshore sourcing by analysing the interaction effects of the location advantages on the relationship between the drivers and the Strategy (Hayes, 2013). Hence, by identifying the interaction effects of location advantages, the boundary conditions of the effects of the drivers on MNCs' FA offshore sourcing strategy can be established.

Dunning (1988) further commented that location advantages (L) can linearly favour host countries but many researchers such as Graf and Mudambi (2005) and Hatonen (2009) suggested in the discussion of offshore sourcing opportunities, location attractiveness framework can be effectively grouped as follows: (1) location-specific, (2) firm-specific, and (3) situation-specific.

The grouping of the location advantages are discussed as follows.

2.6.1 Location-Specific Factors (LSFs)

Location-specific factors (LSFs) are defined as the cultural, language, time zone closeness and availability of competent talent that enable labour and other cost savings and government policy in regards to the government support and investment in stable infrastructure, education and skills development, and

incentives (Choi et al., 2018; Bunyaratavej et a., 2007; Hatonen, 2009; Caniato et al., 2014). However, depending on the type of offshore sourcing strategy, each of the location attributes within the LSFs has a different degree of influence. For example, if these MNCs were to decide to outsource their FA activities offshore, labour and other cost savings and government support may not be important factors to the organisation as management of staffing, human resources activities, and government relations have been passed on to the professional outsourcer. On the other hand, in the case of offshore insourcing, these location attributes are expected to directly motivate the organisation's location decision. When firms decide to insource their FA activities offshore, the ability to operate in an optimised cost environment in addition to secured incentives from the local host government are added benefits. In addition, as these firms have high aspirations in the development of specific FA skills, the availability of highly competent human resources is one of the most important locational attraction.

2.6.2 Firm-Specific Factors (FSFs)

Firm-specific factors (FSFs) refer to the firm's prior experience in experiencing the offshore sourcing opportunities in the specific location that increase the receptiveness of the rest of the functions to join in the Strategy. For example, MNCs that already have established manufacturing plants in emerging markets will most likely be more willing to develop the offshore insourcing of their FA to be located in the same vicinity of their manufacturing plants. The prior knowledge or experience denotes a cost-effective experience as moving activities to a foreign country incurs costs that could be associated with cultural and language differences (Choi et al., 2018; Hatonen, 2009). As offshoring relates to the phenomenon of venturing into unknown territories and usually such Strategy is subjected to incremental learning, MNCs are more receptive to locations that have been tested in terms of its cultural and language differences. Therefore, it is expected that the location is more appealing if they can co-locate their offshore insourcing establishment with other internal functions, other MNCs or co-locate with other established third party professional outsourcers. Also, the presence of

other third party professional outsourcers means that skilled resources are abundant.

2.6.3 Situational-Specific Factors (SSFs)

On the other hand, situational-specific factors (SSFs) are related to the factors that could strengthen the Strategy. According to Hatonen (2009), technology and communication availability as well as political and legal environment risks are important considerations of situational-specific factors in determining the location for offshoring sourcing decisions. In an offshore sourcing arrangement, the transition of FA activities require acute training, therefore, communications through virtual learning and uninterrupted conversations between home and foreign locations are made possible by the availability of good technological and infrastructure facilities. This is extremely crucial because in the case of offshore insourcing, MNCs' desire to replicate their FA support is similar to what has been successfully developed in their country of origin. However, such factors are also considered as important in the case of offshore outsourcing as some of the third party professionals would require MNCs to provide the relevant training and transfer of knowledge. For example, for routine FA activities, the transferability of skills and knowledge is easier as these activities are more standardised. On the other hand, non-routine FA activities that are high in specificity may challenge the weak availability of advanced technology and various infrastructure as the transition of activities and the expectations of effective virtual training and development will be affected (Graf & Mudambi, 2005; Hatonen, 2009). In such situations, the availability of high-level expertise of FA talent and technology is expected to enhance the strength of technology, talent, and the development of internal capabilities in affecting the Strategy.

2.6.4 Linking the TCE and RBV drivers and location advantages

While TCE focuses on make or buy decisions, it also suggests for organisations to move away from high cost to lower-cost geographic locations in addition to avoiding places with cultural differences that may create opportunism (Ellram et

al., 2013). The research conducted by Ellram et al. (2013) on the manufacturing industry of offshore sourcing strategy highlights a contradictory conclusion on the impact of costs. Their research shows companies are moving away from solely labour cost savings to locations that provide considerations of overall cost-effectiveness and value creations. In addition, the results of the case studies performed by Gerbl et al. (2015) acknowledged that cultural, language, and time zone closeness are extremely important. Proficiency in English as particularly important as it can improve communication, knowledge transfer, and integration effort while cultural closeness and appreciation increase the coordination effort. Moreover, in one of the cases studied, Gerbl et al. (2015) found that one of the reasons for one of the companies to set up a local insourcing establishment in Hungary was the availability of a generous incentive package in the form of government grants and better tax rates by the foreign government. Hence, these researchers concluded that even though a country may have significant differences in culture and language, the benefit of lower-cost labour may surpass the challenge from other factors.

Besides cost optimisation, the availability of talent pool and expertise proves to be an important factor in offshore insourcing decisions (Manning et al., 2016; Massini et al., 2010). While cost savings was originally the main objective of offshore sourcing activities, according to Bunyaratavej et al. (2007), MNCs usually prefer to locate places where there is an abundance of qualified personnel, and not necessarily to be attracted by cheaper alternatives. Choi et al. (2018) found that the decision to outsource activities offshore is affected by economic, institutional, and cultural distance between the country of origin and host locations. Manning et al. (2016) in the study of knowledge service cluster as one of the developments of offshore sourcing found that within the development of digitisation, offshore sourcing of services will continue to grow in areas providing exclusive geographical strengths in terms of exclusive skills and location benefits while the fundamental of costs benefits continue to be the underlying theory of development. Past researchers such as Krell (2007) and

Anderson et al. (2006) observed that locations with the availability of large talent pool were important as the activities offshore sourced were usually transactional, simple and routine in nature. However, recent studies by Manning et al. (2016) and Lahiri (2016) advocated that the recent changes in the type of activities offshore sourced which are more complex in nature are encouraged and strengthened by locational attributes such as dynamic capabilities and exclusive skillsets. Therefore, it is expected and can be argued that the availability of these locational attributes such as the availability of skills and competencies coupled with government support is the driving force for MNCs to offshore insource their FA activities. Moreover, the lack of the presence of these factors will be a barrier for MNCs to manage the development of FA technology and talent. Therefore, it is expected that these factors will play a strong moderating role between the drivers and MNCs' Strategy.

According to Ellram et al. (2013), in the revised theory of location advantages, Dunning enhanced the concerns on the availability of resources and strategic seeking of localised tacit knowledge. This has influenced many researchers to move away from studying low-cost locations to focus on locations that enable new value creations which are more in line with the RBV view on long term competitiveness. Moreover, Mudambi et al. (2010) argued that offshore insourcing location decisions are strengthened by the leveraging of capabilities and cost control opportunities. Graf and Mudambi (2005) analysed the moderating effects of firm-specific factors and situational-specific factors and found that some of the factors moderate the relationship between the outsourcing of IT-enabled business processes and customers' satisfaction. However, even though much research has been conducted on offshore locational attributes (Hatonen, 2009; Ellram et al., 2013), less attention has been given to the possible moderating role of location advantages on the relationship between the drivers and MNCs' FA offshore sourcing strategy. Specifically, in this study, TCE and RBV elements of uncertainty, asset specificity, process frequency, and strategic value of FA processes are hypothesised to positively affect offshore insourcing strategy. The question remains to ascertain the relevant infrastructure and

prospects of the location advantages that will strengthen the drivers' effects on MNCs' FA reliance on the Strategy. Accordingly, the interaction effects between location advantages and the drivers are hypothesised as follows:

(i)H7a: The interaction of location-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy
(ii)H7b: The interaction of firm-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy
(iii)H7c: The interaction of situational-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy

2.7 An integrated theory to understanding the effects of the drivers on MNCs' Finance and Accounting offshore sourcing strategy

MNCs' offshore sourcing strategy evolves and redefines its form of a contribution to the growth of the organisation incorporating the integration and coordination of economic and strategic drivers to ultimately gain new competitive advantage. Researchers such as Gelderman et al. (2016) claimed that TCE alone is not adequate in explaining the objective of offshore sourcing. For example, while there are similarities shared with RBV such as the fact that TCE affirms that when an activity incurs high specificity requirement, the activity is in the best interest to be performed internally. There have been situations where even though asset specificity is high, if the unique skills and knowledge are not considered as contributing to the organisation's competitive advantage, RBV contradicts TCE in supporting offshore insourcing of these activities. According to Murray and Kotabe (1999), TCE is less relevant when assessing the firms' offshore insourcing strategy especially for intangible goods. Their findings revealed that even though the offshore sourcing model may relate to the minimisation of transaction costs, whether a firm will indeed insource or outsource their activities offshore are dependent on the firm's capabilities (Murray & Kotabe, 1999).

Both TCE and RBV have been studied independently as the theoretical base of sourcing decisions. For example, Christensen et al. (2016) argued that TCE alone is sufficient in revealing whether the company should outsource or manage internally. On the other hand, in recent research, there has been an increase in the discussion of the complementary strength of both TCE and RBV in affecting services sourcing strategy. Integrated TCE and RBV are considered as a successful collaboration of cost benefits and value creations in the study of offshore sourcing strategy (Choi et al., 2018; Zhang et al., 2018; McIvor, 2009; Hatonen & Eriksson, 2009; Gulbrandsen et al., 2009; Kamyabi et al., 2011; Mukherjee et al., 2013). In the study conducted by McIvor (2009), his observations of multiple case studies depicted a complementary contribution by both the framework in determining the type of sourcing strategy.

Most of the past research presented an integrated assessment of TCE and RBV drivers as one single test model. For example, Holcomb et al. (2007) observed that even though firms' outsourcing strategy is supported by TCE's rationality on the minimisation of transaction costs and environmental uncertainty, this argument is incomplete as they observed that even with the inclusion of RBV's specialised capabilities, the integrated model still supports outsourcing strategy. Holcomb et al. (2007) observed that by combining both TCE and RBV perspectives, the study argued that in situations where firms do not develop their capabilities, they will outsource with the purpose to gain such specialised capabilities in the market. Even though such actions are expected to promote opportunism based on TCE views, through integrating TCE and RBV effects, Holcomb et al. (2007) and Choi et al. (2018) observed that the firm would still choose to outsource their strategic activities if such actions assist them to acquire the required specialised capabilities. Such an argument is also agreed by McIvor (2009). The study conducted by Eldenburg et al. (2019) also showed that even though manufacturing firms were willing to invest in high technology plants in the offshore environment, the expensive development of capabilities would force them to put preference on offshore outsourcing strategy instead of offshore insourcing them. Therefore, according to these researchers, by assessing the

value of specialised capabilities, firms would go beyond cost strategy when they outsource. The combined TCE and RBV test model offers an extended understanding of the actions taken. Accordingly, TCE asserts outsourcing prerogatives (McIvor, 2009) therefore, when the requirement of unique skills escalates, it is balanced by RBV that supports the development of capabilities by leveraging on the third party to sustain competitive advantage (Espino-Rodriguez et al., 2005). In addition, comparing to the study of Espino-Rodriguez et al. (2005) that defended RBV's strategic value activities effects on hotel insourcing strategy, Zhang et al. (2018) used combined TCE and RBV perspectives and found that the hotels in China outsourced their activities because they share healthy relationships with the third party suppliers and are willing to share tacit knowledge to maintain the quality of the relationship over a longer period.

Similarly, Kamyabi et al. (2011) conducted a study to identify the factors that affect Iranian SME manufacturers to outsource accounting functions based on integrated TCE and RBV perspectives. The study showed that asset specificity was negatively associated with outsourcing as the manufacturing firms chose not to outsource their accounting activities that are highly specific but on the contrary, the results showed that these manufacturers were willing to outsource their core activities (Kamyabi et al., 2011). The contradictory findings of the relationship between strategic value activities and outsourcing strategy, according to the authors, were probably due to the limitation of the sample as the sample only comprised of small and medium firms. Moreover, the activities that were included in the study were limited to accounting, advisory, and internal audit services. However, there are some oblivious contrast, for example, the case study conducted by McIvor (2009) observes that there are situations where external service providers or outsourcers could provide support on core activities at a higher service level and lower costs. In such instances, the objective of sourcing will not align with RBV's assertions of internal management of strategic value activities.

Efforts to merge TCE and RBV approaches have been requested and according to Poppo and Zenger (1998), the insights into studying the relatedness between the two theories provide a more valid and comprehensive view in explaining their real effects in the firm sourcing strategy. Taking on the challenge to address the need for a more comprehensive explanation of the effects of integrated TCE and RBV, Gulbrandsen et al. (2009) proposed a synergistic use of TCE and RBV in the study of mechanical maintenance services in the hydroelectricity industry. Accordingly, there exists an interaction effect between asset specificity and the existing capabilities of the firm in affecting the insourcing strategy (Gulbrandsen et al., 2009). The analysis revealed that through evaluating the synergistic relationship, these firms integrate a set of activities with respect to their existing internal capabilities to exploit market opportunities. Similarly, Murray and Kotabe (1999) also posit asset specificity as the moderator variable between uncertainty and insourcing strategy in their study on a global procurement strategy. They predicted that the increase in asset specificity will have positive effects on firms to insource in a high uncertainty environment, however, the result obtained was not conclusive (Murray & Kotabe, 1999). While Gulbrandsen et al. (2009) focused on asset specificity as the moderator variable in the relationship between internal capabilities and insourcing, Sutcliffe and Zaheer (1998) explored environmental uncertainty such as technology as a key variable in not only affecting strategic decisions about the firm's boundaries but also as a moderator variable between suppliers' uncertainty such as capability and insourcing strategy. Unfortunately, the study showed that while environmental uncertainty was a dominant factor in affecting the insourcing strategy, there were no statistically significant interaction effects between environmental uncertainty and suppliers' uncertainty in affecting the firm's insourcing strategy. On the other hand, Banalieva et al. (2013) observed that technological advantage positively motivates MNCs to expand insourcing strategy outside of the home region and further extended the observation of a relationship between the selection of geographic scope and performance of the firm. Yuan et al. (2019) in their study on China's logistics outsourcing found that the suppliers' ability in developing the required capabilities

positively influenced top management in their decision to outsource their logistics activities.

The above discussions revealed that both TCE and RBV are not fully mutually exclusive. As RBV supports the development of organisational capabilities, the theory asserts the important effects of strategic value activities. The analysis on strategy leads to the analysis of balancing internal capabilities with competing priorities such as costs and quality objectives. RBV tends to drive offshore insourcing decisions by focusing on the internal collaborations of resources while TCE acts as a market balance in promoting the competitive strength of external market forces and competitors (Christensen et al., 2016). These show that many researchers have accepted that both TCE and RBV perspectives are not only overlapping in explaining sourcing strategy but can be complementary in many ways (Holcomb et al., 2007; McIvor, 2009; Kamyabi et al., 2011; Gulbrandsen et al., 2009). However, in combination, these past studies recognise that while cost benefits would still be the ultimate motives of offshore sourcing strategy, a successful Strategy also calls for the equal importance of value creations that will reinvent a new competitive advantage in the market place.

While the combined effects of these two theories have been widely examined, this study attempts to posit a synergistic relationship between TCE and RBV in affecting MNCs' offshore insourcing of FA. This study extends the role of technological innovations in promoting MNCs' offshore sourcing strategy to the next level, which is the offshore sourcing of more complex and highly strategic FA activities. This proposed synergy is based on assessing the findings of the Deloitte 2018 Global Outsourcing Survey and also drawing insights from past researchers such as Rodgers et al. (2017), Gulbrandsen et al. (2009), Banalieva et al. (2013), Kamyabi et al. (2011) and Sutcliffe and Zaheer (1998) where it indicates that the future of offshore sourcing lies in the directives of technological innovations. It is predicted that MNCs would be more inclined to insource more of their strategic value activities offshore if the technological risks can be minimised. Even though many firms may want to partner with third parties to

expedite innovations as the fastest way to optimise technological risks, these firms that are currently being studied have shown preference in developing their technological innovations. Therefore, it can be ascertained that these firms would continue their technological development to not only reduce their improbable cyber risk but also to enhance the ability to develop inimitable company-specific FA skills that potentially enable them to realise full offshore insourcing of their FA activities. Moreover, it is predicted that the competences of performing the highly strategic FA activities in an offshore insourcing environment will be further improved and increased with the acute development of FA technological advancement.

Therefore, the interaction effects between technological development and strategic value activities are expected to increase MNCs to insource their FA core activities offshore. This is possible as with the development of more advanced FA digital solutions, the complexity in managing the more strategic activities can be reduced in addition to improved data management.

The interaction between technology and strategic value activities are hypothesised as below:

Hypothesis 6: The interaction of technology and strategic FA activities is expected to increase MNCs' offshore insourcing strategy

Finally, the learning and empirical research from the last 30 years provided research guidance that TCE and RBV will remain relevant but need to be interpreted in the context of the existing market development and demands. TCE will not just be seen from the benefits of the lowest costs perspective, rather, it will be an exchange of technology, quality, and knowledge to reap efficiency gains. With the inclusion of RBV and the location advantages paradigm, the seeking of new talent, the development of internal capabilities, process simplification, and innovations become the valued added offshore sourcing prerogatives. The survival and continuous evolvement of MNCs' FA offshore

sourcing strategy depend on the continuous research of the collaborations of the embedded theories and the integration and the influence of the drivers from both economic, strategic, and locational perspectives.

The key research on the theories based drivers and location attributes are documented in Appendix 3.

2.8 Control Variables

Other characteristics that are likely to affect the sourcing decision are also measured. In this study, the firm's age, size, and level of education of the decision makers are included in the analyses as control variables. According to RBV, the size and age of the firm have significant relations to the increase in sourcing of activities (Everaert et al., 2009; Kamyabi et al., 2011) while Park and Krishnan (2001) found that personal characteristics of senior management such as the level of education affect their sourcing decision.

2.9 The Study's Conceptual Model

As reviewed, it is predicted that as firms are increasingly choosing to source their FA activities offshore, the analyses into the effects of drivers such as the ability to innovate new technological processes, the availability of resources with the right talent, strong management confidence, and locations with quality locational attributes in supporting their offshore footprint to the next level which is the increase in offshore insourcing the highly strategic FA activities is extremely critical. Yet, the observations between the relationship of these drivers and MNCs' FA offshore sourcing remains a gap in the study of MNCs' FA Strategy. Hence, the current study intends to fill this gap by studying the relationship between these drivers and MNCs' Strategy as depicted in the following discussion of the study's conceptual model.

This chapter has reviewed the literature that provides the theoretical foundations in supporting the study of MNCs' FA offshore sourcing strategy. Four

relationships were identified for the analyses as shown in the study's conceptual framework (Figure 2.2). The first relationship (Link 1) is represented by analysing the TCE drivers in affecting the Strategy. The second relationship (Link 2) evaluates RBV strategic value and its effects on activities on the Strategy in addition to analysing the effects of this relationship on the organisation's performance. The analyses of TCE drivers (Link 1) and RBV drivers (Link 2) form the theoretical basis for Research Question 1. In the evaluation of the second relationship (Link 2), the internal capabilities are investigated such as unique skills, not easily adaptable nor substitutable as well as the relationship between strategic value activities and performance of the FA function. Also, this study extends the understanding of the effects of the drivers by proposing the existence of an interaction effect between TCE and RBV as shown in the third relationship (Link 3). The third relationship explains Research Question 2. Finally, as this research regards the offshore sourcing strategy, the location advantages are investigated on their interaction effects on the relationship between the drivers and the Strategy as shown in the fourth relationship (Link 4) and this explains Research Question 3.

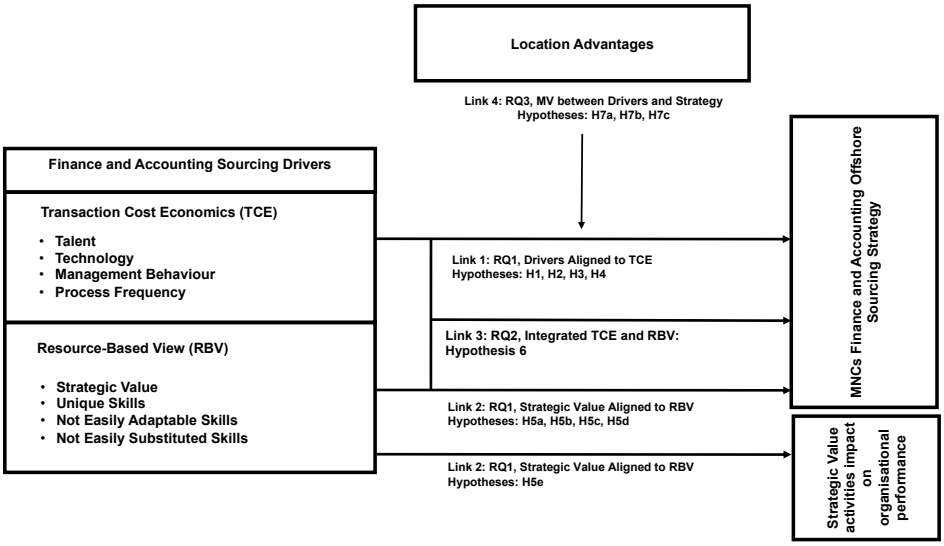


Figure 2.2 *Conceptual Framework of the Study*

In examining the three research questions, thirteen hypotheses were developed and summarised as follows:

Research Question 1

Hypothesis 1:
Offshore insourcing of FA activities is expected to increase with the uncertainty due to technology

Hypothesis 2:
MNCs are expected to increase offshore insourcing FA activities that are low in frequency

Hypothesis 3:
Offshore insourcing of FA activities is expected to increase with FA talent specificity

Hypothesis 4:
Offshore insourcing of FA activities is expected to increase with management confidence in the foreign host country talent in performing FA activities

Hypothesis 5a:
MNCs are expected to increase offshore insourcing of FA activities that require unique skills

Hypothesis 5b:
MNCs are expected to increase offshore insourcing of FA activities that require skills that are not easily adaptable

Hypothesis 5c:
MNCs are expected to increase offshore insourcing of FA activities that require skills that are not easily substituted

Hypothesis 5d:
MNCs are expected to increase offshore insourcing of FA activities that are high in strategic value

Hypothesis 5e:
Offshore insourcing of high strategic value of FA activities is expected to increase FA organisational performance

Research Question 2

The understanding of the Strategy is extended by analysing the Integrated TCE-RBV influence on the strategy and is hypothesised as follows:

Hypothesis 6:
The interaction of technology and strategic FA activities is expected to increase MNCs' offshore insourcing strategy

Research Question 3

The interaction of location advantages and the drivers will positively strengthen the effects of the drivers on the intensity of offshore insourcing strategy. The interaction effects are hypothesised as follows:

H7a: The interaction of location-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy

H7b: The interaction of firm-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy

H7c: The interaction of situational-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy

The following chapter discusses the methodology of the study.

3. The Research Methodology

3.1 Introduction

This chapter describes the research method for this empirical study. It aims to evaluate the relationship and linkages of the research objectives, research questions, and hypotheses as shown in the study's conceptual model below through the employment of these research methods: (below is extracted from Chapter 2, p. 83).

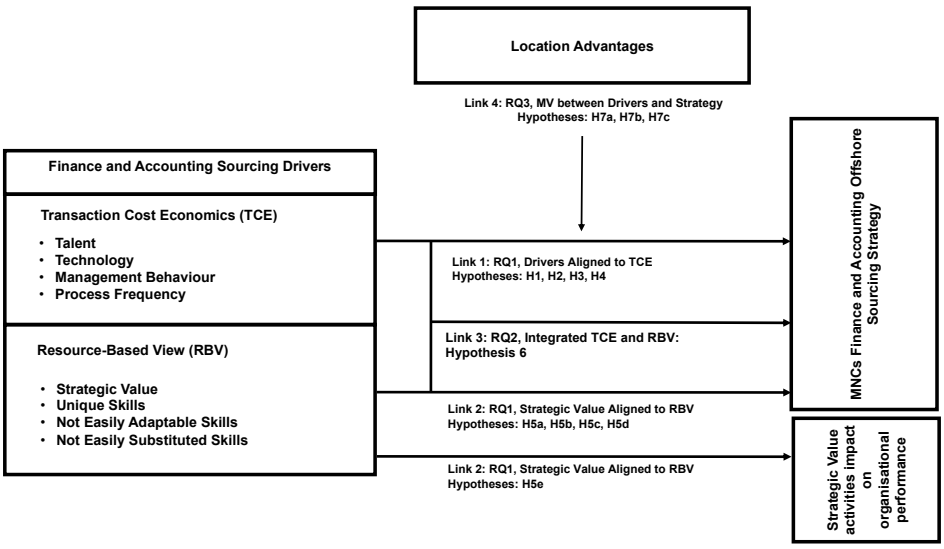


Figure 3.1: The Study's Conceptual Model

This chapter describes the analytical techniques adopted to investigate the hypotheses developed. This chapter concludes by summarising the method and its contributions to the research.

3.1.1 Research Motivation and Strategies

The study aims to identify and investigate the drivers that affect multinational corporations' (MNCs) finance and accounting (FA) offshore sourcing strategy. A mail survey was conducted with the MNCs' FA offshore organisations to obtain a comprehensive view of the drivers that affect their FA offshore sourcing strategy.

A survey is the preferred method in the data collection process as this study relates to the understanding of the prevalence of the FA offshore sourcing strategy and the strength of a relationship (Yin, 2003), specifically regarding how the drivers affect MNCs' FA offshore sourcing strategy and how the location advantages act as moderator variables between the drivers and the Strategy.

The objectives of the survey are to find out:

• To what extent do MNCs source their FA activities offshore?

• What are their assessments of the effects of asset specificity, uncertainty arising from technology and management behaviour, and process frequency in affecting their FA offshore sourcing strategy?

• How do their strategic value activities affect their FA offshore sourcing strategy?

• To what extent does the offshore sourcing of strategic value FA activities affect MNCs' FA organisational performance?

• To what extent do the integrated effects of both TCE and RBV drivers expand the effects of the drivers on the Strategy?

• To what extent do the Location advantages affect the relationship between the drivers and the Strategy?

3.1.2 Research Questions and Hypotheses

The linkage as shown in Figure 3.2 below shows the graphical representation of the research questions, the formulated hypotheses in Chapter 2 with the analyses of the data collected through the mail survey.

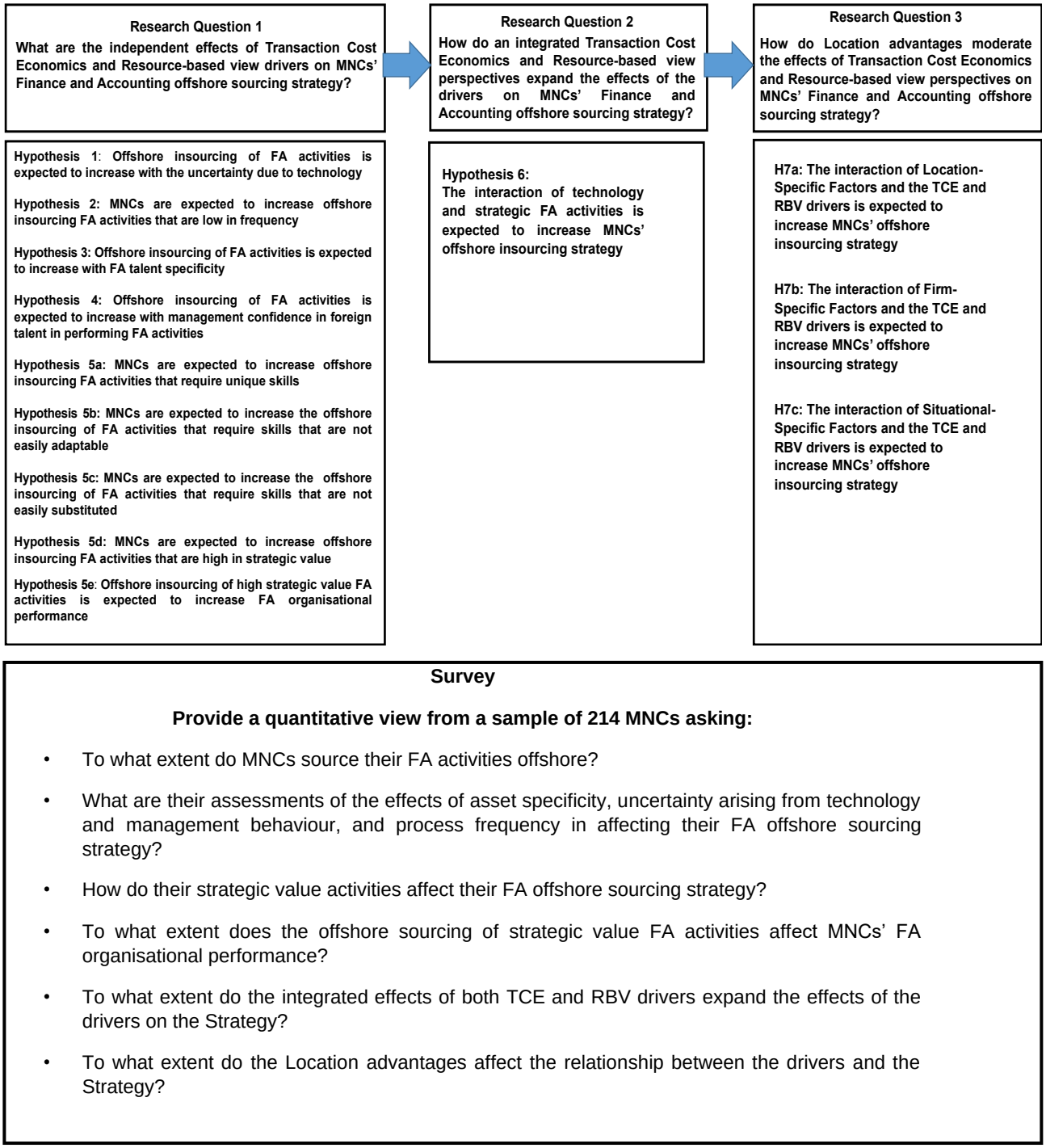


Figure 3.2 The linkage between the Research Questions, Hypotheses and Research Method

3.1.3 Time Frame

The total time taken to prepare, manage, and administer the survey was one year with the breakdown below:

1. Two months of preparation time (November 2017 – December 2017)
2. Two months of pilot test (December 2017 - January 2018)
3. Eight months administering the digital survey (February 2018 –October 2018).

3.2 Sample selection

As this study pertains to analysing international sourcing of FA, the focus was to select MNCs that form a significant part of foreign investment in Malaysia. The population of this study includes all the grouping of MNCs by the Malaysia Digital Economy Corporation (MDEC). These were selected as MDEC is a local government body tasked to accelerate Malaysia's globalisation footprint and one of their charters is to attract the investment of MNCs across the globe. These MNCs were identified through MDEC's directory. As of November 2017, over 3000 local and foreign firms from all over the world are actively either conducting their business locally or have built offshore sourcing establishments in Malaysia. These 3000 companies were grouped into four categories namely: (a) Creative Content Technologies (b) Global Business Service (GBS) (c) IHLS and Incubators and (d) Infotech. GBS refers to the group of MNCs with offshore sourcing establishment incorporating information technology (IT) and services functions such as procurement, human resource (HR), research and development (R&D), knowledge process outsourcing (KPO) and finance and accounting (FA). The entire group of companies listed under GBS consists of 670 MNCs across all industries and is the ideal population for this study.

After detailed filtering through the definitions of each organisation's core activities, a total of 214 MNCs with core activities consisting of HR, R&D, KPO, and FA

function was listed as the sample for the study. A number of these companies have established company-owned offshore sourcing operations while some of these MNCs are Professional Service Outsource Providers. At this point in the study, the researcher was not able to distinguish the MNCs' FA offshore organisations within the GBS grouping from the rest of the services groups. However, it was reported that there were 42 FA offshore establishments in Malaysia in 2012 (Accountants Today, July/August 2013). With the expected compound annual growth rate of 13 percent (Accountants Today, July/August 2013), it is estimated that at the beginning of 2018, the number of FA offshore establishments in Malaysia stands at 80 firms.

Following the footsteps of other researchers in assessing MNCs' sourcing strategy, a double-respondent survey was used to test the hypotheses (Erramilli & Rao, 1993; Murray & Kotabe, 1999; Gilley & Rasheed, 2000; Gulbrandsen et al., 2009). The unit of analysis for the study was the finance and accounting function. The head of finance of the MNCs, when contacted by telephone calls were asked to help extend the survey to other major FA divisions within the local establishments who would be familiar with the firm's offshore sourcing strategies. This was done as most MNCs have multiple FA teams that are aligned to their business units that specialise in different products or services offerings. Each of these divisions manages its own business units' related FA activities. Gilley and Rasheed (2000) limited the questionnaires to three business units while Gulbrandsen et al. (2009) limited their questionnaires to five business units. The practice of using multiple observations within one firm assists in providing more complete evaluations of the firm's total activities involved in the sourcing strategy and (Murray & Kotabe, 1999; Gilley & Rasheed, 2000) is common in international sourcing studies (Erramilli & Rao, 1993).

The questionnaires were sent to the 214 MNCs by mail and it generated a return of 118 responses as of October 30, 2018. This produced a response rate of 55.1 percent (118 divided by 214). This response rate was comparable to other similar

research where the response rates ranged from 17 percent to 55 percent (Everaert et al., 2009; Kamyabi et al., 2011; Gulbrandsen et al., 2009; Gilley & Rasheed, 2000; Murray & Kotabe, 1999). As most companies remained anonymous, there was insufficient data to identify the companies that gave multiple responses. The total responses generated a return of 101 useable questionnaires. Therefore, the effective response rate was 47.2 percent. These responses are considered reasonable in terms of sample size because according to the sample-size calculator, at a 95 percent confidence level, the sample size for this population is determined at 103.

3.3 Procedure (Data Collection)

3.3.1 Survey Preparation

The online survey preparation began in November 2017 with the following activities:

• The questionnaires were prepared and uploaded into Qualtrics which was the official online tool in the administration of the survey.

• Selection of MNCs from the MDEC's directory portal was conducted in addition to filtering their core activities to identify the MNCs with FA offshore sourcing. Subsequently, a revised listing of the identified MNCs with the firms' names, addresses, telephone and fax numbers, and email addresses were created.

• A pilot test was conducted in December 2017. Ten financial analysts from two MNCs and thirteen business support team from a local oil and gas firm were asked to participate in the pilot study. The participants were asked to evaluate the length of the survey, the clarity of the questions, and provide feedback about the meaningfulness of the language and the content of the survey. Changes were made to strengthen the clarity of the questions based on the participants' feedback.

• The updated survey questions were submitted to the supervisors for review in January 2018.

• Submission of the ethics application was done on February 1st, 2018. Approval to proceed with the online survey was received on February 20th, 2018.

• Finally, the printing of the cover letter indicating the survey online links and envelopes for the postal mails were prepared.

3.3.2 Administration of Survey

The online survey was carried out in February 2018, the actions that were taken are as follows:

• Mailing of the survey online links to the 214 MNCs listed in the MDEC's directory with offshore sourcing operations consisting of the combinations of HR, R&D, KPO, and FA between February 20th and February 28th, 2018.

• The mail-out was done together to allow sufficient time for follow-up actions.

• Follow-up telephone calls were made two weeks after mailing the questionnaires. The calls were made to find out whether the MNCs had received the letters and if they were willing to contribute to the survey. In addition, the finance leaders were also asked to extend the survey to other business teams within the local establishment that have similar exposure to the offshoring of their FA activities. Moreover, telephone calls were also an opportunity to further encourage their participation. An additional copy of the cover letter was sent to the MNCs that had indicated that they did not receive the letter within the next two working days.

• Follow-up letters were initiated one month after the follow-up telephone calls. These letters also served as a "thank you" note to participants and as a reminder to those who have not yet completed the survey online.

Following the mail out, phone calls, and follow-up letters, a total of 72 questionnaires were received by 1st April 2018. This represented a 33.6 percent response rate on the 214 letters mail-out. As the 72 responses generated 60

usable questionnaires, it still fell short of the sample size required for meaningful statistical analysis. Consequently, in May 2018, another mail-out was conducted on the same 214 firms. The second mail-out was accompanied by a cover letter detailing an apology to those firms that had completed the survey and if they received it the second time. This was important as based on the existing 72 responses, the majority of the MNCs had remained anonymous.

Follow-up phone calls were again made to these firms. By October 30, 2018, an additional 46 questionnaires were obtained making a final total of 118. As there were 101 usable questionnaires, the effective response rate based on 214 MNCs was 47.2 percent.

3.4 Measures

3.4.1 Questionnaires Design

The online self-administered questionnaires were adapted from past research of similar topics such as, Murray and Kotabe (1999), Gilley and Rasheed (2000), Espino-Rodriguez et al. (2005), Everaert et al. (2009), McIvor (2009), Kamyabi et al. (2011), Christensen et al. (2016) and ORN Survey 2012/2013. The Offshoring Research Network (ORN) survey (https://offshoring.fuqua.duke.edu) is an international research project, initiated in 2004, aimed at investigating the phenomenon of offshoring of technical and administrative services.

Initially, relevant questionnaires that relate to the research topic were identified from the analysis of the literature review. Past research questionnaires on the sourcing of FA activities such as the ones researched by Everaert et al. (2009), Kamyabi et al. (2011) and Christensen et al. (2016) were the key questionnaires when the survey was developed. Subsequently, the questionnaires were extended with adaptations from other research of similar nature such as the questionnaires from the ORN 2012/2013 survey, Espino-Rodriguez et al. (2005),

Gilley and Rasheed (2000), McIvor (2009) and Kotabe and Murray (1999). The questionnaires were fine-tuned for format and language clarity after the pilot test. The questionnaires were formulated to investigate drivers, locational attributes, sourcing strategy, and performance of offshored functions. Also, the questionnaires were based on existing measurement instruments but were adapted to the context of FA.

Questions were worded similarly to past questionnaires. They were worded in English as this is the business language of the country. The online survey was designed with non-compulsory features, meaning the respondents can choose to leave any questions unanswered if they are not comfortable in providing feedback. It contains six sections with 26 questions as summarised in Table 3.1 below.

Table 3.1 Online Survey Questionnaires Descriptions and Original Sources

Section	Description	Question Number	Type of Questions	
About Participants Organisation	Assess existing offshore sourcing model; Total number of employees; Total International experience; Total assets	Part 1: Q1-Q11	Nominal, Ordinal	Adapted from ORN Survey 2012/2013
	Control variables consisting of the firm's size in Total assets, Firm's Age, Number of Employees	Part 1: Q9, Q11, Q12	Nominal, Ordinal	Adapted from ORN Survey 2012/2013 and Everaert et al. (2009)
About Participants	Assess Frequency of activities; Level of	Part 2: Q12-Q14	Ordinal, Interval	Adapted from Murray and Kotabe (1999),

Section	Description	Question Number	Type of Questions	
Organisation Offshore Sourcing Strategy	Importance of Activities; Breadth and Depth of activities offshored			Gilley and Rasheed (2000), Everaert et al. (2009), Espino-Rodriguez et al. (2005) and ORN survey 2012/2013
	Control variables consisting of decision makers' education level	Q12	Ordinal	Adapted from Everaert et a. (2009)
Uncertainty: Technology Development	Assess the impact of technology on finance and accounting offshore sourcing strategy	Part 3: Q15-Q17	Interval	Adapted from Everaert et al. (2009) and Christensen et al. (2016)
Asset Specificity: Talent	Assess the impact of Talent on finance and accounting offshore sourcing strategy	Part 4: Q18	Interval	Adapted from Everaert et al. (2009), Kamyabi et al. (2011)
RBV Strategic Value Assessment	Assess the relationship between the internal capabilities dimension of (i) unique, (ii) adaptability and (iii) substitutability of skills and the core versus non-core activities. The organisational performance analysis is included	Part 4: Q19-21	Interval	Espino-Rodriguez et al. (2005), McIvor (2009)

Section	Description	Question Number	Type of Questions	
	on the level of costs and quality satisfaction in managing the core versus non-core activities			
Uncertainty: Management Behavioural Uncertainty	Assess the impact of management behavioural uncertainty on finance and accounting offshore sourcing strategy	Part 5: Q22	Interval	Everaert et al. (2009), Kamyabi et al. (2011) and Christensen et al. (2016)
Location advantages	Assess the impact of location advantages on finance and accounting offshore sourcing strategy (Q24). Q22 and Q23 assess the motives and risks of offshoring finance and accounting activities	Part 6: Q23-Q25	Interval	ORN Survey 2012/2013
Participants Other observations	This free text question enables participants to provide any additional feedback on their sourcing strategy	Q26		

3.4.2 Part 1 Questionnaire: Questions 1 - 11

As Part 1 was the beginning of the survey questionnaires, it consists of profile questions seeking background information of the surveyed MNCs.

The background information that forms part of the descriptive statistical analyses consists of the company's name, the industry of the MNCs, the home country of the company, and the respondent's name and contact details (Questions 1-6). Question 7 was important as the MNCs were asked to indicate their existing offshore sourcing model, meaning they need to indicate if they are currently outsourcing or insourcing their activities offshore or operating in a hybrid mode incorporating both models. Questions 8 – 11 target specific information about the firm's size such as the range of total assets, the total number of full-time employees, and the firm's age such as indicating the range of years the parent company has been in operations, as well as the firm's total international experience. The firm's size and age are control variables in the proposed analyses.

(a)Question 7: Existing Organisation Offshore sourcing structure

This question was designed to analyse the existing FA offshore sourcing structure of the surveyed MNCs. This information is important to ascertain the existing preferred offshore sourcing structure. Respondents were given five different possible models such as (1) An organisation with offshore insourcing activities, (2) An organisation with offshore outsourcing structure, (3) An organisation with offshore outsourcing and insourcing structure in multi-countries location, (4) A branch of part of a multinational organisation, (5) A professional outsourcer located in Malaysia.

(b)Questions 8 – 9: Firm's Age

The firm's age is an indication of the number of years the organisation has been in operations. This was an important control variable in determining sourcing

intensity, similar to the control variables in reference to ORN Survey 2012-2013, Everaert et al. (2009) and Kamyabi et al. (2011). In addition, the number of years of international experience was requested as well to assess the length of time these MNCs have been functioning in international operations. The questions were designed as follows:

- Question 8: Eight selections were provided to the respondents to indicate the range of years of international experience such as (1) Nil, (2) Less than 1 year, (3) Between 1 and 5, (4) Between 6 and 10 years, (5) Between 11 and 15 years, (6) Between 16 and 25 years, (7) More than 25 years, (8) Don't Know/Not Sure.

- Question 9: On the firm's age, respondents were asked to provide the number of years the company is in existence. This information was compiled and grouped into five ascending categories in preparation for subsequent analyses.

(c)Questions 10 – 11: Firm's Size

Everaert et al. (2009) and Kamyabi et al. (2011) found that a firm's size is an important factor in influencing the extent to which firms leverage sourcing practices. Furthermore, according to Erramilli and Rao (1993), larger firms were more likely to insource their activities offshore as they obtain the ability to acquire adequate resources and manage a more significant amount of risks. Even though information on both total assets and total employees were obtained, for the subsequent analyses, a firm's size is measured as total assets. In the analyses of the offshore sourcing strategy, one of the most extreme disturbances in the organisation is the changes in employee count. Therefore, for this intended analysis, total assets are regarded as a more consistent measure.

- Question 10: Respondents were asked to provide the approximate number of full-time employees.

- Question 11: Respondents were asked to indicate the range of total assets of the company in the last financial year. Ten selection of total assets in US dollars (USD) were provided ranging from (1) $500,000 or less, (2) Between $500,000 and $1,000,000, (3) $1,000,000 and $5,000,000, (4) $10,000,000 and $50,000,000, (6) $50,000,001 and $100,000,000, (7) $100,000,001 and $500,000,000, (8) $500,000,001 and $1,000,000,000, (9) $1,000,000,001 and above, (10) Don't Know/Not Sure. Respondents can choose the tenth selection where it indicates that the respondents are not sure of the firm's size.

3.4.3 Part 2 Questionnaires: Questions 12 - 14

Part 2 of the survey was intended to acquire information in regards to the MNCs' FA offshore sourcing strategy. As this study aims to conduct a comprehensive review of sourcing FA activities offshore, highly specific and comprehensive information in regards to these activities is required. Based on the review of the literature by Everaert et al. (2009) and Kamyabi et al. (2011) and referring to the complete list of FA as adopted by the ORN International Survey, (2012-2013), fifteen types of FA most frequently performed activities were selected to be analysed in this part of the survey. These activities are Credit/Cash Management, Credit Analysis, Accounts Payable, Accounts Receivable, All types of Payment/securities processing, Product/Services Costing, Fixed Assets Accounting, General Ledger Reconciliation, Statutory Reporting and Analysis, Financial Planning (Flash, Budgeting), Forecasting (Periodically), Financial Reporting, Performance Analysis, Business Advisory Analysis, and Internal Audit.

Question 12 was designed to obtain information regarding the main decision maker of the offshore sourcing strategy and the corresponding level of education. The level of education of the decision maker is one of the selected control variables in the research analyses.

Question 13 was designed to analyse the overall fifteen types of FA activities from the perspectives of process frequency and level of importance. The questionnaire (Question 13a) was designed to investigate Research Question 1 and to test hypothesis 2. On the other hand, Question 13b was designed to investigate Research Question 2 and to test hypothesis 5c. Question 13a was designed to obtain specific periodicity of each of the fifteen types of FA activities that will assist in the analyses of routine and non-routine activities sourcing strategy. Meanwhile, Question 13b was designed to obtain the level of importance of each of the fifteen types of FA activities. As a result, the information will allow the researcher to distinguish the core FA activities from the non-core.

Question 14 was designed to analyse the MNCs' offshore sourcing intensity which is also the dependent variable in all of the subsequent analyses. Sourcing intensity reflects the extent of how much these MNCs sourced their FA activities offshore. Information obtained was designed to investigate research questions 1 -3 and all of the thirteen hypotheses. The question relates to the gathering of the data required for the computation of the firm's sourcing intensity which is interpreted as the multiplication of the depth and breadth of the FA activities that are sourced offshore. Hence, respondents were asked to indicate, out of the fifteen types of FA activities provided, how many of these activities were sourced and the extent of the activities was sourced in percentage. These measures were adapted from Gilley and Rasheed (2000) and Everaert et al. (2009). Details of questions 12 – 14 are provided below.

(a) Question 12: Decision Maker's Position and Level of Education

Murray and Kotabe (1999), Kamyabi et al. (2011) and Everaert et al. (2009) suggest that the personal characteristic of the executives affect the decision making of the Strategy. Therefore, in this context, the executives who were accountable for making the offshore sourcing decision level of education was requested in the survey and was one of the important control variables.

Respondents were asked to provide two pieces of information regarding the person who is responsible for deciding the offshore sourcing strategy: (i) the position in the company and (ii) the level of education. Respondents were provided with five different executives positions such as (1) CEO, (2) CFO, (3) Vice President, (4) Director and (5) Manager as the possible choice of the title of their firm decision maker in the offshoring arrangement. On the other hand, the possible level of education were (1) Postgraduate, (2) Degree, (3) Professional Accountant, (4) Diploma, (5) Don't Know/Not Sure.

These measures were adapted from Kamyabi et al. (2011) and Everaert et al. (2009)

(c) Question 13a: Process Frequency

Process frequency was measured by the indications of the periodicity of the FA activities (Murray & Kotabe, 1999; Everaert et al., 2009). Respondents were asked the periodicity for each of the FA activity in ascertaining if the activity is considered as routine or non-routine. Routine activities are defined as activities that are performed daily and weekly and usually they are relatively straightforward and standardised. Routine FA activities are considered as activities requiring less judgement from the analyst or accountant whereas non-routine activities are performed monthly, quarterly, bi-annual and annual, and require valuable opinions and judgement and usually the activities are less standardised (Everaert et al., 2009). Respondents were asked to indicate the process frequency of each of the activities by selecting the measures as follows: (a) daily, (b) weekly, (c) monthly, (d) quarterly, (e) bi-annual and (f) annual. These measures were adapted from Kotabe and Murray (1999) and Everaert et al. (2009).

(d)Question 13b: Strategic Value Finance and Accounting Activities

Based on the views of RBV, the objective was to analyse if strategic value activities affect MNCs' FA offshore sourcing strategy. In this study, similar to the research conducted by Espino-Rodriguez et al. (2005) and McIvor (2009),

strategic value FA activities are activities that are of high-level of importance to the organisation. Therefore, the question was designed to assess the level of importance of each of the fifteen types of FA activities. Respondents were asked to indicate the level of importance for each of the fifteen types of FA activities on a 5-point scale such as (1) Totally Not Important, (2) Not Important, (3) Moderately Important, (4) Important, (5) Totally Important. Totally Important and Important activities are Core FA activities, Moderately Important activities are moderately core activities and Totally not important, and not important activities are non-core FA activities. These measures were adapted from Espino-Rodriguez et al. (2009).

(e)Question 14: Finance and Accounting Offshore Sourcing Intensity Computations

As this study aims to identify the impact of the drivers on MNCs' FA offshore sourcing strategy, it is imperative to determine the measures on offshore sourcing strategy, which is the dependent variable. The effect of each of the drivers can be analysed from the level of influence on the extent of MNCs' FA offshore sourced activities. Leveraging on the works of Gilley and Rasheed (2000), the measure on the extent of MNCs' FA offshore sourced activities can be referred to as their reliance on either outsourcing or insourcing offshore and can be determined by the computation of the intensity of the strategy. Intensity is computed based on the multiplication of two dimensions: the breadth and the depth of the offshore strategy.

The breadth of the strategy is defined as the number of activities sourced as a percentage of the total number of activities of FA whereas the depth of the strategy is defined as the average percentage of each of the activity sourced (Gilley & Rasheed, 2000; Everaert et al., 2009). The breadth dimension of the strategy is critical as some MNCs' FA opted to outsource or insource most of their activities offshore, while some may select only a few activities. In order to find out

the breadth dimension, respondents were asked to indicate, out of the fifteen types of FA activities which are the activities that are currently performed in the offshored establishment. On the other hand, the depth dimension of the strategy reflects the value of each of the activities that are outsourced or insourced offshore. According to Gilley and Rasheed (2000), the higher the depth, the deeper the offshore sourcing strategy. In order to obtain the information on the depth dimension, respondents were asked to indicate the extent of the activities sourced in percentage. These measures were adapted from Gilley and Rasheed (2000) and Everaert et al. (2009). Hence, the multiplication of the breadth and depth of the activities sourced indicate the sourcing intensity and is a continuous variable, ranging between 0 percent and 100 percent.

3.4.4 Part 3 Questionnaire: Questions 15 - 17

Part 3 of the questionnaires was designed to evaluate the effects of technology development (TCE environmental uncertainty) on MNCs' FA offshore sourcing. These questionnaires were designed to investigate Research Question 1 and to test hypothesis 1. As FA is a people-intensive function, the effects arising from technology development were defined in this research as affecting the stability of the FA workload. Technological development refers to automation, process innovations, digital solutions, and standardisation and is predicted as an impactful change to the organisation (Christensen et al., 2016). As additional analysis on technological development, for Questions 15 and 16, respondents were asked to provide the actual expenditure on technology development as a percentage of revenue. Respondents were also given the freedom to provide other computations of the actual amount spent on technology in a free text column.

(a)Question 17: Technology, Element of TCE Uncertainty

The degree of technology development effects on MNCs' FA offshore sourcing was measured using four items. However, the listing of items below shows five items because the impact of the variations in the workload is segregated into routine and non-routine activities. This is intentional so that the researcher can

assess the effects of technology development on both routine and non-routine FA activities. These items were adapted from Everaert et al. (2009) and Christensen et al. (2016). These items relate to the effects of technology on the workload of FA and reflected in the statements below:

(a) Due to the development in technology, there were a lot of variations in the workload related to the FA routine activities
(b) Due to the development in technology, there were a lot of variations in the workload related to the FA non-routine activities
(c) Due to the development in technology, there were new FA software introduced as part of the system's innovations and is unique to the organisation
(d) Due to the development in technology, process standardisation and innovations simplify the offshoring effort
(e) Due to the development in technology, there were relevant changes in the company's FA structure

The level of these five items was measured by a 5-point scale where the respondents were asked to indicate the extent they agree with the statement. The possible choices are: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree.

3.4.5 Part 4 Questionnaires: Question 18 – 21

Part 4 of the questionnaire was designed to evaluate the importance of talent, the element of asset specificity in TCE. There were two objectives embedded in this part of the questionnaire. The first part, Question 18, seeks to evaluate the importance of talent as the specific asset in affecting MNCs' FA offshore sourcing strategy. It is designed to investigate Research Question 1 and to test hypothesis 3. On the other hand, the second part, Question 19 was designed to evaluate the relationship between RBV's strategic value activities and internal capabilities. It is designed to evaluate and to test hypotheses 5a, 5b, and 5c.

In addition, the questionnaires extend the analyses to incorporate the effects of strategic value on the organisation's performance. This is achieved through Questions 20-21. These questionnaires were designed to evaluate hypothesis 5d. Based on the views of RBV, the objective was to analyse if strategic value activities with the relevant type of offshore sourcing strategy affect the MNCs' FA organisational performance. This is assessed by considering the level of satisfaction of each of the activities. Respondents were asked to indicate the level of satisfaction in achieving cost objectives for each of the fifteen types of FA activities. In addition, the perceived quality of how these activities were performed was evaluated based on the level of improvement requirement. These questionnaires were designed to evaluate hypothesis 5e.

The detailed measures of these questionnaires are discussed as follows.

(a) Question 18: Talent, Element of TCE Asset Specificity

FA activities are predominantly people-intensive, therefore the measure of asset specificity in this study focuses primarily on human assets. This refers to the knowledge and skills (Everaert et al., 2009; Kamyabi et al., 2011) that relate to the requirement of obtaining company-specific information (Christensen et al., 2016). In this study, talent refers to the knowledge of specific characteristics of the company. Also, the prediction that it was costly to switch these resources to other parties because of non-redeployability arising from specific assets was included as part of the assessment (Murray & Kotabe, 1999). To investigate the effects of talent in affecting MNCs' FA offshore sourcing, items were adapted from Everaert et al. (2009) and Kamyabi et al. (2011). The asset specificity of talent was measured using four items in relation to performing the FA activities. However, the listing of items below shows five items because the impact of the variations in the workload is segregated into routine and non-routine activities. This is intentional so that the researcher can assess the effects of talent on both routine and non-routine FA activities:

(a) To perform the activities, the analyst requires company-specific information

(b) To perform the activities, the analyst needs to acquire company-specific information
(c) FA software is custom-tailored to the company
(d) The way the activities are performed is unique to the company
(e) It would be costly in terms of time and resources to switch from an internal accountant to an external accountant at the end of the financial year. Or in the case if you are outsourcing now, it would be costly to switch from one external accountant to another external accountant.

The level of these four items was measured by a 5-point scale where the respondents were asked to indicate the extent they agree with the statement. The possible choices are: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree

(b) Question 19: RBV's Strategic Value Activities and Internal Capabilities

This question was designed to identify and evaluate the level of internal capabilities elements such as unique or differentiation, not easily adaptable, and not easily substituted influence on the strategic value of the FA activities. Respondents were asked to indicate the extent of influence of these three internal capabilities in influencing the fifteen types of FA activities. Respondents were reminded of the level of importance of each of these fifteen types of FA activities that they indicated earlier in the second part of the questionnaire. The three internal capabilities dimension were measured as a requirement to perform the different levels of importance of FA activities. The statements were as follows:

(a) Three separate statements to address the first internal capabilities element: Unique or Differentiation. The statements differentiate between activities that are “Important” and “Totally Important”; “Moderately Important” and “”Not Important” and “Totally Not Important”
The statements were written as: The activities indicated as <Level of importance as indicated above> require a specific degree of knowledge

and information about your firm's way of working that the individuals carrying out the activities must have.

(b) Three separate statements to address the second internal capabilities element: Not Easily Adaptable. The statements differentiate between activities that are "Important" and "Totally Important"; "Moderately Important" and ""Not Important" and "Totally Not Important"

The statements were written as: The activities indicated as <Level of importance as indicated above> require specific adaptability to your company's processes, culture and systems.

(c) Three separate statements to address the third internal capabilities element: Not Easily Substituted. The statements differentiate between activities that are "Important" and "Totally Important"; "Moderately Important" and ""Not Important" and "Totally Not Important"

The statements were written as: The individuals carrying out the activities indicated as <Level of importance as indicated above> cannot be substituted (or replaced) easily.

The level of these statements was measured by a 5-point scale where the respondents were asked to indicate the extent of their agreement with the statement. The possible choices are: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree. These measurements were adapted from Espino-Rodriguez et al. (2005).

(c)Question 20: Effect of strategic value activities on an organisation's cost expectations

Question 20 was included to verify the effect of offshore sourcing of strategic value activities on an organisation's cost expectations of the Strategy. As cost optimisation arising from the offshore arrangement was a prevalent or antecedent of the Strategy (McIvor, 2009; Hatonen & Erikkson, 2009; Ellram et al., 2014; Everaert et al., 2009; Kamyabi et al., 2011), leveraging on the satisfaction level

of these MNCs in meeting their cost expectations was a reasonable measurement of their performance expectation of the strategy (Espino-Rodriquez et al., 2005). This is achieved by measuring the level of satisfaction in attaining the FA organisation cost optimisation efforts by performing these activities of different strategic value in the offshoring establishment. Respondents were asked the extent of their costs satisfaction of managing the FA activities of different levels of importance in the offshore environment. Three statements were included where each statement differs in terms of the level of importance such as (i) Totally Important and Important Activities, (ii) Moderately Important Activities and (iii) Totally Not Important and Not Important. The measure of the level of satisfaction was based on a 5-point scale with possible selections such as (1) Totally Dissatisfied, (2) Dissatisfied, (3) Moderately Satisfied, (4) Satisfied and (5) Totally Satisfied. These measurements were adapted from Espino-Rodriguez et al. (2005).

(c) Question 21: Effects of strategic value activities on organisation's quality expectations

This questionnaire on quality assessment of how the FA activities are managed was included as an additional element in assessing to what extent the offshore sourcing strategy has assisted the organisation's performance (Espino-Rodriquez et al., 2005). The quality of how these activities have been performed in the offshore sourcing engagement was evaluated by asking the respondents to indicate if the FA work performed in the offshore sourcing arrangement were meeting their quality expectation. This was achieved by measuring the level of improvement required for each of the activities as defined by its strategic value. Three statements were included. Each of these statements refers to the following activities: (i) Totally Important and Important Activities, (ii) Moderately Important Activities and (iii) Totally Not Important and Not Important Activities meet your expectation. The measure of the level of satisfaction was based on a 5-point scale with possible selections such as (1) Totally Required, (2) Required, (3) Moderately Required, (4) Not Required and (5) Totally Not Required.

All of the measures above were adapted from Espino-Rodriguez et al. (2005) and McIvor (2009).

3.4.6 Part 5 Questionnaire: Question 22 on Management Behavioural Uncertainty

This questionnaire aims to analyse the relationship between uncertainty arising from management behaviour and MNCs' FA offshore sourcing strategy. Behavioural uncertainty arises from the difficulty in predicting the actions of other relevant actors. In the context of this study, this refers to the management's perception and trust in the employees' ability in the offshore location. Trust is a significant prediction of management uncertainty as according to Kamyabi et al. (2011) and Everaert et al. (2009), trust in the FA analyst or accountant refers to the expectation of the management that the employee can be relied upon to carry out all the job commitments. In most outsourcing research, the level of trust is considered a key significant driver affecting the effectiveness of offshore sourcing strategy (Everaert et al., 2009).

Management behavioural uncertainty was measured using four items, adapted from Everaert et al. (2009), Kamyabi et al. (2011) and Christensen et al. (2016):

(a) Management of the parent company has confidence that the local FA employees can perform according to the job scope required
(b) Management has confidence that the local FA employees can perform the work with accuracy and quality
(c) Management has visibility and is familiar with the expertise and knowledge of the local FA team
(d) The relationship between management and the local FA team is based on trust

The level of these statements was measured by a 5-point scale where the respondents were asked to indicate to what extent they agree with the statement. The possible choices are: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree.

3.4.7 Part 6 Questionnaire: Questions 23 - 26

Part 6 of the questionnaire was dedicated to analysing MNCs' FA offshoring efforts by assessing their motives to offshore as addressed in Question 23, their impending risks to offshore as addressed in Question 24, and their reasons in selecting the location of choice to source their FA offshore as addressed in Question 24. These questionnaires were designed to analyse Research Question 3 and to test hypotheses 6a, 6b, and 6c. All of these measurements were adapted from the ORN Survey 2012/2013.

(a)Question 23: MNCs' Finance and Accounting Offshore Sourcing Strategy Motives

As Question 23 was designed to study MNCs' motives in sourcing their FA activities offshore, the following items were presented to assess the extent of MNCs' motives to source their activities offshore. These items are: (1) Labour Arbitrage (Labour costs Savings), (2) Access to qualified talent offshore, (3) Achieve greater competitive advantage, (4) Access to core competencies and skills, (5) Enhanced efficiency through FA process redesign, (6) Enhanced systems obsolescence, (7) Enhanced technology development allowing virtual data access, (8) Differentiation strategy, (9)Exploit country-specific advantages and (10) Access to new markets, talent and services.

The level of these statements was measured by a 5-point scale where the respondents were asked to indicate to what extent they agree with the statement. The possible choices are: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree.

(b)Question 24: MNCs' Finance and Accounting Offshore Sourcing Strategy Risks Assessment

As Question 24 was designed to find out what these MNCs' FA considered as risks arising from the offshore sourcing strategy, the following items were

presented to assess the extent MNCs' agree that these were indeed their perceived risks of offshoring their FA activities. These items were: (1) Lack of acceptance of internal clients/resistance to offshoring, (2) Loss of Managerial control, (3) Overstated costs savings, (4) Loss of internal capabilities/process/knowledge, (5) Loss of synergy across processes (no end to end view of each process), (6) Exposing organisations to externally enforced contracts, (7) Cultural differences with employees in offshore location, (8) Language differences, (9) Difficulty in managing a global team, (10) Concerns on data security, (11) High Employee turnover, (12) Wage inflation in offshore location and (13) Difficulty in finding qualified finance and accounting personnel.

The level of these statements was measured by a 5-point scale where the respondents were asked to indicate to what extent they agree with the statement. The possible choices were: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree.

(c)Question 25: Reasons MNCs Source their Finance and Accounting Activities Offshore

As this study focuses on assessing if factors as explained in the location advantages moderate the relationship between the drivers and MNCs' FA offshore sourcing strategy, Question 25 dedicates to reviewing each of the host country factors that potentially affect the Strategy. Researchers such as Mudambi (2008), Bunyaratavej et al. (2007), Hatonen (2009) and Caniato et al. (2015) claimed that for firms to locate their activities offshore, they usually look toward seeking the combination of costs and the maximisation of local infrastructure. The factors incorporated into the survey questionnaires cover the relevant local host country attributes adapted from the ORN 2012-2013 Survey incorporating:

1. Location-Specific Factors:
    - Cost of labour and other related costs
    - Cultural and geographical proximity including language

- Government support in the form of regulation incentives

2. Firm-Specific Factor:
   - Business environment with co-location of the firm's other functions or other large MNCs' sourcing establishment
   - Location of the best service provider
3. Situational-Specific Factor
   - High level of expertise
   - Talent pool availability
   - Quality infrastructure
   - Political and economic stability

Respondents were asked about the extent of each of the factors above in affecting the selection of the location of the offshore sourcing strategy. The level of these statements was measured by a 5-point scale where the respondents were asked to indicate the extent to which they agree with the statement. The possible choices are: (1) Totally Disagree, (2) Agree, (3) Moderately Agree, (4) Agree, (5) Totally Agree.

(d)Question 26. This is a free text question allowing respondents to provide their feedback, comments, and observations relating to the questions covered in the survey.

The survey is documented in Appendix 4.

3.5 Limitations

The online survey had two limitations.

First, even though the questionnaires were directed to the Head of Finance, the questionnaires may not have been completed by them. Rather, they could have appointed other finance personnel to respond to the questions. Therefore, it

cannot be ascertained that the assessment of the completed questionnaires has adequately covered all of the feedback and experience of the finance leads.

Second, as the finance leads were requested to extend the questionnaires to other finance business units within the same establishment, however, it cannot be ascertained whether the finance leads had extended the survey to qualified finance personnel who truly know the offshoring strategy.

3.6 Outcomes Achieved from Online Survey

Based on the review on the completed survey as of October 2018, the online survey had assisted in achieving the following:

(a)The comprehensive computation of MNCs' FA offshore sourcing intensity. The success in obtaining both breadth and depth data has been challenging and scarce in past studies where some researchers were only able to leverage on just the breadth in the computation of sourcing intensity such as Murray and Kotabe (1999), Espino-Rodriguez et al. (2005) and Kamyabi et al. (2011).

(b)The relationship between TCE drivers such as asset specificity, uncertainty due to technology, uncertainty due to management behaviour, process frequency, and MNCs' FA offshore sourcing strategy.

(c)The relationship between strategic value activities and the development of internal capabilities and MNCs' FA offshore sourcing strategy

(d)The relationship between strategic value activities sourcing and the FA organisation's performance.

(e)The integrated effects of TCE and RBV drivers on the Strategy

(f)The degree of location advantages affect the relationship between the drivers and the Strategy

3.7 Analysis

The data collected through the online survey were analysed using the Statistical Package for Social Sciences (SPSS). SPSS is commonly used for analysis and reporting of quantitative data (Pallant, 2016). The statistical methods were used for the analyses below:

(a)The analyses aim at providing the general statistical description of the sample represented in the online survey to have an overview of MNCs' offshore sourcing strategy.

(b)The analyses on the relationship of each of the drivers (TCE and RBV independently) and the Strategy. Also, by integrating the combined effects of TCE and RBV to extend the analysis of their effects on the Strategy.

(d)The analyses on the interaction effects of location advantages in affecting the relationship between the drivers and the Strategy.

The statistical methods used and the objectives of using each of them are summarised in Table 3.2.

Table 3.2 Statistical Methods in Analysing the Research Questions and Hypotheses

Part of the Survey Questions	Survey Question Number	Objectives of Data Analysis	Statistical Methods
Part 1	•Q1-Q11 •Q9,Q11	•To describe the characteristics of the sample •Control variables	•Descriptive Statistic •Multiple Regression
Part 2	•Q12 •Q13 •Q14	•Control variables •To assess the process frequency and level of importance of the Finance and Accounting activities •To compute the intensity of the Finance and Accounting activities by obtaining the breadth & depth of the activities sourced	•Multiple Regression •To segregate routine versus non-routine activities and strategic value activities •Computation of (a) overall intensity, (b) routine versus non-routine activities intensity and (c) strategic value activities intensity
Part 3	•Q15-Q16 •Q17	•To describe the total investment of technology development of MNCs Finance and Accounting •To investigate the effect of technology development in affecting work variances •To examine technology development as a potential driver in affecting the sourcing decision	•Descriptive Statistics •Multiple Regression
Part 4	•Q18	•To analyse the effect of skills and knowledge on how	•Descriptive statistics •Multiple Regression

Part of the Survey Questions	Survey Question Number	Objectives of Data Analysis	Statistical Methods
Part 1	•Q1-Q11 •Q9,Q11	•To describe the characteristics of the sample •Control variables	•Descriptive Statistic •Multiple Regression
Part 2	•Q12 •Q13 •Q14	•Control variables •To assess the process frequency and level of importance of the Finance and Accounting activities •To compute the intensity of the Finance and Accounting activities by obtaining the breadth & depth of the activities sourced	•Multiple Regression •To segregate routine versus non-routine activities and strategic value activities •Computation of (a) overall intensity, (b) routine versus non-routine activities intensity and (c) strategic value activities intensity
	•Q19	the Finance and Accounting work is conducted •To examine talent as a potential driver in affecting the sourcing decision •To analyse the relationship between strategic value and internal capabilities of skills that are unique, adaptability and substitutability •To investigate the relationship between the drivers and strategic value sourcing intensity	•Correlation analysis •Multiple regression

Part of the Survey Questions	Survey Question Number	Objectives of Data Analysis	Statistical Methods
Part 1	•Q1-Q11 •Q9,Q11	•To describe the characteristics of the sample •Control variables	•Descriptive Statistic •Multiple Regression
Part 2	•Q12 •Q13 •Q14	•Control variables •To assess the process frequency and level of importance of the Finance and Accounting activities •To compute the intensity of the Finance and Accounting activities by obtaining the breadth & depth of the activities sourced	•Multiple Regression •To segregate routine versus non-routine activities and strategic value activities •Computation of (a) overall intensity, (b) routine versus non-routine activities intensity and (c) strategic value activities intensity
	•Q20-Q21	•To analyse the effect of strategic value sourcing and the performance of the firm Finance and Accounting through the analysis of costs and quality satisfaction.	•Correlation analysis

Part of the Survey Questions	Survey Question Number	Objectives of Data Analysis	Statistical Methods
Part 1	•Q1-Q11 •Q9,Q11	•To describe the characteristics of the sample •Control variables	•Descriptive Statistic •Multiple Regression
Part 2	•Q12 •Q13 •Q14	•Control variables •To assess the process frequency and level of importance of the Finance and Accounting activities •To compute the intensity of the Finance and Accounting activities by obtaining the breadth & depth of the activities sourced	•Multiple Regression •To segregate routine versus non-routine activities and strategic value activities •Computation of (a) overall intensity, (b) routine versus non-routine activities intensity and (c) strategic value activities intensity
Part 5	•Q22	•To assess the effect of management behaviour	•Multiple regression
Part 6	•Q23-Q25	To investigate if the factors within location advantages are potential moderator variables in affecting the relationship between the drivers and the Strategy	•Descriptive Statistics •Interaction Analysis

To achieve the research objectives, this study aims at analysing the relationship between the drivers and offshore sourcing intensity or MNCs' FA reliance on offshore sourcing strategy. In addition, this study also aims to analyse the interaction effects of the location advantages on the relationship between the drivers and the Strategy. The following four models were developed for analysing the hypotheses.

(a) Model 1:

Model 1 aims to assess the relationship between TCE drivers and the Strategy. To check this relationship, Pearson's correlation coefficient (r) and two regression analyses were conducted.

Regression Analysis

Regression analysis was conducted to assess the effects of the TCE based drivers on the overall firm's FA offshore sourcing intensity. Also, item-level analyses were conducted on each of the drivers to assess the relationship and significance of their effects.

The model to test the probability of MNCs' offshore sourcing of FA activities as a function of TCE drivers is as follows:

$$Int_i^j = \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 Tal_i + \beta_5 Tech_i + \beta_6 MBeh_i + \beta_7 RFreq_i + \beta_8 NRFreq_i + \varepsilon_i$$

Where Int_i is the overall intensity of these MNCs, i = 1,2,3…214 and j = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the Strategy.

The independent variables are: Tal is human asset specificity (talent); $Tech$ is uncertainty due to technology; $MBeh$ is uncertainty due to management behaviour; $RFreq$ is process frequency indicating routine activities and $NRFreq$ is process frequency indicating non-routine activities.

Based on the proposed hypotheses 1, 2, 3 and 4, the coefficients $\beta_4, \beta_5, \beta_6$ $and \beta_7$ are expected to be positive for offshore insourcing, otherwise will be offshore outsourcing.

(b)Model 2:

Model 2 aims to assess RBV's Strategic Value Activities' effects on MNCs' offshore sourcing strategy. The FA activities were segregated into core, moderately-core, and non-core activities by assessing their level of importance to the organisation. Before the analyses, it is necessary to group the FA activities according to their strategic value and relate them to the internal capabilities dimensions.

Regression Analyses

Three multiple regression analyses were conducted to assess (a) the relationship between the strategic value activities and MNCs' FA offshore sourcing strategy (b) the relationship between the three dimensions of internal capabilities and strategic value activities and (c) the relationship between strategic value activities and the FA organisation's performance. To assess the impact of offshore sourcing of strategic value activities on the FA organisation's performance, responses on costs and quality satisfaction were included as variables of the regression analysis.

(a) The model to test the probability of MNCs' offshore sourcing of FA activities as a function of RBV strategic value activities are as follows:

$$Int_i^j = \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 L1i + \beta_5 L2i + \beta_6 L3i + \varepsilon i$$

Where Int_i is the overall intensity of these MNCs, i = 1,2,3…214 and j = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the strategy.

The independent variables are: $L1$ is Core Activities; $L2$ is Moderately-core activities and $L3$ is Non-core activities

Based on the proposed hypothesis 5d, the coefficient β_4 and $\beta_{5,}$ are expected to be positive for offshore insourcing, otherwise will be offshore outsourcing.

(b) The model to test the probability of MNCs' offshore sourcing of strategic value activities as a function of the three dimensions of internal capabilities is as follows:

$$Int_i^j = \beta_0 + \beta_1 Uniq_i + \beta_2 Adapt_i + \beta_3 Sub_i + \varepsilon_i$$

where Int is the overall intensity of these MNCs, *i* = 1,2,3…214 and *j* = offshore insource of core FA activities, moderately-core FA activities and non-core FA activities or outsource of core FA activities, moderately-core FA activities and non-core FA activities. ε_i is a random error.

The independent variables are: $Uniq$ is unique skills; $Adapt$ is skills that are not easily adaptable and Sub is skills that are not easily substituted

Based on proposed hypotheses 5a, 5b and 5c, the coefficients $\beta_1, \beta_{2,}$ and β_3 are expected to be positive for offshore insourcing of core and moderately core FA activities, otherwise will be offshore outsourcing.

(c) The model to test the probability of MNCs' offshore sourcing of strategic value activities effects on organisational performance is as follows:

$$Int_i^j = \beta_0 + \beta_1 CS_i + \beta_2 QI_i + \varepsilon_i$$

where Int is the overall intensity of these MNCs, *i* = 1,2,3…214 and *j* = offshore insource of core FA activities, moderately-core FA activities and non-core FA activities or outsource of core FA activities, moderately-core FA activities and non-core FA activities. ε_i is a random error.

The independent variables are: CS is cost satisfaction and QI is quality improvement.

Based on proposed hypotheses 5e, the coefficients β_1 and β_2 are expected to be positive for offshore insourcing of core and moderately-core FA activities.

(c)Model 3

Model 3 aims to evaluate the analysis of integrated TCE and RBV effects on the Strategy. As this study regards combined effects of TCE and RBV on the Strategy, analyses are conducted as follows to show (a) the effects of combined TCE-RBV drivers as a single model and (b) the proposed synergistic relationship between uncertainty due to technology and core FA activities

(a)The testing of the probability of MNCs increasing the intensity of offshore sourcing can be modelled as a function of the main integrated TCE and RBV drivers and the interaction terms as follows:

$$Int_i^j = \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 Tal_i + \beta_5 Tech_i + \beta_6 MBeh_i + \beta_7 RFreq_i + \beta_8 NRFreq_i + \beta_9 L1_i + \beta_{10} L2_i + \beta_{11} L3_i + \beta_{12} Tech\ x\ L1_i + \beta_{13} Tech\ x\ L2_i + \beta_{14}\ Tech\ x\ L3_i + \varepsilon_i$$

Where Int_i is the overall intensity of these MNCs, i = 1,2,3…214 and j = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the strategy.

The independent variables are: Tal is human asset specificity (talent); $Tech$ is uncertainty due to technology; $MBeh$ is uncertainty due to management behaviour; $RFreq$ is process frequency indicating routine FA activities and $NRFreq$ is process frequency indicating non-routine FA activities; $L1$ is Core FA Activities; $L2$ is Moderately-core FA activities and $L3$ is Non-core FA activities.

The coefficients $\beta_{4,}\ \beta_{5,}\ \beta_{6,}\beta_{8,}\beta_{9,}\ and\ \beta_{10,}$ are expected to be positive for offshore insourcing, otherwise will be offshore outsourcing.

(b) Also, the understanding of the synergistic relationship between TCE and RBV is further evaluated by proposing uncertainty due to technology has positive interaction effects on MNCs' offshore insourcing of strategic FA activities.

Where $Tech\ x\ L1$ is the interaction between TCE uncertainty due to technology ($Tech$) and RBV core FA activities ($L1$); $Tech\ x\ L2$ is the interaction between TCE uncertainty due to technology ($Tech$) and RBV moderately-core FA activities ($L2$); $Tech\ x\ L3$ is the interaction between TCE uncertainty due to technology ($Tech$) and RBV moderately-core FA activities ($L3$)

Based on proposed hypothesis 6, the coefficients β_{12} is expected to be positive for offshore insourcing.

(d)*Model 4*

Model 4 aims to assess the interaction effects of location advantages and the drivers in affecting the Strategy.

Regression Analyses

Moderator variables were (a) location-specific factors such as cost of labour and related costs, culture, language, geographic proximity, and government incentives, (b) firm-specific factors such as co-location with other functions, a strong presence of offshore sourcing establishments, and location of a service provider and (c) situational-specific factors such as a high-level of expertise and talent pool, quality infrastructure, and political and economic stability.

The testing of the probability of MNCs increasing the intensity of offshore sourcing can be modelled as a function of the location advantages.

$$Int_i^j = \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 LSF + \beta_4 FSF + \beta_4 SSF + \varepsilon_i$$

Where *Int*$_i$ is the overall intensity of these MNCs, *i* = 1,2,3…214 and *j* = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the strategy.

The independent variables are: LSF is location-specific factors; FSF is firm-specific factors and SSF is situational-specific factors.

The coefficients β_4, β_5, β_6, are expected to be positive for offshore insourcing.

(a)The second group of multiple regression analyses was to analyse the interaction effects of each of the groupings within location advantages in affecting the relationship between the TCE and RBV drivers and MNCs' FA offshore sourcing strategy. The model specifications for location-specific factors (LSFs) is as follows:

$$\begin{aligned} Int_i^j = {} & \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 LSFsxTal_i + \beta_5 LSFsxTech_i + \beta_6 LSFsxMBeh_i \\ & + \beta_7 LSFsxRFreq_i + \beta_8 LSFsxNRFreq_i \\ & + \beta_9 LSFsxL1 + \beta_{10} LSFsxL2 + \beta_{11} LSFsxL3 + \varepsilon_i \end{aligned}$$

Where *Int*$_i$ is the overall intensity of these MNCs, *i* = 1,2,3…214 and *j* = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the strategy.

The independent variables: $LSFsxTal$ is the interaction between LSFs and TCE asset specificity (Tal); $LSFsxTech$ is the interaction between LSFs and TCE uncertainty due to technology ($Tech$); $LSFsxMBeh$ is the interaction between LSFs and TCE uncertainty due to management behaviour ($MBeh$); $LSFsxRfreq$ is the interaction between LSFs and TCE routine FA activities ($Rfreq$); $LSFsxNRFreq$ is the interaction between LSFs and TCE non-routine FA activities ($NRFreq$); $LSFsxL1$ is the interaction between LSFs and RBV core FA activities ($L1$); $LSFsxL2$ is the interaction between LSFs and RBV moderately-core FA activities ($L2$); $LSFsxL3$ is the interaction between LSFs and RBV non-core FA activities ($L3$).

Based on proposed hypothesis 7a, the coefficients $\beta_{4,}\ \beta_{5,}\ \beta_{6,}\beta_{8,}\beta_{9,}\ and\ \beta_{10,}$ are expected to be positive for offshore insourcing.

(b)As for firm-specific factors (FSFs), the model specifications are as follows:

$$Int_i^j = \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 FSFsxTal_i + \beta_5 FSFsxTech_i + \beta_6 FSFsxMBeh_i + \beta_7 FSFsxRFreq_i + \beta_8 FSFsxNRFreq_i + \beta_9 FSFsxL1 + \beta_{10} FSFsxL2 + \beta_{11} FSFsxL3 + \varepsilon_i$$

Where Int_i is the overall intensity of these MNCs, i = 1,2,3…214 and j = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the strategy.

The independent variables: $FSFxTal$ is the interaction between FSFs and TCE asset specificity (Tal); $FSFsxTech$ is the interaction between FSFs and TCE uncertainty due to technology ($Tech$); $FSFsxMBeh$ is the interaction between FSFs and TCE uncertainty due to management behaviour ($MBeh$); $FSFsxRfreq$ is the interaction between FSFs and TCE routine FA activities ($Rfreq$); $FSFsxNRFreq$ is the interaction between FSFs and TCE non-routine FA activities

($NRFreq$); $FSFsxL1$ is the interaction between FSFs and RBV core FA activities ($L1$); $FSFsxL2$ is the interaction between FSFs and RBV moderately-core FA activities ($L2$); $FSFsxL3$ is the interaction between FSFs and RBV non-core FA activities ($L3$).

Based on proposed hypothesis 7b, the coefficients $\beta_{4,}\ \beta_{5,}\ \beta_{6,}\beta_{8,}\beta_{9,}\ and\ \beta_{10,}$ are expected to be positive for offshore insourcing.

(c)And for situational-specific factors (SSF), the model specifications are as follows:

$$Int_i^j = \beta_0 + \beta_1 Size_i + \beta_2 Age_i + \beta_3 Edu_i + \beta_4 SSFsxTal_i + \beta_5 SSFsxTech_i + \beta_6 SSFsxMBeh_i + \beta_7 SSFsxRFreq_i + \beta_8 SSFsxNRFreq_i + \beta_9 SSFsxL1 + \beta_{10} SSFsxL2 + \beta_{11} SSFsxL3 + \varepsilon_i$$

Where *Int*$_i$ is the overall intensity of these MNCs, *i* = 1,2,3…214 and *j* = offshore insource or outsource. ε_i is a random error.

The control variables are: $Size$ is the firm's size as in total assets, Age is the firm's total number of years in operations and Edu is the level of education of the decision maker of the strategy.

The independent variables: $SSFsxTal$ is the interaction between SSFs and TCE asset specificity (Tal); $SSFsxTech$ is the interaction between SSFs and TCE uncertainty due to technology ($Tech$); $SSFsxMBeh$ is the interaction between SSFs and TCE uncertainty due to management behaviour ($MBeh$); $SSFsxRfreq$ is the interaction between SSFs and TCE routine FA activities ($Rfreq$); $SSFsxNRFreq$ is the interaction between SSFs and TCE non-routine FA activities ($NRFreq$); $SSFsxL1$ is the interaction between SSFs and RBV core FA activities ($L1$); $SSFsxL2$ is the interaction between SSFs and RBV moderately-core FA activities ($L2$); $SSFsxL3$ is the interaction between SSFs and RBV non-core FA activities ($L3$).

Based on proposed hypothesis 7c, the coefficients $\beta_{4,}\ \beta_{5,}\ \beta_{6,}\beta_{8,}\beta_{9,}\ and\ \beta_{10,}$ are expected to be positive for offshore insourcing

3.8 Summary

Based on previous research of a similar nature where questionnaires were conducted through mail communications, the response rates were predominantly low. Experienced researchers such as Everaert et al. (2009) obtained an approximately 11 percent response rate when conducting similar research on the relationship between TCE drivers and SMEs' FA outsourcing. In addition, Kamyabi et al. (2011) obtained a 38 percent response rate when conducting similar research on Iranian SMEs' outsourcing of FA. As a comparison, the response rate for research conducted on international companies such as Murray and Kotabe (1999) achieved a response rate of 55.6 percent and Erramilli and Rao (1993) achieved a response rate of 44.3 percent. Therefore, the response rate obtained at 47.2 percent is within the achievements of past research. It was not only encouraging but also generated a lot of useful data and allowed the researcher to investigate the research questions and to test the hypotheses.

The analyses of the data gathered through the survey are discussed in the following chapter.

4. Data Analysis and Findings

4.1 Introduction

This chapter presents the data analyses and results of the online survey on the effects of TCE and RBV based drivers on multinational corporations' (MNCs) finance and accounting (FA) offshore sourcing strategy. In addition, this chapter presents the examination of the interaction effects of location advantages on the relationship between the drivers and the Strategy. The chapter begins with the discussion of the description of the profiles of the MNCs surveyed. Subsequently, the analyses on testing the hypotheses and the research questions are presented.

This chapter ends with a summary of the key findings from the study. A discussion of the results about the research objectives will be presented in Chapter 5.

4.2 Data analyses aligned with the study's objectives

As the study aims to investigate the extent of TCE, RBV based drivers and, location advantages in affecting companies' FA offshore sourcing strategy, three research questions will be investigated and thirteen hypotheses will be tested. The analyses begin with discussions on the descriptive statistics or general profiles of the surveyed MNCs.

Next, to examine Research Question 1, nine hypotheses to test the effects of drivers from the independent perspective of TCE and RBV on MNCs' FA Strategy will be analysed. From the perspective of TCE, four hypotheses to test the effects of asset specificity, uncertainty arising from both technology and management behaviour, and FA process frequency on the Strategy will be analysed. From the perspective of RBV, five hypotheses will be tested that include the effects of FA strategic value, the investigation of the development of internal capabilities, and their extent in affecting the performance of FA will be analysed. These drivers will also be evaluated at the item level to assess their effects at the FA process level.

To examine Research Question 2, one hypothesis is tested by integrating the effects of both TCE and RBV on the Strategy in addition to testing the proposed synergistic relationship between TCE and RBV in affecting MNCs' offshore sourcing of FA.

Finally, Research Question 3 is examined by testing three hypotheses that posit the location advantages as moderator variables between the drivers and MNCs' FA Strategy.

4.3. General profiles of the participants

4.3.1 Country of origin of MNCs

Table 4.1 shows the mix of the country of origins of the surveyed MNCs. It showed that the MNCs from the United States (US) and United Kingdom (UK) are the two largest groups that participated in the survey with a mix of 62.4 percent and 15.8 percent respectively. This is aligned with the recent report from Malaysian Investment Development Authority (MIDA) advocating that despite the global weak economic downturn in 2016, both the US and the UK remained the top host economies with the highest foreign direct investment in Malaysia (MIDA, 2017). Even though foreign direct investment from the US had declined in 2018, the US remained as the top host economy for Malaysia (MIDA, 2018). Also, this is in line with the findings of Caniato et al. (2015) in which based on the ORN Global Survey data, the US was recorded as the country with the highest offshoring projects at 67.0 percent, followed by Europe at 26.0 percent and the rest of the world at 7.0 percent. The other notable importance is the data revealed the potential of Malaysian companies in building Malaysia as one of the fastest-growing markets for the Global FA market in the Asia Pacific. The existence of Malaysian owned MNCs in the Global Business Services (GBS) cluster is a testimony to the excellent support of local leading companies in echoing government aspirations. It was forecasted that Malaysia's total market share in the Asia Pacific FA offshoring services market after 2016 to go beyond 7.0 percent from the existing 5.0 percent (Accountants Today, July/August 2013).

Table 4.1 Country of Origins

Country of Origin	Count	Percent Mix
United States (US)	63	62.4
United Kingdom (UK)	16	15.8
Malaysia	10	9.9
Germany	4	4.0
Japan	4	4.0
Singapore	3	3.0
Canada	1	1.0
Total	101	100

4.3.2 Industry coverage

The analysis of the industry mix of the MNCs surveyed as shown in Table 4.2, Oil and Gas recorded a mix of 12.9 percent and Information Technology (IT) recorded a mix of 52.5 percent. These two industries were the largest group represented in the MNCs who participated in the survey. Trailing closely to the oil and gas industry is the financial services at a mix of 11.9 percent. The Malaysia Digital Economy Corporation (MDEC) described IT, oil and gas and financial services as the big players in the GBS FA shared services cluster. In addition, Malaysia is expected to attract new setups from pharmaceutical and consumer groups. According to MDEC, in 2016 Malaysia managed to secure incremental thirteen MNCs in establishing their offshore network in this country as a way to expand their footprint in Asia. These MNCs were mainly from the US and Europe and the principal areas of operation include oil and gas, healthcare, commodities, information technology, and engineering services (MIDA, 2017). Also, this industry mix is aligned with the recent MIDA report presenting that both petroleum products and electronic and electrical products are the most prominent foreign direct investments to date (MIDA, 2017, 2018).

Table 4.2 Industry Coverage

Industry Coverage	Count	Percent Mix
Oil & Gas	13	12.9
Manufacturing	11	10.9
Information Technology	53	52.5
Retail	1	1.0
Telecommunications	3	3.0
Financial Services	12	11.9
Logistics	2	2.0
Food & Beverage	2	2.0
Pharmaceutical	4	4.0
Total	101	100

4.3.3 Years of Operation of Parent Company

According to Everaert et al. (2009), a firm's age indicates the firm's maturity. Firm maturity is an antecedent to the different types of offshore sourcing strategies. Both Kamyabi et al. (2011) and Everaert et al. (2009) predicted that a firm's age has significant effects on its selection of sourcing strategy. Table 4.3 shows the number of years of operation of these surveyed MNCs. The respondents (79.2 percent) indicated that their firm has already existed for more than 20 years and the majority (53.5 percent) indicated that their firm has already been in operations for more than 50 years. It is believed that firms with a lesser number of years of operations will favour outsourcing as they lack the resources to manage all activities internally while firms that have been in operation much longer are believed to be able to support and manage most of their activities internally.

Table 4.3 Years of Operation of Parent Company

Firm Age	Count	Percent Mix
<10 years	8	7.9
10-20 years	11	10.9
20-30 years	13	12.9
30-40 years	4	4.0
40-50 years	9	8.9
>50 years	54	53.5
No data	2	2.0
Total	101	100

Note: Two respondents did not provide their Firm Age

4.3.4 MNCs' firm size

Respondents were asked to provide the total number of full-time employees and total assets as indicators of their firm's sizes. Caniato et al. (2014) and Gilley and Rasheed (2000) analyses of MNCs indicated that a firm's size affects its decision in the selection of the type of sourcing strategy. In this study, the size is measured as total assets. The number of full-time employees was found to be not suitable as a good indicator of size in the study because the strategy directly affects the number of jobs within the MNCs (Ellram et al., 2008; Everaert et al., 2009).

Data obtained and as presented in Table 4.4 showed 79.3 percent of the sampled MNCs have more than 5000 employees. Also, Table 4.5 showed that 62.4 percent of the MNCs are in the range of the MNCs sampled firms with more than one billion in total assets.

Table 4.4 Firm Size, Total Employee

Full Time Employees	Count	Percent Mix
< 1000 employees	11	11.0
1000-5000 employees	4	4.0
>5000 employees	80	79.3
No data	6	5.9
Total	101	100.0

Note: Six respondents did not provide the data

Table 4.5 Firm Size, Total Assets

Total Assets (in USD)	Count	Percent Mix
Below 1,000,000	4	4.0
1,000,001 and 5,000,000	2	2.0
5,000,001 and 10,000,000	2	2.0
10,000,001 and 50,000,000	2	2.0
50,000,001 and 100,000,000	9	8.9
100,000,001 and 500,000,000	5	5.0
500,000,001 and 1,000,000,000	2	2.0
1,000,000,001 and above	63	62.4
Don't know, not sure	12	11.9
Total	101	100

4.3.5 Offshore strategy decision maker and level of education

As this study pertains to MNC's FA, it is expected that the Chief Financial Officer (CFO) would play a significant role in deciding the offshore decision. In addition, according to Kotabe and Murray (1998), Sutcliff and Zaheer (1998) and Everaert et al. (2009), the level of education of the executive affects the selection of the type of sourcing strategy. The sampled data as presented in Table 4.6 shows 49.5 percent of the firms' offshore sourcing decision was decided by the CFO and the remaining indicated the decision was made by other senior executives of the firm such as the Chief Executive Officer, Vice Presidents, and Directors. Besides, as shown in Table 4.7, all of the firms responded that the decision makers have a high level of education even though 19.8 percent of the respondents were not aware of their decision makers' level of education.

Table 4.6 Strategy Decision Maker

Decision Maker	Count	Percent Mix
CFO	50	49.5
Other Senior Executives	46	45.6
Do not Know	5	5.0
Total	101	100.0

Table 4.7 Strategy Decision Maker level of education

Decision Maker's Level of Education	Count	Percent Mix
Degree or higher	69	68.3
Professional Accountants	12	11.9
Not Sure	20	19.8
Total	101	100.0

4.3.6 Offshore sourcing structure

Based on the results presented in Table 4.8, a large percentage (65.4 percent) of the sampled MNCs are operating in the offshore insourcing environment. This structure is aligned with the expectation of mature and large organisations, similar to the findings of Caniato et al. (2014). A sizable 23.8 percent of the MNCs sampled are operating in both offshore insourcing and outsourcing environment (the hybrid structure) and can be an indication to the host location the potential opportunities in the increase of offshore sourcing activities. On the other hand, it could reflect the intention of these MNCs surveyed to switch their sourcing reliability between the two types of sourcing strategy.

Table 4.8 Offshore Sourcing Structure

Offshore sourcing structure	Count (#)	Percent Mix (%)
Insourcing	66	65.4
Outsourcing	11	10.9
Hybrid (Both insourcing and outsourcing)	24	23.8
Total	101	100.0

4.3.7 MNCs' FA offshore sourcing intensity

The sourcing strategy intensity is the multiplication of sourcing breadth and sourcing depth. Breadth refers to the extent of the number of activities that are sourced while depth refers to the extent of the volume of the activities sourced. The sampled sourcing strategy intensity was computed and presented in Table 4.9.

Table 4.9 MNCs' Offshore Sourcing Intensity

Offshore sourcing structure	Breadth	Depth (%)	Intensity Breadth x Depth
Insourcing	.84	85%	71%
Outsourcing	.32	77%	25%

The results show that these firms conducted more offshore insourcing as compared to offshore outsourcing with offshore insourcing intensity of 71.0 percent versus offshore outsourcing intensity of 25.0 percent. On average, 84.0 percent of the fifteen types of FA activities were insourced to an offshore location, this means on average thirteen out of the fifteen types of FA activities were insourced offshore. Further analysis into the breadth data analysis for offshore insourcing, 50 out of the 66 (Table 4.8) total MNCs that have established offshore insourcing practices indicated that they manage 100 percent of their offshore activities in the local offshore insourcing establishment while in the hybrid model, the surveyed data shows that 23 out of 24 hybrid firms (96 percent) indicated they managed more than 60 percent of their offshored activities internally. In addition, these activities were insourced offshore to the extent of 85 percent of the volume of the activities.

On the other hand, even though offshore outsourcing intensity is moderately practiced, 25.0 percent of the fifteen types of activities are outsourced offshore to the extent of 77 percent of the volume of these activities. This indicates that on average, two out of the fifteen types of activities were selected for offshore outsourcing. On the other hand, for both types of offshore sourcing strategies, the offshoring of the activities was at great depths with offshore insourcing depth of 85 percent and offshore outsourcing depth of 77 percent. This suggests that the FA roles that have been sourced offshore are meaningful roles as almost the entire process of managing these activities from beginning to completion has been transferred to the host country. This is contrary to the traditional belief that the roles offshored were predominantly disaggregated (Anderson et al., 2006)

and the employees were not able to appreciate how the entire activity is performed.

4.3.8 Descriptive Statistics Summary of the General Profiles of the Sampled MNCs

Table 4.10 Summary of Descriptive Statistics

	N	Min	Max	Mean
Firm Age (Years)	101	<10	>50	Between 31 and 40
Total Number of Full Time Employees	101	< 100	>10,000	Between 5000 and 10,000
Total Assets (USD)	101	Between 1-5 million	>1bil	500m-1bil
Insourcing Intensity (%)		13.0	100.0	71.0
Outsourcing Intensity (%)		0.0	67.0	25.0

4.4 Analyses and testing of hypotheses on the effects of drivers from the perspectives of Transaction Cost Economics (TCE) on MNCs' FA Strategy

The following data analyses were conducted to examine the effects of TCE based drivers in affecting the MNCs' FA Strategy. These drivers are uncertainty arising from technology development, FA process frequency, asset specificity (talent), and uncertainty arising from management behaviour. The data analyses begin with the reliability analysis. Descriptive statistics were presented to assess the drivers that have the strongest and weakest influence on the Strategy. Finally, to assess the relationship between these drivers and MNCs' FA Strategy, two multiple regressions were conducted. The first regression was conducted combining the control variables of the firm's age and size, the level of education of the decision maker, and all of the TCE based drivers. The second regression analysis was conducted at the item level of each of the TCE based drivers. The purpose of the item level analysis was to assess the specific effects of these drivers at the process level, which means the effects of the drivers on how the FA work was conducted.

4.4.1 Reliability Analysis

The reliability analysis for each of the drivers is shown in Table 4.11. In this study, technology uncertainty relates to the changes in the FA method of performing the activities. These changes relate to the technology development affecting processes, systems, and software. As activities of different frequency may be impacted by the changes in the workflow differently, respondents were asked to what extent uncertainty in technology impact both routine and non-routine activities. Also, as per the evolution of the offshore sourcing strategy, it was learned that technology development had encouraged FA to source their activities offshore. As different FA activity was sourced offshore at different depths or volumes, in many instances these firms found the need to reorganise their internal FA structure. Cronbach's alpha overall was 0.60, 0.57 for routine activities, and 0.57 for non-routine activities. These reliability measures were similar to the ones obtained by Everaert et al. (2009) in their studies of SME domestic outsourcing of FA where these researchers obtained Cronbach's alpha overall of 0.67, 0.53 for routine activities, and 0.44 for non-routine activities. The consistent low Cronbach's alpha can be due to these constructs had to be adapted to the study of FA in a major way. Although these reliabilities are not as high as it was hoped, they are within the range recommended for complex constructs (Gilley & Rasheed, 2000). Moreover, when the reliability of the scale was tested using three items, Cronbach's alpha improved to .708.

As FA activities are particularly people-intensive, the measures for asset specificity focused on human asset specificity. These items specifically target the company's specific knowledge and the company's customised FA software. Measures for both routine and non-routine activities were obtained to analyse if differences exist in the knowledge specificity in managing these two types of activities. Cronbach's alpha overall was 0.67, 0.63 for routine activities, and 0.63 for non-routine activities. The reliability measures were better than the ones obtained by Everaert et al. (2009) of 0.55 overall, 0.46 for routine activities, and 0.48 for non-routine activities.

Management behavioural uncertainty pertains to the difficulty in knowing and assessing the performance of the FA employees in performing the jobs per expectation. In many instances these lead to the lack of confidence and trust on both sides. Cronbach's alpha was 0.70. On the other hand, the frequency was measured according to the periodicity of each of the activities. The measures were daily, weekly, monthly, quarterly, bi-annual, and annual. The total Cronbach's alpha was 0.81.

Table 4.11 Reliability Analysis for TCE based drivers

Items	Cronbach's alpha for:		
	Overall	**Routine Activities**	**Non-Routine Activities**
Environment Uncertainty: Technology (1 totally disagree; 5 totally agree)	***0.60***	***0.57***	***0.57***
1.Due to the development in technology, there were a lot of variation in the workload related to the Finance and Accounting routine activities	**x**	**x**	
2.Due to the development in technology, there were a lot of variation in the workload related to the Finance and Accounting non-routine activities	**x**		**x**
3.Due to the development in technology, there were new Finance and Accounting software introduced as part of the systems innovations and is unique to the organisation	**x**	**x**	**x**
4.Due to the development in technology, process standardisation and innovations simplify the offshoring effort	**x**	**x**	**x**
5.Due to the development in technology, there were relevant changes in the company's Finance and Accounting structure	**x**	**x**	**x**
Asset Specificity: Talent (1 totally disagree; 5 totally agree)	***0.67***	***0.63***	***0.63***
1.To perform the routine activities, the analyst needs to acquire company specific information	**x**	**x**	
2.To perform the non-routine activities, the analyst needs to acquire company specific information	**x**		**x**
3.The Finance and Accounting software is custom tailored to the company	**x**	**x**	**x**

Items	Cronbach's alpha for:		
	Overall	Routine Activities	Non-Routine Activities
4.The way the Finance and Accounting activities are performed is unique to your company	x	x	x
5.It would be costly in terms of time and resources to switch to an external accountant at the end of the financial year. Or in the case if you are Outsourcing now, it would be costly to switch from one external accountant to another external accountant.	x	x	x
Behavioural Uncertainty: Management Behaviour (1 totally disagree; 5 totally agree)	***0.70***		
1.Management of the parent company have confidence that the local Finance and Accounting employees are able to perform according to the job scope required	x		
2.Management have confidence that the local Finance and Accounting employees can perform the work with accuracy and quality	x		
3.Management have visibility and is familiar on the expertise and knowledge of the local Finance and Accounting team	x		
4.The relationship between management and the local Finance and Accounting team is based on trust	x		
Process Frequency: (1 daily; 2 weekly; 3 monthly; 4 quarterly; 5 bi-annual; 6 annual)	***0.81***		
List of fifteen Finance and Accounting activities provided to respondents: Credit/Cash Management; Credit analysis; Accounts Payable; Accounts Receivables; All types of payments/securities processing; Product/Services Costing; Fixed Assets Accounting; General Ledger Reconciliation; Statutory Reporting and Analysis; Financial Planning; Forecasting; Financial Reporting; Performance Analysis; Business Advisory Analysis; Internal Audit.	x		

4.4.2 Descriptive statistics and Correlations analyses

Descriptive statistics are shown in Table 4.12, and correlations analyses are shown in Table 4.13 and Table 4.14. The means for offshore insourcing intensity overall is 71.0 percent, 71.0 percent for routine activities, and 73.0 percent for non-routine activities. On the other hand, the overall means for offshore outsourcing intensity is 25.0 percent, 43.0 percent for routine activities, and 21.0

percent for non-routine activities. In addition, the standard deviation for non-routine activities was slightly smaller than for routine activities for both offshore insourcing and outsourcing strategies. This suggests that when these companies implement both types of sourcing strategy, they tend to outsource their routine activities offshore more than their non-routine activities. On the other hand, data also suggests that when these firms insource their activities offshore, they were more willing to insource their non-routine activities offshore. This probably was because non-routine activities are usually the more complex activities and require greater company-specific knowledge to manage the analyses. Offshore outsourcing of non-routine activities remains low, providing an opportunity for these companies in increasing the offshore insourcing of non-routine activities.

Factors such as uncertainty due to technology, talent, and uncertainty due to management behaviour were measured on a 5-point Likert type scale where respondents were asked the extent they agree these drivers affect their firms in the sourcing strategy. Out of these three drivers, uncertainty due to management behaviour recorded the highest influence on the sourcing strategy with a mean score of 4.2 and a standard deviation of .481. This means the majority of the respondents agree that management confidence and trust have the greatest impact on the firm's sourcing strategy. Complementing the strong mean scores and small standard deviations were uncertain due to technology and talent. However, comparing the respondents' extent of agreement between routine and non-routine activities, the data shows that these companies have a stronger agreement that technology and talent have a greater impact on the sourcing of non-routine activities as compared to the frequency of the activities.

The respondents were asked to indicate the periodicity of the fifteen types of FA process frequency. The possible choices were daily, weekly, monthly, quarterly, bi-annual, and annual. Referring to the works of Kotabe and Murray (1998) and Everaert et al. (2009), activities with a periodicity of daily and weekly were grouped as routine activities while activities with a periodicity of monthly,

quarterly, bi-annual and annual were grouped as non-routine. Based on the respondents' classification of the periodicity of the activities, the overall average central around monthly activities (mean of 2.96) while the majority of routine activities were weekly activities and non-routine activities were monthly to quarterly activities.

Table 4.12 Descriptive Statistics of TCE based drivers

Item	N	Min	Max	Mean	SD
Offshore Insourcing Intensity	**96**	**13%**	**100%**	**71%**	**21.7**
Routine	**95**	*7%*	*100%*	*71%*	*26.0*
Non Routine	**94**	*9%*	*100%*	*73%*	*21.1*
Offshore Outsourcing Intensity	**36**	**0%**	**67%**	**25%**	**18.7**
Routine	**29**	*3%*	*86%*	*43%*	*22.4*
Non Routine	**27**	*8%*	*63%*	*21%*	*18.4*
Technology	**100**	**2.2**	**4.8**	**3.85**	**.50**
Routine	100	*2.0*	*5.0*	*3.96*	*.52*
Non Routine	100	*2.2*	*5.0*	*4.03*	*.50*
Talent	**100**	**2.6**	**5.0**	**3.75**	**.50**
Routine	100	*2.5*	*5.0*	*3.58*	*.54*
Non Routine	100	*2.5*	*5.0*	*3.80*	*.45*
Management Behaviour	**100**	**3.0**	**5.0**	**4.2**	**.48**
Process Frequency	**100**	**1.6**	**5.0**	**2.96**	**.52**
Routine	96	*1.0*	*4.0*	*1.78*	*.69*
Non Routine	101	*2.0*	*5.0*	*3.51*	*.65*

The relationship between offshore insourcing intensity and the control items such as the firm's age and size, the decision maker's level of education, and the TCE based drivers of uncertainty due to technology, talent, uncertainty due to management behaviour, and process frequency was investigated using Pearson correlation coefficient. The results of the analysis show strong positive relationships between offshore insourcing and uncertainty due to technology (r = .58) and talent (r = .51). On the other hand, both routine frequency (r = .005) and

non-routine frequency (r = .149) resulted in a low positive relationship with offshore insourcing as shown in Table 4.13. The strength of the relationship was based on Cohen's (1988) guidelines.

The correlation analysis for offshore insourcing indicated a positive correlation between offshore insourcing and all the control and independent variables such as the firm's age and size, the decision maker's level of education, uncertainty due to technology, talent, routine and non-routine activities. This suggests that MNCs' offshore insourcing strategy increases when the effects of all these variables become stronger. The positive correlations between technology and the level of education of the decision maker imply that more educated decision makers would be willing to support greater investment into the development of technology for FA.

As predicted, when the skills and knowledge of talents become more specific, offshore insourcing of FA increases. The correlation between offshore insourcing and talent was high and positive (r=.511). In addition, as observed, there was a moderately strong positive relationship between talent and uncertainty due to technology (r=.471). This could refer to the prediction that the acute development of technology which usually results in new FA software and processes innovations affect the intensity of skills development within the organisation. Therefore, as technology development increases, talent becomes more specific.

On the other hand, contrary to the prediction that MNCs would increase the offshore insource of their non-routine FA activities, the correlation results show that for both routine and non-routine activities, offshore insourcing strategy increases with the increase in process frequency. The correlations analysis also showed that the relationship between offshore insourcing strategy and the control variables was not significant but was positively correlated with the firm's age and the decision maker's level of education. This highlights that firms that have shown

greater intensity in offshore insourcing of FA were more matured and the decision makers possessed a higher level of education. Uncertainty due to management behaviour was positively correlated with offshore insourcing strategy but not at a significant level (r=.123). Furthermore, the relationship was not strong based on Cohen's guidelines.

When the offshore sourcing strategy was examined through offshore insourcing of routine versus non-routine sourcing intensity, it was found that for the strategy of insourcing routine activities offshore, the correlations between talent and technology remain strong (r=.224) while technology was positively correlated with the level of education of the decision maker (r=.065). As for the strategy of insourcing non-routine activities offshore, talent was not only positively correlated with technology (r=.317) but was negatively correlated with the level of education of the decision maker (r=-.197). This indicates that the majority of the decision makers have shown more interest in insourcing their non-routine FA activities offshore and most of them are chartered accountants and do not necessarily possess postgraduate degrees. Besides, the average frequency of non-routine activities was found to be positively correlated with technology. This highlights that in the offshore sourcing of non-routine activities, the more acute development in technology, the greater the offshore insourcing of these activities.

Table 4.13 Correlation Matrix of TCE based drivers for Offshore Insourcing Intensity

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
1.Overall									
Insourcing Intensity	1								
Firm Age	.067								
Firm Size	.066	.302**							
Level of Education	.062	-.157	-.064						
Technology	.583**	.111	.177	.132					
Talent	.511**	-.141	.115	-.067	.471**				

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Management Behaviour	.123	.130	.243*	-.068	-.015	-.025			
Routine Frequency	.005	.148	.050	-.064	-.032	-.071	-.003		
Non Routine Frequency	.149	.008	-.122	-.066	.027	-.062	.057	.251*	1
2.Routine Activities									
Insourcing Intensity	1								
Firm Age	-.046								
Firm Size	.025	.302**							
Level of Education	.021	-.157	-.064						
Technology	.216*	.087	.078	.065					
Talent	-.130	-.039	.092	-.134	.224*				
Management Behaviour	.204*	.130	.243*	-.068	.003	-.049			
Routine Frequency	-.087	.148	.050	-.064	.035	.097	-.003		
Non Routine Frequency	.145	.008	-.122	-.066	-.167	-.244*	.057	.251*	1
3.Non-Routine Activities									
Insourcing Intensity	1								
Firm Age	.150								
Firm Size	.058	.302**							
Level of Education	.111	-.157	-.064						
Technology	.133	.088	.162	.183					
Talent	-.002	-.018	.112	-.197	.317**				
Management Behaviour	-.037	.013	.243*	-.068	-.015	-.025			

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Routine Frequency	.082	.148	.050	-.064	.003	-.027	-.003		
Non Routine Frequency	.084	.008	-.122	-.066	-.068	-.318**	.057	.251*	1

*p<.05; **p<.01

Note: The strength of the relationship was based on Cohen's guidelines (1988, pp 79-81): if r = .10 to .29 (small); r =.30 to .49 (medium) and r =.50 to 1.0 (large)

On the other hand, correlations results on offshore outsourcing intensity (Table 4.14) shows that offshore outsourcing strategy was negatively correlated with both uncertainties due to technology (r=-.251) and talent (-.112). Contrary to the correlations analysis on offshore insourcing, this probably reflects that the greater investment made on technology and talent, the lesser these companies were willing to offshore outsource their FA activities. Also, there was a moderately strong positive relationship between talent and uncertainty due to technology (r=.471).

Similar to the impact of process frequency on offshore insourcing intensity, both routine and non-routine frequency recorded a low relationship with offshore outsourcing intensity (r (routine) = -.089 and r (non-routine) = .048 respectively. However, it was observed that routine activities were negatively related to offshore outsourcing while non-routine activities were positively associated with offshore outsourcing. This reflects the synonymous respondents' feedback on the offshore sourcing of their internal audit activities in which they indicated this activity as non-routine. On the other hand, in the offshore outsourcing scenario, process frequency was negatively related to uncertainty due to technology and talent, contrary to the observations in offshore insourcing strategy where both uncertainties due to technology and talent shared a positive correlation with process frequency. This could mean the greater the investment into both technology and talent, the lesser the reliance of these companies on offshore outsourcing for both routine and non-routine activities.

Table 4.14 *Correlation Analysis Matrix of TCE based drivers for Offshore Outsourcing Intensity*

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
1.Overall									
Outsourcing Intensity	1								
Firm Age	-.210								
Firm Size	.142	.302**							
Level of Education	.408*	-.157	-.064						
Technology	-.251	.111	.177	.132					
Talent	-.112	-.141	.115	-.067	.471**				
Management Behaviour	.210	.130	.243*	-.068	-.015	-.025			
Routine Frequency	-.089	.148	.050	-.064	-.032	-.071	-.003		
Non Routine Frequency	.048	.008	-.122	-.066	.027	-.062	.057	.251*	1
2.Routine Activities									
Outsourcing Intensity	1								
Firm Age	.050								
Firm Size	.448*	.302**							
Level of Education	.262	-.157	-.064						
Technology	.108	.087	.078	.065					
Talent	-.049	-.039	.092	-.134	.224**				
Management Behaviour	.134	.130	.243*	-.068	.003	-.049			
Routine Frequency	-.040	.148	.050	-.064	.035	.097	-.003		
Non Routine Frequency	-.035	.008	-.122	-.066	-.167	-.244*	.057	.251*	1
3.Non-Routine Activities									
Outsourcing Intensity	1								
Firm Age	-.391*								

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Firm Size	.194	.302*							
Level of Education	.305	-.157	-.064						
Technology	-.250	.008	.162	.183					
Talent	-.372	-.018	.112	-.197	.317**				
Management Behaviour	.409*	.130	.243*	-.068	.192	-.050			
Routine Frequency	.030	.148	.050	-.064	.003	-.027	-.003		
Non Routine Frequency	.232	.008	-.122	-.066	-.068	-.318**	.057	.251*	1

*p<.05; **p<.01

Note: The strength of the relationship was based on Cohen's guidelines (1988, pp 79-81): if r = .10 to .29 (small); r =.30 to .49 (medium) and r =.50 to 1.0 (large)

4.4.3 Data analyses on the effects of drivers from the perspective of TCE on MNCs' FA Strategy

To further investigate the relationship between the TCE drivers and MNCs' FA offshore sourcing strategy, two hierarchical multiple regression analyses were conducted. The first hierarchical multiple regression was conducted on the drivers as single factors. The three control variables that consisted of the firm's age and size and the decision maker's level of education could only explain 1.2% (F value of .036, model is insignificant) of the variance in offshore insourcing intensity and 2.4% (F value of 3.025, model is significant) of the variance in offshore outsourcing intensity. When the five explanatory variables were entered into the regression model, the results show an F value of 8.701 (p<.001) for offshore insourcing and an F value of 2.041 (p<.01) for offshore outsourcing. The five variables are uncertainty due to technology, routine activities, non-routine activities, talent, and uncertainty due to management behaviour. The addition of these five drivers explained an additional 45.3% variances in offshore insourcing strategy and 16.7% variances in offshore outsourcing strategy.

The second hierarchical multiple regression analysis was conducted on each of the drivers at the item level to assess the significance and relationship of each of the items in affecting the Strategy.

Based on the results of the first hierarchical multiple regression analysis as shown in Table 4.16, the analyses on hypotheses 1, 2, 3, and 4 can be formulated.

Table 4.15 Descriptive Statistics for TCE based drivers as single factors

Variable	Min	Max	Mean	Std. Deviation
Technology	2.20	4.80	3.85	.497
Routine Frequency	1.00	4.00	1.78	.695
Non-Routine Frequency	2.00	5.00	3.52	.650
Talent	2.60	5.00	3.75	.499
Management Behaviour	3.00	5.00	4.20	.481

Table 4.16 Hierarchical Multiple Regression Analysis for TCE based drivers

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	.087	.958	-.184	-1.049
Firm Size	-.088	-.967	.262	1.500
Level of Education of decision maker	.059	.689	.463	2.799**
Technology	.412	4.199**	-.360	-1.904
Routine Frequency	.004	.041	-.087	-.528
Non-Routine Frequency	.143	1.657	.136	.815
Talent	.356	3.643**	.039	.206
Management Behaviour	.144	1.694	.189	1.150
F	8.701**		2.041	
R_2	.465		.405	
Adj. R_2	.412		.206	
df	5, 80		5, 24	

*p<.05; **p<.01

The following analyses (**a, b, c** and **d**) discuss the effects of each of the four drivers from the perspective of TCE. The results of the second regression analysis conducted at the item level and implications on MNCs' FA Strategy are included in the discussions.

(a)Data analyses on the effects of uncertainty due to technology on MNCs' FA Strategy

Uncertainty due to technology resulted in a positive significant association with offshore insourcing strategy. As predicted, the expectation that there was a positive relationship between technology development and offshore insourcing strategy was confirmed. This demonstrates that these companies were willing to invest in improving their FA software and initiations in process innovations and development. This is aligned with the findings from the Deloitte (2016) survey on firms' offshore strategy where the majority of the firms surveyed indicated that technological innovations are the key driver to quality management of FA activities. Such findings were found to be aligned with the firms' objectives when conducting an offshore insourcing strategy. Based on the strong positive relationship with offshore insourcing strategy as shown in Table 4.16, it can be interpreted that these companies that invest in technology development would select to insource their FA activities offshore.

On the other hand, the uncertainty due to technology was found to be negatively associated with offshore outsourcing of FA (Table 4.16). However, the association was not significant. This result aligns with the basic transaction costs theory where even though environmental uncertainty is expected to be negatively associated with offshore outsourcing strategy (Williamson, 1981), the massive investment resulting in increased transaction costs could have caused these firms to reduce the possibility of outsourcing their FA activities offshore. Referencing to the observations from the Deloitte (2016) survey, most firms struggle to define and measure the value of the professional outsourcer in acute

process and product innovations. Therefore, in an environment where development in technology is highly regarded, analyses showed these companies were less willing to offshore outsource their FA activities, resulting in a negative insignificant association of technology and offshore outsourcing. Referring to the study of FA risk management activities by Christensen et al. (2016), the data analyses showed technology development is negatively associated with offshore outsourcing which confirms these researchers' expectation that the higher the uncertainty due to technology, the lesser the more complex FA activities would be outsourced to an offshore location. However, comparing to the results of similar research, both Kamyabi et al. (2011) and Everaert et al. (2009) recorded a positive relationship between technology and small-medium enterprises (SMEs) outsourcing strategy. Even though the relationship was not significant, the observations from these researchers show that SMEs could have been more willing to outsource their FA activities if such activities require continuous process innovations and software development that attracts greater investment in technology, in which the SMEs were not willing to invest in.

In conclusion, technology development has a significant positive association with offshore insourcing strategy and a negative association with offshore outsourcing that was not significant. Thus, hypothesis 1 is supported as offshore insourcing of FA increases with the increase in the uncertainty due to technology.

Following the first regression analysis (Table 4.16) that shows there was a positive relationship between uncertainty due to technology and offshore insourcing strategy and a nonsignificant negative relationship with offshore outsourcing, assessment at the item level was conducted to investigate the effects of technology on the Strategy at the process level. The analysis is shown in Table 4.18.

The effects of the uncertainty due to technology on offshore sourcing strategy were measured by asking respondents to indicate the extent they agree with the impact of each of the items used to explain technology development in affecting their sourcing strategy using a 5 point Likert scale. As a single factor, uncertainty due to technology has a moderately high average score of 3.85 and a small standard deviation (Table 4.15) which means respondents agree that this driver has a moderate to high influence on the sourcing strategy. In comparing the mean score among the five items, the effect of uncertainty due to technology on the structure of FA organisations had the highest average score of 4.22 (Table 4.17). However, uncertainty due to technology seems to affect minimal changes in the workload as both items 1 and 2 recorded a moderate average of 3.48 and 3.78 (Table 4.17) and were the lowest scores among the five items. Items 1 and 2 relate to the effects of variations in the workload arising from uncertainty due to technology. In summary, new software development and processes innovations arising from technology development were both rated as having higher effects on sourcing strategy compared to variations in the workload.

The regression analysis as shown in Table 4.18 on offshore insourcing intensity highlight the effects of the uncertainty due to technology on process standardisation and innovations have the highest positive significant coefficient of .427 ($p<.001$). In addition, the effects on the systems and accounting software of the firm were considered to be positively associated with offshore insourcing of FA. This suggests that the offshore insourcing strategy had caused the most impact on the standardisation of the FA processes and continuous innovations that incorporate the changes resulting in systems and software upgrades for these companies. The prediction that the process standardisation, innovations, and new accounting software would have altered how the FA work was performed was reflected in the coefficients of the impact on the variations of work on both non-routine activities showing the coefficient of .332 and a positive significant association to offshore insourcing. The effects of technology on FA routine activities were recorded at a low negative coefficient of .019. This shows that technology effects on FA routine activities were not significant for MNCs' offshore

insourcing. On the other hand, the effects of technology on the structure of their FA organisation was not considered significant even though it was a positive impact. This suggests that even though the changes brought about by the changes in technology affect the offshore insourcing strategy, the effect was low on altering the structure of the organisation. It may also be suggested that the structure of FA was already altered before the Strategy started. In addition, the negative association of routine activities shows that respondents did not agree that uncertainty due to technology had simplified the offshore insourcing of FA routine activities, therefore, such a predicament would not increase the offshore insourcing intensity of these activities.

On the other hand, variations of work on both routine and non-routine FA activities and the development of new software were negatively associated with offshore outsourcing strategy. This shows that the effects of technology on how the FA work is performed do not affect firms in outsourcing their FA activities offshore. The effects of technology on the changes in the FA structure have the highest positive coefficient of .367 and complementing this item was the effects on the FA standardisation process and innovation at a negative coefficient of .628. This shows that to outsource these FA activities offshore, the organisation needs to restructure and reorganise their FA teams. The impact of standardisation and innovations processes were deemed as negative influencers, implying the investment into the standardisation and innovation development of the FA activities affect these companies to outsource to offshore locations less.

Overall, the effects of standardisation and innovations processes were significantly associated with these firms deciding on increasing offshore insourcing intensity and decreasing offshore outsourcing intensity. This could possibly mean that respondents viewed the effects of technology development reflected as the standardisation of their FA processes increase their willingness to own and be in control of their FA activities. In other words, the call to continuous innovations will continue to be the strongest influence on the continuation of their existing offshore insourcing strategy.

Table 4.17 Descriptive Statistics of Technology

Item	Min	Max	Mean	Std. Deviation
Technology 1	2.00	5.00	3.48	.85
Technology 2	2.00	5.00	3.78	.85
Technology 3	1.00	5.00	3.84	.83
Technology 4	2.00	5.00	3.93	.71
Technology 5	2.00	5.00	4.22	.76

Note: 1Tech uncertainty caused a lot of variation in the routine workload; 2Tech uncertainty caused a lot of variation in the non-routine workload; 3Tech uncertainty result in new software and systems innovations; 4Tech uncertainty result in standardisation and innovations processes and these simplify the offshoring effort; 5Tech uncertainty caused changes in the Finance and Accounting structure.

Table 4.18 Hierarchical Multiple Regression Analysis at Item Level-Technology

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	-.039	-.411	-.126	-.856
Firm Size	-.043	-.452	.161	1.090
Level of Education of decision maker	-.126	-1.296	.499	3.274**
Technology 1	-.019	-.018	-.291	-1.796
Technology 2	.332	3.226**	-.069	-.426
Technology 3	.239	2.332**	.088	.548
Technology 4	.427	3.802**	-.628	-3.565**
Technology 5	.028	.235	.367	1.975
F (Full)	6.718**		3.806**	
R_2	.402		.559	
Adj. R_2	.342		.412	
df	5, 80		5, 24	

*p<.05; **p<.01

Note: 1Tech uncertainty caused a lot of variation in the routine workload; 2Tech uncertainty caused a lot of variation in the non-routine workload; 3Tech uncertainty result in new software and systems innovations; 4Tech uncertainty result in standardisation and innovations processes and these simplify the offshoring effort; 5Tech uncertainty caused changes in the finance and accounting structure

Summary of data analyses on the effects of uncertainty due to technology on MNCs' FA Strategy

From a theoretical implication perspective, the analyses suggest that the TCE framework is useful and applicable in studying MNCs' FA offshore sourcing strategy. Analysis of the effect of the investment in technology shows that international firms were willing to invest in improving their development of FA software and innovations in improving how FA work is performed. While the magnitude of the investment value is not known, it shows that these firms appear to evaluate their offshore sourcing strategy based on a wider perspective of cost evaluations. For instance, in the analysis of technology investment, these firms appear to prefer to insource their FA activities offshore if they decide to invest in improving their process innovations, even though these costs do not necessarily need to be high in all situations. Gilley and Rasheed (2000) highlighted the dangers of too much reliance on offshore outsourcing can lead to a loss of research and development (R&D) competitiveness. Choi et al. (2018) provided similar observations where they found that even though their studies showed that the value of outsourcing is higher under uncertainty, the decision to outsource certain activities offshore led to a loss in firms' innovation capability. However, this study shows that this danger may not be as prevalent for these MNCs because there is no significant association between uncertainty due to technology and the increase in offshore outsourcing of FA activities. While TCE claims firms would indulge in offshore insourcing when there is a risk posited by the uncertainty arising from technology, the data shows that these firms prefer to insource their activities offshore because they value the internal control and ownership of the invested technology instead of reacting to the risk of uncertainty. In other words, data analyses reveal that probably these firms are willing to invest in technology to gain full control of the innovated FA processes, software, and systems.

Moreover, the strong effect of technology on the Strategy suggests that these firms advocated innovations when making decisions on insourcing or outsourcing

their FA activities offshore. The strong relationship between offshore insourcing of FA activities their investment in internal technology as compared to passing the development of innovations to the third-party provider suggests these firms assessed the trade-off of full ownership and accountability of continuous technological improvement to losing the control by passing the technological responsibilities to the third-party provider. In other words, analyses suggest that most of these firms saw the benefits of full ownership and control as compared to relying on third parties for innovations and technological development. As a contrast, analyses revealed these firms do not only focus on reducing costs but through the offshore insourcing effort, they are determined to enhance their capabilities in terms of innovations and FA related technological knowledge.

(b) Data analyses on the effects of FA process frequency on MNCs' FA Strategy

Based on the first regression analysis (Table 4.16), FA process frequency positively explains offshore insourcing strategy. However, the relationship with offshore insourcing was not significant. The non-significant association showed that when selecting activities for their offshore insourcing strategy, the criteria of process frequency was not the most important driver. Based on the predicted outcome, these companies would be more inclined to insource their non-routine activities offshore as compared to the routine activities. Nevertheless, the analysis did not confirm the expected prediction. However, the higher positive coefficient (Beta=.143) between offshore insourcing of non-routine activities as compared to routine activities (Beta=.004) is aligned with the observations of Clements (2003) and Anderson et al. (2006) where they indicated that firms were more willing to outsource the high volume repetitive activities offshore while keeping the activities that require more analytical efforts and less frequent activities internally. Unfortunately, the expectation that there would be a significant association between the non-routine activities and offshore insourcing strategy was not observed.

On the other hand, there was no significant relationship between FA process frequency and an offshore outsourcing strategy. However, the analysis shows that while non-routine FA activities were positively associated with offshore outsourcing, the routine FA activities were negatively associated with offshore outsourcing. This observation surprisingly was aligned to the findings of Everaert et al. (2009) that showed that process frequency was negatively associated with SME's outsourcing of FA. Their findings could imply that apart from SMEs, MNCs show similar preferences to outsource their activities of lower recurrences offshore. In the case of SMEs, this could be related to resource deficit issues that SMEs frequently encountered as according to Everaert et al. (2009), SMEs may not possess the ability in developing skills and knowledge for less frequently managed activities. The data analysis in this study reveals the possibility that smaller size MNCs could be dealing with the issues of resource deficit in similar ways.

The observations that insourcing and outsourcing offshore strategy were indifferent to the effects of FA process frequency suggest that the recurrences of the FA activities were not important decision criteria in MNCs' FA offshore sourcing strategy. Therefore, based on the observations of the regression results, hypothesis 2 cannot be supported.

To assess the frequency of the FA activities, respondents were asked to indicate the periodicity of each of the fifteen types of activities with 1 = daily, 2 = weekly, 3 = monthly, 4 = quarterly, 5 = bi-annual and 6 as annual. Routine activities refer to activities with the periodicity of daily and weekly while non-routine activities refer to activities with the periodicity of monthly, quarterly, bi-annual, and annual. Based on the data analysis, the fifteen types of FA activities were grouped into routine versus non-routine activities as shown in Table 4.19.

Table 4.19 Finance and Accounting Routine and Non-Routine Activities

Finance and Accounting Routine Activities	Count	Mean
Credit/Cash Management	95	1.9
Credit Analysis	94	2.4
Accounts Payable	95	1.5
Accounts Receivable	96	1.6
All types of payment/securities processing	89	1.4
Product/Services Costing	88	2.8
General Ledger	99	2.9

Finance and Accounting Non-Routine Activities	Count	Mean
Fixed Assets	98	3.0
Statutory Reporting and Analysis	99	4.1
Financial Planning (Flash, Budgeting)	101	4.1
Forecasting (Periodically)	101	3.3
Financial Reporting	100	3.4
Performance Analysis	99	3.0
Business Advisory Analysis	91	3.4
Internal Audit	90	5.3

The results of the first hierarchical regression analysis (Table 4.16) show that both routine and non-routine FA activities have a positive relationship with offshore insourcing while routine FA activities were negatively associated with offshore outsourcing. It was predicted that these companies would prefer to insource their non-routine FA activities offshore as compared to routine FA activities. However, this prediction cannot be supported as the relationship

between the non-routine FA activities and the firms' offshore insourcing strategy was not significant. Further analysis at the activity level (Table 4.20) shows that routine FA activities such as credit and cash management, accounts payable, all types of payments, and general ledger management were negatively associated with offshore insourcing. These associations were as predicted as routine FA activities are usually day-to-day activities and these companies considered them to be more straightforward (Clements, 2003) and these firms were more willing to outsource them to offshore locations as compared to internal management. However, there were routine FA activities that have recorded positive association with offshore insourcing such as credit analysis, accounts receivables, services, and product costing. This could imply that these activities were internally managed among these companies surveyed.

As for the non-routine FA activities such as statutory reporting, forecasting, financial reporting, performance analysis, and business advisory were positively associated with offshore insourcing as predicted. Both statutory reporting and financial reporting have a significant association ($p<.01$). As indicated by Lindvall et al. (2011), non-routine activities were usually activities requiring more analytical assessments, therefore, as predicted these companies would desire to manage these activities internally. However, among the non-routine FA activities, fixed assets, financial planning, and internal audit were negatively associated with offshore insourcing. This implies that even though these companies were keen to source their analytical activities offshore, at this point they have reservations on offshore sourcing the activities that require higher complexity and the ones closely related to the management of profit and loss of the company such as forecasting and financial planning. These activities with higher complexity are probably still managed at the headquarters and usually have not been offshored yet. The negative association also show that for audit assessment, much of the work is usually outsourced to the professional accounting firms due to legal requirement and fixed assets management has always been considered as a transactional process and an ideal candidate for outsourcing (Krell, 2007).

On the other hand, the majority of the routine of FA activities were negatively associated with offshore outsourcing strategy such as credit/cash management, accounts payable, products and services, costing, and general ledger management. As for the non-routine FA activities such as fixed assets management, financial planning, financial reporting, and internal audit were also negatively associated with offshore outsourcing while only statutory reporting, forecasting, and business advisory were found to be positively associated with offshore outsourcing. Data analysis shows four out of the seven routine FA activities were negatively associated with offshore outsourcing and three out of the non-routine FA activities were positively associated with offshore outsourcing suggesting that these companies source their activities offshore regardless of the periodicity of the activities. However, as all of the activities' relationship with offshore outsourcing was not significant, it is not conclusive on the effects of process frequency on MNCs' offshore outsourcing strategy.

Table 4.20 Hierarchical Multiple Regression Analysis at Item Level -Process Frequency

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	-.027	-.197	.000	.000
Firm Size	.154	.988	-.294	-1.309
Level of Education of decision maker	-.027	-.180	.000	.000
FQ_1	-.144	-.782	-.468	1.873
FQ_2	.115	.504	.000	.000
FQ_3	-.060	-.157	-.001	-.002
FQ_4	.087	.234	.160	.355
FQ_5	-.324	-1.233	.000	.000
FQ_6	.273	1.505	-.360	-.873
FQ_7	-.056	-.280	-.293	-.609
FQ_8	-.286	-1.328	.000	.001
FQ_9	.677	3.027**	.201	.629
FQ_{10}	-.743	-3.215**	-.438	-.714

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
FQ_{11}	.313	1.156	.328	.666
FQ_{12}	.079	.042	-.182	-1.257
FQ_{13}	.349	1.399	.000	.000
FQ_{14}	.193	.893	.947	1.725
FQ_{15}	-.209	-.991	-.410	-1.152
F (Full)	1.258		23.97**	
R_2	.299		.966	
Adj. R_2	.061		.945	
df	15, 53		12, 5	

*p<.05; **p<.01

Note: $_1$Credit/Cash Management; $_2$Credit Analysis;$_3$Accounts Payable; $_4$Accounts Receivables; $_5$AllTypesOfPayment; $_6$ServicesCosting; $_7$Fixed Assets; $_8$GL; $_9$StatutoryReporting;$_{10}$Planning; $_{11}$Forecasting; $_{12}$Reporting; $_{13}$Analysis; $_{14}$Advisory; $_{15}$InternalAudit

Summary of data analyses on the effects of Routine and Non-Routine FA activities on MNCs' FA Strategy

Process frequency turns out to be positively associated with MNCs' offshore insourcing strategy. On the other hand, while both routine and non-routine FA activities were positively associated with offshore insourcing, routine FA activities showed a negative relationship with offshore outsourcing. As predicted, these firms have shown preference in keeping their less routine FA activities internally based on the larger coefficient observed in offshore insourcing of non-routine FA activities. The results obtained were also consistent with the TCE framework where the lower the frequency, the more intensely these FA activities are outsourced to offshore locations. As this research did not differentiate the analysis based on the firm's sizes, the sample could contain firms from small, medium, and large MNCs. The reverse expectation of a positive association of lower frequency FA activities with offshore outsourcing strategy suggests some

of these MNCs believe in the benefits of offshore outsourcing their non-routine FA activities. This characteristic is inherent in smaller organisations whereby by offshore insourcing the repetitive FA tasks, they would be able to reap economies of scale and manage the resources deficit by offshore outsourcing the less recurrent FA activities.

On the other hand, firms that are operating with offshore insourcing structure were more inclined to internally manage the less routine FA activities, which is typical of larger organisations characteristics. The non-routine FA activities are usually the FA tasks that require more knowledge and judgement from the analysts. However, as the data analyses did not result in significant associations and reverse results were obtained between routine FA activities and offshore outsourcing suggests that most likely FA process frequency is not the key driver when deciding on the Strategy. Moreover, as explained through TCE's bounded rationality, as there are too many issues to comprehend in the selection of which FA activities to source offshore, these MNCs would choose to keep the FA activities internally to retain control of the benefits and risks of the offshore strategy. Besides, offshore outsourcing strategy may not be a perfect alternative as it requires these MNCs to provide clarity in which FA activities or processes that will be included in the contract as any wrong agreement will lead to greater risk for these firms as cautioned by Aini Aman et al. (2012) on the need of contract management skills to mitigate outsourcing issues. Overall, the results show that process frequency may be less relevant for MNCs' FA offshore sourcing strategy.

(c) Data Analyses on the Effects of Talent (Asset Specificity) on MNCs' FA Strategy

Based on the regression analysis as shown in Table 4.16, talent was a very significant variable ($p<.001$) and positively associated with MNCs' offshore insourcing intensity with a strong coefficient of .356. This is consistent with TCE asserting that with high asset specificity, firms would rather internally manage their activities (Williamson, 1981). However, as indicated by Erramilli and Rao

(1993) and Christensen et al. (2016), it is difficult to evaluate transaction costs for services as compared to products. Therefore, the study on services transaction costs would be defined as the investment into professional skills, training, and specialised know-how. As FA is a people-intensive function, a lot of attention and investment would be asserted into the development of skills or competencies of these companies. Such investments into the development of competencies raise asset specificity to higher levels, usually resulting in large transaction costs (Williamson, 1975). Therefore, to protect these competencies, these firms would rather manage the FA activities internally (Gulbrandsen et al., 2009). The analyses conducted in this study revealed the strong relationship between technology development and talent. Data showed that these firms would invest in technology and the changes arising from process innovations and new software that subsequently affect the reengineering of the skills and knowledge in performing these FA activities. Thus, firms that are willing to put in more investment in technology, the skills become more specific. Therefore, both technology and talent are highly significant variables in affecting these firms to insource their FA activities offshore.

On the other hand, talent is also positively associated with offshore outsourcing but the relationship is not significant. Even though such a relationship is scarce but Aubert et al. (2004) had similarly observed the reverse link between asset specificity and outsourcing of IT services. This association between asset specificity and offshore outsourcing strategy is contradictory with TCE expectation because it was predicted that these companies would be willing to outsource FA activities offshore, such as those that can be performed with FA skills that are low in specificity. Moreover, these are usually the FA activities that do not require the development of tacit knowledge that incorporates specialised knowledge. These findings contradict research of similar nature such as Everaert et al. (2009), Kamyabi et al. (2011) and Christensen et al. (2016). These researchers concluded that asset specificity was negatively associated with the outsourcing of FA activities. This study provides a different perspective of MNCs in regards to their FA Strategy. Data analyses indicate that these MNCs believe

that their FA activities need to be performed with skills that are highly specific regardless of whether they offshore insource or outsource their FA activities. Another possible reason for the positive association between asset specificity and offshore outsourcing is with the advancement in technology, most of the FA systems are non-specific, enabling firms to leverage on a similar financial software platform. These general platforms are then translated with the firms' specific requirements. The adaptations with the specific firms' requirement increased the specificity of the resources requirement, hence, these firms possibly face a lot of issues with finding new employees. As a result of the shortage in getting qualified resources, even in situations of high asset specificity, due to the difficulties in getting the right talent, these firms find that it makes sense to outsource these FA activities offshore. However, the study shows that when competent skills can be obtained, their selection of whether to insource or outsource offshore is contingent on the ability to have full control of their resources, in which case, offshore insourcing was preferred. Based on the outcome of the analysis, hypothesis 3 can only be partially supported.

The effects of talent on the Strategy were measured by asking respondents to indicate the extent they agree with the effects of each of the items used to explain asset specificity using a 5 point Likert scale. As a single factor, asset specificity has a moderately high average score of 3.75 (Table 4.15) which means this driver has a moderate to high influence on the Strategy. Five items directly relate to the effects of talent on FA. These five items explained the effects of offshore sourcing on how the FA work is performed. As shown in Table 4.21, out of the five items, the requirement of a unique company's information to perform non-routine FA activities scored the highest mean of 4.14. This suggests that the respondents highly agree that this item is the most influential in their offshore sourcing of FA activities. Complementing this item were two other items. The first one relates to the effects of their FA software which they agreed that the software was usually custom-tailored to the company (average score of 3.83) and secondly their fear that at year-end it would be costly and difficult to switch resources in managing their FA activities (average score of 3.83). Besides, the other items also recorded

a moderate impact on the Strategy such as the management of the routine FA work that is unique to the firm (average score of 3.39) and the overall way the FA work is managed is unique to the organisation (average score of 3.55).

The regression analysis as shown in Table 4.22 shows four out of the five items. As predicted the analysis shows there is a positive relationship with offshore insourcing strategy. The four items were the effects on the variations of workload on both routine and non-routine FA activities, the effects of the unique FA software, as well as these firms, believe that it is more costly to obtain external help compared to performing the FA activities in-house. This observation is aligned with the respondents' indications of the influence of technology resulting in new software and processes innovations because according to Christensen et al. (2016), new FA software and processes that were customised to the organisation requirement initiate new FA workflow that is unique to the organisation. As technology and talent are highly correlated, the increase in technology development results in talent becoming more specific as a result of the unique way of performing the activities. On the other hand, these firms do not believe that the way the FA activities are being performed at this point is unique to their firms. This could be accorded to the fact that these firms are continuously going through rigorous innovations and upgrades of their systems and software.

On the other hand, talent as a single driver was also positively associated with offshore outsourcing but it was not a significant relationship (Table 4.16). At the item level, three items were negatively associated with offshore outsourcing (Table 4.22). These items were variations of workload on non-routine FA activities, software customisation, and the importance of costs related to switching strategies. The negative association between variations of non-routine FA work was an expected observation because routine activities were predicted to be more closely related to offshore outsourcing than non-routine activities. In addition, in an offshore outsourcing mode, these firms do not expect to incur a lot of investment in the development of FA software as this is expected to be the

value-added provided by third party professionals. Moreover, the importance of the optimisation of transaction costs as according to the TCE theory (Williamson, 1975) was observed in the analysis of offshore outsourcing strategy. This was because item 5 that relates to the influence of costs of switching from one external outsourcer to another was observed to be positively associated with offshore outsourcing and aligned to the minimisation of transaction costs theory.

Table 4.21 Descriptive statistics of Talent

Item	Min	Max	Mean	Std. Deviation
Talent $_1$	2	5	3.39	.96
Talent $_2$	3	5	4.14	.65
Talent $_3$	2	5	3.83	.72
Talent $_4$	2	5	3.55	.73
Talent $_5$	2	5	3.83	.67

Note: $_1$To perform the routine activities, the analyst needs to acquire company-specific information; $_2$To perform the non-routine activities, the analyst needs to acquire company-specific information; $_3$The Finance and Accounting software is custom-tailored to the company; $_4$The way the finance and accounting activities are performed is unique to your company; $_5$It would be costly in terms of time and resources to switch to an external accountant at the end of the financial year. Or in the case, if you are outsourcing now, it would be costly to switch from one external accountant to another external accountant.

Table 4.22 Hierarchical Multiple Regression Analysis at Item Level -Talent

Predictors	Standardised Regression Coefficients MNCs' Finance and Accounting Offshore Sourcing			
	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	.187	1.883	-.280	-3.369*
Firm Size	-.113	-1.096	.323	3.735**
Level of Education of decision maker	.136	1.424	.226	2.825
Talent $_1$	.171	1.654	.428	4.930**
Talent $_2$	.217	2.101*	-.223	-2.566*
Talent $_3$	.208	1.700	-.661	-6.448**
Talent $_4$	-.023	-.204	.405	4.272**
Talent $_5$	.289	2.611*	-.196	-2.110*
F (Full)	5.375**		18.829**	

Predictors	Standardised Regression Coefficients MNCs' Finance and Accounting Offshore Sourcing			
	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
R_2	.350		.863	
Adj. R_2	.285		.817	
df	5, 80		5, 24	

*p<.05; **p<.01

Note: [1]To perform the routine activities, the analyst needs to acquire company-specific information; [2]To perform the non-routine activities, the analyst needs to acquire company-specific information; [3]The finance and accounting software is custom-tailored to the company; [4]The way the finance and accounting activities are performed is unique to your company; [5]It would be costly in terms of time and resources to switch to an external accountant at the end of the financial year. Or in the case, if you are outsourcing now, it would be costly to switch from one external accountant to another external accountant.

Summary of data analyses on the effects of Talent on MNCs' FA Strategy

The data revealed that talent is indeed a very significant and influential driver that affects these firms' Strategy. It is also known through the analysis at the item level, these firms would select to insource their non-routine FA activities offshore because the continuous development of innovations and requirements of company-specific information is required when managing these FA activities. In other words, the results show that the critical factor that influenced these companies to increase the insourcing of their FA activities offshore was due to the idiosyncrasy of the FA activities. Idiosyncratic activities are defined as activities 'characterised by high levels of professional skills, specialised know-how, and customisation' (Erramilli & Rao, 1993, p.23). Setting up offshore sourcing of FA location in a foreign country requires a great amount of investment. However, the data analysis implied that these companies probably viewed these investments as a trade-off between the full ownership and control of their internal talent and short term costs optimisation, which leads to the preference of offshore insourcing. In this instance, these companies found opportunities in this country where FA talent can be hired. Accordingly, despite the way the work is performed is not entirely unique, the associated knowledge of internal financial architecture and software applications that are developed

over time are not easily put to use elsewhere. Hence, this leads to higher costs of switching between strategies or even the costs of retraining of resources. Moreover, if these firms were to offshore outsource these idiosyncrasy FA activities, the third party professional FA service provider that is asked to manage these FA activities would need to make significant investments into the hiring effort because the development of skills and expertise that are deemed uncommon in which these resources cannot be shared to support other companies. The observations that these firms did not consider high asset specificity as deterring their offshore outsourcing option suggest that in general they are not overly concern for handing over the knowledge to perform these FA activities to the third party. This also highlights that when they outsource their FA activities offshore, they do not share highly confidential information that could jeopardise their firms' Strategy nor competitiveness.

(d) Data Analyses on the Effects of Uncertainty due to Management Behaviour on MNCs' FA Strategy

Uncertainty arising from management behaviour was not significantly associated with neither insourcing nor outsourcing strategy. However, data analyses (Table 4.16) showed there was a positive association between uncertainty due to management behaviour with both offshore insourcing and outsourcing strategy. This was probably due to when the parent company management placed higher confidence in the locally sourced resources, these companies would be more willing to increase their reliance on managing the FA activities internally. On the other hand, to offshore outsource these FA activities, the parent companies of these firms need to place a certain amount of trust on the third party providers. However, the confidence of this senior management on the offshored resources could only be validated if they are aware of the skills and expertise of these locally sourced employees. Therefore, their involvement and commitment in the decision of the Strategy is key to enabling the development of confidence on the local team.

Based on the findings of Everaert et al. (2009) and Kamyabi et al. (2011) where the results show the uncertainty due to management behaviour was not only significant, but also positively associated with outsourcing activities. In the context of outsourcing, based on TCE, these researchers claimed that the decision to outsource SMEs' FA activities was based on the characteristics of the transaction and the interpersonal trust of the managers on the external service providers. As the requirement of this relationship is similarly observed among the MNCs suggest that even if they trust the professionalism of the service providers, it is not a critical driver in influencing their decision to outsource their activities offshore.

Based on the results of the regression analysis, as there was no significant relationship between uncertainty due to management behaviour and the sourcing strategy, hypothesis 4 cannot be supported.

The effects of uncertainty due to management behaviour on the Strategy were measured by asking respondents to indicate the extent they agree with the effects of each of the items used to explain management behaviour in affecting their Strategy using a 5 point Likert scale. As a single factor, uncertainty due to management behaviour has the highest average score of 4.20 (Table 4.15) which means this driver has the highest influence on the Strategy. However, based on the first hierarchical regression analysis, uncertainty due to management behaviour has no significant association with offshore sourcing strategy. Although

the high mean score indicated that on average all the respondents agreed on the importance of management behaviour in affecting the Strategy, data analyses showed that regardless of MNCs' reliance on the Strategy, it remains an important variable. However, as its relevance has no effects on the Strategy intensity, management behaviour can be deemed as a constant variable when analysing the Strategy.

As a single driver, uncertainty due to management behaviour was positively associated with both offshore insourcing and outsourcing. This suggests that the confidence and trust of the parent company's management have strong associations with offshore sourcing of FA activities. Assessing the four items (Table 4.23) that predominantly were used to measure the extent of trust and confidence of the firms' management on local talent, the element of trust has the highest average score of 4.32, suggesting that these companies highly agreed that trust is a very strong influential element, in particular for offshore insourcing as trust is positively associated with offshore insourcing, with a positive coefficient of .057 (Table 4.24). It was surprising to find out through the data analyses that management confidence on the ability of the local employees in performing their work according to their job scope was negatively associated with offshore insourcing in contrast to performing their work in terms of accuracy and quality which supports a positive association with offshore insourcing strategy. This probably suggests these companies value the importance of accuracy and quality and have fewer concerns on whether these local resources can perform according to their job scope. In other words, these firms are flexible in terms of written scope but place high importance on the quality of the work performed. On the other hand, the respondents did not seem to place high importance on management visibility of the skills of local employees. This could be possibly due to the decentralisation of the management chain where these companies have delegated the management of the offshore insourced establishment to local management.

The data analyses showed a strong influence of management confidence and trust in the offshore outsourcing strategy, similar to the findings of Kamyabi et al. (2011) on SMEs. However, according to Kamyabi et al. (2011), it was assessed that management trust and confidence was significantly associated with SMEs' outsourcing of their FA which the findings in this study do not support this prediction for MNCs (Table 4.24) as the association between management behaviour and the Strategy was not significant.

The importance of management behaviour is not seen as an important driver for offshore outsourcing because even though it is positively associated with offshore outsourcing strategy, it was not a significant relationship. On the contrary, the element of trust is negatively associated with offshore outsourcing. This probably suggests the prediction that in an offshore outsourcing arrangement, the work is passed on to the professional service providers and in essence, the management is not directly involved in assessing the performance of the offshored resources. On the other hand, a positive association is found between management confidence in the local employee in performing their work based on the job scope as well as maintaining accuracy and quality. This implies that these associations are critical in an offshore outsourcing arrangement because the assessment of the work or deliverables are based on the contractual agreement and pre-agreed performance indicators. In other words, these are spelled out in the key performance indicators of the third party contractors. These positive associations between the management behaviour assessed at the item level and offshore outsourcing reflect the expectation of governance over the third party management on the skills of the local team.

Table 4.23 Descriptive Statistics of Management Behaviour

Item	Min	Max	Mean	Std Deviation
Management behaviour [1]	3	5	4.20	.49
Management behaviour [2]	2	5	4.11	.62
Management behaviour [3]	2	5	4.18	.75
Management behaviour [4]	2	5	4.32	.73

Note: [1]Mgmt of the parent company have confidence that the local finance and accounting employees are able to perform according to the job scope required; [2]Mgmt have confidence that the local finance and accounting employees can perform the work with accuracy and quality; [3]Mgmt have visibility and is familiar on the expertise and knowledge of the local finance and accounting team; [4]The relationship between management and the local finance and accounting team is based on trust.

Table 4.24 *Hierarchical Multiple Regression Analysis at Item level -Management Behaviour*

	Standardised Regression Coefficients MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	.040	.338	-.168	-1.441
Firm Size	.031	.267	.236	2.017
Level of Education of decision maker	.103	.914	.310	2.756*
Management Behaviour[1]	-.131	-.852	.103	.674
Management Behaviour[2]	.207	1.256	.036	.218
Management Behaviour[3]	-.004	-.030	.741	5.094**
Management Behaviour[4]	.057	.407	-.697	-5.036**
F (Full)	.468		8.559**	
R_2	.039		.706	
Adj. R_2	.000		.623	
df	4, 81		4, 25	

*p<.05; **p<0.01

Note: [1]Mgmt of the parent company have confidence that the local finance and accounting employees are able to perform according to the job scope required; [2]Mgmt have confidence that the local finance and accounting employees can perform the work with accuracy and quality; [3]Mgmt have visibility and is familiar on the expertise and knowledge of the local finance and accounting team; [4]The relationship between management and the local finance and accounting team is based on trust.

Summary of Data Analyses on the Effects of Uncertainty due to Management Behaviour on MNCs' FA Strategy

As suggested by Vandaele et al. (2007), management behaviour uncertainty is an important driver in the sourcing decision of services function. Consistent with Vandaele et al. (2007) observations, the data show very high mean scores for each of the items leveraged to measure uncertainty due to management behaviour. Although TCE has been criticised on its focus on opportunism, this study shows these firms appear to have developed internal firms' opportunism by establishing the relationship between management and the local foreign

employees. The trusted relationship appears to be inherent within the offshore insourcing strategy and is independent of the intensity of the Strategy. As the majority of these firms have practised offshore insourcing of their FA activities, through establishing full control and ownership of the employees, they appear to have established the required relationship between the two parties. The data also shows that uncertainty due to management behaviour can be overcome if both management and the local employees develop collective trust. As shown in the item level analysis, management understanding and confidence in the performance of the employees can overcome the potential barriers to trust, similar to the observations of Mukherjee et al. (2013).

4.4.4 Summary of data analyses on the effects of drivers from the perspective of TCE on MNCs' FA Strategy

As global sourcing or offshoring is a firm strategic decision, it is appropriate to examine the Strategy at the firm's level such as the studies conducted by Murray and Kotabe (1999) and Gilley and Rasheed (2000). This study not only examines the offshoring of services of diverse firms as the unit of analysis, it analyses functional driven strategy such as FA. This research leveraged the constructs from TCE in evaluating the drivers that affect the Strategy because TCE is indeed the theory that provides the framework in examining whether these FA activities need to be offshore insourced or to be offshore outsourced. Although TCE is a leading theory in explaining the sourcing strategy, there were inconsistencies observed in the study. Such observations were also contended by Erramilli and Rao (1993) where according to these researchers, the TCE framework is useful and applicable but to be more effective, it needs to be employed with suitable adaptations. In addition, according to Murray and Kotabe (1999) the conventional TCE framework might need to be modified to capture the sourcing of services.

While the relationship between uncertainty due to technology and the offshore insourcing strategy was expected and consistent with TCE, the relationship

between talent, process frequency, and management behaviour with the sourcing of FA challenged the internal consistency of TCE. This shows although TCE is a principal theoretical framework in predicting offshore sourcing of products, its explanation power on services sourcing strategy is limited by the fact that services such as FA activities are very human and organisational-driven. Therefore, TCE needs to be carefully assessed for three reasons: (1) these MNCs appear to evaluate their sourcing strategy based on the benefits to costs ratio of investing in the improvement and innovations of technology to secure the effective management of their FA activities. Yet, these investment costs may not necessarily be extensive; (2) these MNCs appear to decide on offshore insourcing regardless of the reduction in transaction costs but on other non-direct TCE motives such as ownership and control of their invested skills, technology, knowledge, and processes; (3) regardless of TCE incentives, management trust is the basic requirement when the strategy has been decided. It can be argued that opportunism existed within the internal boundaries of these firms and the local employees will not act opportunistically because the management has visibility on their performance and the relationship was built on trust and (4) the FA process frequency is not a significant driver of the Strategy.

4.5 Analyses and Testing of Hypotheses on the Effects of drivers from the perspectives of Resource-Based View (RBV) on MNCs' FA Strategy

This part of the analyses is to assess the effects of drivers from the perspective of RBV. Based on RBV, strategic FA activities calls for the development of unique skills and knowledge specialisation to the organisation that is not easily adaptable and substituted. Therefore, the objective of testing hypotheses 5a, 5b, 5c, 5d, and 5e is to ascertain the relationship between the development of these internal capabilities, strategic value activities, and MNCs' FA offshore sourcing strategy. The analyses begin with the assessment of the scale reliability. Based on the respondents' indication of the level of importance of the fifteen types of FA activities, the strategic value of the FA activities can be ascertained through segregating them into core FA activities (high level of importance FA activities),

moderately-core FA activities (moderate level of importance FA activities) and non-core FA activities (low level of importance of FA activities. Core FA activities are strategic FA activities. Variance analysis will be conducted to extract the most influential internal capabilities element. A multiple regression analysis will be conducted to assess the effects of strategic value FA activities on MNCs' FA Strategy.

4.5.1 Reliability analysis

Following the footsteps of Espino-Rodriguez et al. (2005), the entire scale to measure the strategic value of the FA activities were combined. The internal reliability of the entire scale measured using Cronbach's alpha was 0.74. These combined measures are as follows:

Table 4.25 Strategic Value Activities Reliability Analysis

Measures of Strategic Value of Finance and Accounting Activities	0.74
Credit/Cash Management	x
Credit Analysis	x
Accounts Payable	x
Accounts Receivable	x
All types of payment/securities processing	x
Product/Services Costing	x
Fixed Assets Accounting	x
General Ledger Reconciliation	x
Statutory Reporting and Analysis	x
Financial Planning (Flash, Budgeting)	x
Forecasting (Periodically)	x

Measures of Strategic Value of Finance and Accounting Activities	0.74
Financial Reporting	x
Performance Analysis	x
Business Advisory Analysis	x
Internal Audit	x

4.5.2 Strategic value activities

Respondents were asked to indicate using a 5-point Likert type scale to determine the level of importance of each of the fifteen types of FA activities to the firm, where 1 is Totally Not Important and 5 is Totally Important. The results as shown in Table 4.26.

Table 4.26 Finance and Accounting activities grouped by level of importance

Finance and Accounting activities	Count (N)	Mean	Totally Important/Important activities (Core Activities)	Moderately Important Activities (Moderately Core Activities	Totally Not important/Not Important activities (Non-Core Activities)
Credit/Cash Management	95	4.07	X		
Credit Analysis	95	4.03	X		
Accounts Payable	96	3.80		X	
Accounts Receivable	96	3.88		X	
All types of payment/securities processing	90	3.84		X	
Product/Services Costing	89	4.06	X		

Finance and Accounting activities	Count (N)	Mean	Totally Important/Important activities (Core Activities)	Moderately Important Activities (Moderately Core Activities	Totally Not important/Not Important activities (Non-Core Activities)
Fixed Assets Accounting	99	4.00	X		
General Ledger Reconciliation	99	4.17	X		
Statutory Reporting and Analysis	99	4.10	X		
Financial Planning (Flash, Budgeting)	101	4.49	X		
Forecasting (Periodically)	101	4.32	X		
Financial Reporting	100	3.93		X	
Performance Analysis	99	4.44	X		
Business Advisory Analysis	93	4.40	X		
Internal Audit	90	4.06	X		

Financial planning has the highest average score of 4.49 and followed closely by performance analysis and business advisory at 4.44 and 4.40 respectively. These are regarded as activities with the highest level of importance to these MNCs' FA organisations. Complementing these three activities is forecasting with an average score of 4.22. On the other hand, accounts payable has the lowest average score of 3.80, which means this activity is regarded as the least

important among the fifteen types of FA activities. However, observing how these MNCs defined the level of importance of these fifteen FA activities, these firms strongly believe all their FA activities are regarded as important activities. None of the FA activities are considered any less significant. This evidence support that these MNCs have high regard for their FA activities, therefore, if the periodicity of

the activities has little significance in affecting their Strategy as observed from the TCE analysis, most likely the strategic value of these activities has greater effects in FA offshore sourcing strategy.

4.5.3 Strategic value activities sourcing intensity

Based on the defined level of importance on the fifteen types of FA activities, core versus moderately-core activities can be defined. Core FA activities are activities indicated as Important or Totally Important activities, moderately-core FA activities are activities indicated as moderately important activities and non-core FA activities are activities indicated as Not important and Totally not important.

Below summarises the list of Core and Moderately-core activities. Based on the data provided by the respondents, none of the activities was considered non-core activities.

(A)Core Finance and Accounting Activities:

Credit and Cash Management
Credit Analysis
Product/Services Costing
Fixed Assets Accounting
General Ledger Reconciliation
Statutory Reporting and Analysis
Financial Planning
Forecasting
Performance Analysis
Business Advisory Analysis
Internal Audit

(B)Moderately Core Finance and Accounting Activities:

Accounts Payable
Accounts Receivable
All types of payments/securities processing
Financial Reporting

Based on the data provided by the respondents, the strategic value MNCs' FA offshore sourcing intensity was computed as follows:

Table 4.27 Offshore Sourcing Intensity of Strategic Value Activities

	N	Min	Max	Mean
Offshore Insourcing Intensity Overall (%)	96	13.0	100.0	71.0
Offshore Insourcing Core Activities Intensity (%)	96	9.0	100.0	71.0
Offshore Insourcing Moderately-Core Activities Intensity (%)	94	17.5	100.0	72.9

	N	Min	Max	Mean
Offshore Outsourcing Intensity Overall (%)	36	0.0	67.0	25.0
Offshore Outsourcing Core Activities Intensity (%)	29	3.0	64.0	20.1
Offshore Outsourcing Moderately-Core Activities Intensity (%)	28	13.0	100.0	57.0

Consistent with the expectation that MNCs would be more inclined to insource their strategic value activities offshore as compared to outsourcing them offshore, the offshore insource intensity for both core and moderately-core FA activities recorded high intensity of 71.0 percent and 72.9 percent respectively. The offshore insourcing intensity of moderately-core FA activities was observed to be slightly higher than the core FA activities, suggesting these MNCs at present have mainly offshore insourced their moderately important FA activities. In other words, there remain opportunities in extending the offshore insourcing of their core FA activities.

On the other hand, the offshore outsourcing intensity of core FA activities was 20.1 percent and 57.0 for moderately-core FA activities. Similar to the observations of offshore insourcing, these MNCs were willing to outsource their moderately important FA activities offshore as compared to the important FA activities. The intensity gap between the offshore outsourcing of core versus moderately core FA activities was large at 36.9 percent (57.0 less 20.1) as compared to the intensity gap between offshore insourcing of core versus moderately-core FA activities of 1.9 percent (72.9 less 71). This suggests that these firms prefer to internally manage the FA activities that are considered of high strategic value, which was predicted by researchers such as Murray and Kotabe (1999), Espino-Rodriguez et al. (2005), Ellram et al. (2008), Christensen et al. (2016).

The strong offshore insourcing intensity of the core and moderately-core FA activities as shown in this study were also observed by Javalgi et al. (2009) where these researchers described the core activities as activities that provide these firms with a sustainable competitive advantage and these need to be kept in-house. Meanwhile, emerging activities or moderately-core activities are activities that have a high potential to become sources of competitive advantage (Javalgi et al., 2009). These observations were also confirmed by Holcomb et al. (2007), whereby if firms acquired capabilities from emerging markets, they will go for outsourcing but if they can integrate and complement these superior capabilities with their existing capabilities to increase competitive advantage, insourcing is preferred.

4.5.4 Correlations Analysis

The purpose of this analysis is to assess the strength and direction of the relationship between the Strategy and strategic value FA activities. This is done through correlation analysis as shown in Table 4.28. The relationship between offshore insourcing and the strategic value FA activities (defined by the level of

importance) shows that on average, the relationship was not very strong as the correlation with most of the variables show r < .30. However, offshore insourcing was predominantly positively correlated with almost all of the strategic value FA activities, except for all types of payment and reporting. On the other hand, offshore outsourcing shared even less correlations with most of the strategic FA activities where r <.10. Moreover, most of the strategic activities were negatively related to offshore outsourcing except for all types of payment/securities processing, products and services costing, fixed assets, statutory reporting, and financial reporting. The relationship among the strategic value FA activities was either very large (r>.50) or very small (r<.30). Among the core FA activities, financial analysis$_1$ and business advisory$_2$ share strong and positive relationships with planning (r_1=.72, p_1<.01; r_2=.71, p_2<.01) and forecasting (r_1=.59, p_1<.01; r_2=.59, p_2<.01). On the other hand, for the moderately-core FA activities, it was noted that among these activities, they share strong and significant correlations. For example, financial reporting has strong and positive correlations with accounts payable (r=.69, p<.01), accounts receivables (r=.70, p<.01) and all types of payment (r=.52, p<.01).

There were also not very strong relationships among the strategic value FA activities such as it was noted that some of the core activities do not show strong correlations with the moderately-core FA activities. For example, accounts receivables (moderately-core) have weak relationships with most of the core activities such as fixed assets (r=.16), statutory reporting (r=.08), financial planning (r=-.22), financial analysis (r=-.27), business advisory (r=-.19) and internal audit (r=.29).

Table 4.28 Correlation Analysis of Strategic Value activities

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Outsourcing	**1.0**																
Insourcing	**-.659****																
A1	**-.271**	**.148**															
A2	**-.020**	**.256***	**.273****														
A3	**-.047**	**.128**	**.766****	**.320****													
A4	**-.133**	**.111**	**.799****	**.471****	**.875****												
A5	**.068**	**-.060**	**.660****	**.204**	**.868****	**.707****											
A6	**.305**	**.189**	**.341****	**.222***	**.233***	**.333****	**.194**										
A7	**.097**	**.404****	**-.013**	**.420****	**.090**	**.103**	**.160**	**.020**									
A8	**-.231**	**.102**	**.293****	**.134**	**.331****	**.397****	**.123**	**.017**	**.348****								
A9	**.103**	**.148**	**.208***	**.377****	**.176**	**.180**	**.076**	**.481****	**.349****	**.087**							
A10	**-.143**	**.115**	**-.249***	**.360****	**-.391****	**-.225***	**-.474****	**.189**	**.345****	**.092**	**.421****						
A11	**-.097**	**.125**	**-.450****	**.239***	**-.511****	**-.413****	**-.456****	**-.092**	**.212***	**-.176**	**.212***	**.679****					
A12	**.064**	**-.061**	**.694****	**.253***	**.691****	**.702****	**.522****	**.035**	**.253***	**.484****	**.330****	**-.061**	**-.274****				
A13	**-.151**	**.203***	**-.294****	**.335****	**-.383****	**-.272****	**-.426****	**.416****	**.208***	**-.016**	**.439****	**.721****	**.592****	**-.294****			
A14	**-.355***	**.184**	**-.383****	**.374****	**-.381****	**-.192**	**-.521****	**.068**	**.288****	**.187**	**.166**	**.714****	**.594****	**-.240***	**.660****		
A15	**-.218**	**.220***	**.061**	**.378****	**.177**	**.291****	**.067**	**-.161**	**.509****	**.485****	**.058**	**.211***	**.080**	**.261***	**.010**	**.321****	**1.0**

*p<.05; **p<0.01 Note: The strength of the relationship was based on Cohen's guidelines (1988, pp 79-81): if r = .10 to .29 (small); r =.30 to .49 (medium) and r =.50 to 1.0 (large)

Note A*: $_{1}$Credit/Cash Management; $_{2}$Credit Analysis;$_{3}$Accounts Payable; $_{4}$Accounts Receivables; $_{5}$AllTypesOfPayment; $_{6}$ServicesCosting; $_{7}$Fixed Assets; $_{8}$GL; $_{9}$StatutoryReporting;$_{10}$Planning; $_{11}$Forecasting; $_{12}$Reporting; $_{13}$Analysis; $_{14}$Advisory; $_{15}$InternalAudit.

4.5.5 Data Analyses on the Effects of Strategic Value FA activities on MNCs' FA Strategy

Table 4.29 shows the analysis of the relationship between the strategic value FA activities and MNCs' Strategy. Even though the models were not significant, it is important to note that the core FA activities were positively and significantly associated with offshore insourcing and negatively related to offshore outsourcing. On the contrary, moderately-core activities were negatively associated with offshore insourcing and positively associated with offshore outsourcing. This shows that MNCs are passionate to manage their core FA activities in-house, even in an offshore arrangement. As per predictions, they would most likely want to only outsource their non-core activities offshore.

Table 4.29 Multiple Regression Analysis of Offshore Sourcing Intensity of Core and Moderately-Core Activities

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	.049	.438	-.139	-.705
Firm Size	-.001	-.011	.174	.974
Level of Education of decision maker	.062	.581	.392	2.172*
Core Activities	.312	2.78**	-.208	-.986
Moderately-Core Activities	-.042	-.366	.106	.500
F	1.823		1.731	
R_2	.100		.243	
Adj. R_2	.045		.103	
df	2, 82		2, 27	

*p<.05; **p<0.01

Note: Core activities: Credit/Cash management, Credit analysis, Services and product costing, Fixed asset accounting, General Ledger management, Statutory reporting, Planning, Forecasting, Analysis, Business advisory, Internal Audit. Moderately-core activities: Accounts payable, Accounts Receivables, All types of payments, Reporting.

The relationship between each of the strategic value FA activities and the Strategy was further investigated. Data analysis (as in Table 4.30) showed that the association of strategic value activities to MNCs' offshore insourcing was significant. The analysis between the Strategy and the strategic value FA activities suggests that while the assessment of the periodicity of the activities has very little significance to the strategy, the assessment of the strategic value of the FA activities are shown to affect how MNCs' FA offshore source its activities to sustain competitive advantage.

Based on the regression analysis (Table 4.30), the effects of strategic value FA activities on offshore insourcing is highly significant ($p<.01$). The core activities that have a positive relationship with offshore insourcing were credit/cash management, product and services costing, fixed assets accounting, forecasting, performance analysis, business advisory, and internal audit. This indicates that the higher the strategic value of these FA activities to the firms, the greater the intensity to insource these activities offshore. Moreover, core FA activities such as credit/cash management and fixed assets accounting were shown to have a significant positive relationship with offshore insourcing. This shows these two activities were most prevalent among the surveyed MNCs' FA organisation. Core FA activities are usually more complex and require a higher level of competency, similar trends were also observed by Lindvall et al. (2011). Therefore, the development of the required internal capabilities in managing these activities must have become part of these firms' process innovations and continuous development efforts. On the other hand, there were four core FA activities that have a negative relationship with offshore insourcing such as credit analysis, general ledger management, statutory reporting, and planning. As for the moderately-core activities, accounts payable was positively related to offshore insourcing while accounts receivable, all types of payments, and reporting recorded negative associations. These associations highlight that these MNCs were not too keen on insourcing these non-core activities offshore.

On the other hand, as for offshore outsourcing, many variables that are either strongly or weakly correlated with offshore outsourcing were dropped to reduce outliers and multicollinearity issues. The remaining variables show that apart from credit and cash management and reporting, the rest of the core FA activities such as business advisory and internal audit were positively associated with outsourcing even though the relationship was not significant. This is in line with the predictions that many larger global corporations would seek third party professional accountant bodies for financial analysis and guidance. Moreover, as these are MNCs, internal audit is reviewed and assessed by the professional accountancy firms as a legal requirement. As for the moderately-core FA activities, financial reporting was negatively associated with offshore outsourcing. This demonstrates that these surveyed MNCs, in particular the ones with hybrid models are probably offshore outsourcing their reporting activities to third party providers.

Table 4.30 Hierarchical Multiple Regression Analysis of Strategic Value activities

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	-.045	-.460	-.297	-1.102
Firm Size	.127	1.063	.229	1.076
Level of Education of decision maker	.225	2.083*	.230	.859
Level of Importance 1	.609	3.561**	-.360	-.982
Level of Importance 2	-.023	-.122	.000	.000
Level of Importance 3	.895	3.246**	.000	.000
Level of Importance 4	-.326	-1.037	.000	.000
Level of Importance 5	-.993	-4.622**	.000	.000
Level of Importance 6	.244	1.346	.000	.000
Level of Importance 7	.675	5.222**	.000	.000
Level of Importance 8	-.243	-1.757	.000	.000

Predictors	Standardised Regression Coefficients MNCs' Finance and Accounting Offshore Sourcing			
	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Level of Importance [9]	-.193	-1.351	.327	1.154
Level of Importance [10]	-.466	-2.277*	.000	.000
Level of Importance [11]	.320	1.733	-.206	-.760
Level of Importance [12]	-.256	-1.285	.408	.915
Level of Importance [13]	.171	.804	.000	.000
Level of Importance [14]	.032	.140	.028	.071
Level of Importance [15]	.141	.953	.037	.148
F	4.385**		1.447	
R_2	.581		.482	
Adj. R_2	.448		.149	
df	15, 57		6, 14	

*p<.05; **p<0.01

Note:[1]Credit/Cash Management; [2]Credit Analysis;[3]Accounts Payable; [4]Accounts Receivables; [5]AllTypesOfPayment; [6]ServicesCosting; [7]Fixed Assets; [8]GL; [9]StatutoryReporting;[10]Planning; [11]Forecasting; [12]Reporting; [13]Analysis; [14]Advisory; [15]InternalAudit.

Apart from understanding the relationship between the strategic value FA activities and the Strategy, the investigation of the importance of the internal capabilities and the testing of the hypotheses will be analysed for both offshore insourcing and offshore outsourcing. Regression analysis were conducted to confirm the hypotheses by analysing the relationship between the internal capabilities element and MNCs' offshore sourcing of core and moderately-core FA activities. In addition, the effects of sourcing these strategic FA activities offshore on cost satisfaction and quality performance were also assessed.

4.5.6 Data Analyses on the Relationship between Strategic Value FA Activities and Internal Capabilities Dimension

According to RBV theorists, activities are considered strategic if performing such activities calls for the development of three dimensions of internal capabilities. The three dimensions are (a) unique skills and knowledge, (b) skills and knowledge that are not easily adaptable and (c) skills and knowledge that are not easily substituted. Respondents were asked to indicate the extent to which they agree with the requirement of three separate dimensions of internal capabilities for the different levels of importance of FA activities where 1 = Totally Disagree and 5 = Totally Agree. Variance analysis was conducted in ascertaining which of the internal capabilities dimension has the highest influence in determining the strategic value of the activities.

Respondents were asked to indicate in general the extent they agree with the dimensions of internal capabilities in influencing the level of importance of the FA activities. Respondents were asked with very specific reference to core, moderately-core, and non-core FA activities and their associations with the three internal capabilities dimensions. The general opinion on the relationship between capabilities and level of the importance of FA activities are documented in Table 4.31. The most influential internal capabilities element is unique skills and knowledge with an average score of 4.4. This means respondents highly agree that the management of core FA activities require a specific degree of knowledge and information on how FA activities are performed in the company. According to these firms, these skills and knowledge are unique to their firms. Complementing unique capabilities, respondents also highly agree that core FA activities are those that require knowledge about their firms' culture, processes, and systems that are not easily adaptable. On the other hand, for core FA activities, internal capabilities that are not easily substituted were ranked the lowest of the internal capabilities with an average score of 3.7. This suggests that respondents believe

the replacement of these talents was moderately difficult but this was not their biggest fears in terms of developing the capabilities in house.

For moderately-core FA activities, the influential sequence was very similar to the core FA activities but respondents only moderately agreed to the effects of the element of unique capabilities, not easily adaptable and substituted element on the moderately-core FA activities. This shows that these firms were less concerned with losing the capabilities that were built for the moderately-core FA activities as compared to the core FA activities.

On the other hand, for non-core FA activities, respondents collectively agreed that these internal capabilities dimensions have very little associations with activities that are considered of no significance. In short, this highlights the internal capabilities development did not relate to the non-core FA activities. However, this was not a surprise as these firms do not consider any of the fifteen FA activities as non-core FA activities, therefore, their responses on the importance of the three internal capabilities element on non-core FA activities did not directly relate to the fifteen FA activities.

Table 4.31 Variance Analysis of Strategic Value Activities

	RBV Internal Capabilities											
	Unique Capabilities				Not Easily Adaptable Capabilities				Not Easily Substituted Capabilities			
	N	Min	Max	Mean	N	Min	Max	Mean	N	Min	Max	Mean
Core	99	2.0	5.0	4.4	99	2.0	5.0	4.3	99	1.0	5.0	3.7
Moderately Core	96	1.0	5.0	3.8	96	1.0	5.0	3.7	96	1.0	4.0	3.1
Non-Core	92	1.0	5.0	2.6	92	1.0	5.0	2.8	55	1.0	4.0	2.3

As confirmed by the variance analysis between the FA activities level of importance and the three elements of internal capabilities, it is ascertained that

two out of the three internal capabilities elements were strong influential elements of core FA activities. However, as per the regression analysis conducted between both MNCs' FA offshore insourcing and offshore outsourcing and the three internal capabilities dimension as shown in Table 4.32, there was a negative significant relationship between core FA activities and internal capabilities elements of differentiation. This probably was due to the respondents not viewing the degree of specific FA knowledge was highly affecting how the analysts were performing their work. As observed through the analysis of the effects of technology on offshore insourcing strategy, there is a high probability that these firms do not consider their existing way of performing the FA activities is unique as these firms are going through very rigorous changes in technological development and innovations. This is also aligned to the findings in the TCE asset specificity analysis where respondents did not highly regard the skills in performing the FA activities that were unique to these firms. Therefore, hypothesis 5a cannot be supported.

As shown in the variance analysis between the FA activities level of importance and the three elements of internal capabilities, it can be confirmed that internal capabilities that are not easily adaptable have the strongest influence on MNCs' offshore insourcing and offshore outsourcing strategies. While the association between capabilities that are not easily adaptable and offshore outsourcing was not significant, the positive association with offshore insourcing was a significant relationship as shown in Table 4.32. The strong positive association of the element of adaptability over differentiation for offshore insourcing shows that these firms strongly believe in the impact of their firms' culture, processes, and systems as compared to the degree of FA knowledge in affecting their decision in offshore insourcing their strategic FA activities. The development of FA skills that are unique to the culture and processes of the firms not only take a long time to develop but also the loss of such capabilities would also affect business operations. Therefore, hypothesis 5b is supported. It can be concluded that the most influential internal capability to MNCs' FA offshore insourcing is the element of adaptability.

Unfortunately, as recorded in the regression analysis, the intensity of core FA activities has a negative association with the internal capability dimension of not easily substituted. This suggests that while the respondents agree with the difficulty in replacing the resources, the fear of not being able to substitute these talents easily did not seem to affect the increase in both offshore insourcing and outsourcing of the core FA activities. The results of the variance analysis between strategic value FA activities and internal capabilities that are not easily substituted also resulted in the lowest average score of 3.7 for core FA activities. On the contrary, there was a positive significant relationship between offshore insourcing and internal capability that are not easily substituted. This shows that for moderately-core FA activities, the management of these FA activities requires less of the company's specific knowledge. However, the retention of the talent or resources for this group of activities is key to increasing the offshore insourcing strategy of these MNCs. In conclusion, hypothesis 5c can only be partially supported.

Table 4.32 Multiple Regression Analysis of Offshore Sourcing of Strategic Value Activities and Internal Capabilities

Standardised Regression Coefficients

MNCs' Finance and Accounting Offshore Sourcing

	Insourcing				Outsourcing			
	Core Activities		Moderately-Core Activities		Core Activities		Moderately-Core Activities	
	Coeff	*t-Value*	*Coeff.*	*t-value*	*Coeff*	*t-Value*	*Coeff.*	*t-value*
Differentiation	-.472	-1.947	-.308	-1.293	-.064	-.144	.000	.000
Adaptability	.767	2.588*	-.050	-.193	.386	.514	-.384	-1.895
Substitutability	-.446	-1.859	.504	2.101*	-.344	-.503	.379	.721
F (Full)	1.972*				4.635**			
R_2	.185				.597			
Adj. R_2	.091				.468			
df	9, 78				8, 25			

*p<.05; **p<0.01

As respondents were asked to identify the level of importance of each of the fifteen types of FA activities in addition to identifying the number and volume of these FA activities sourced, the offshore sourcing intensity categorised by the strategic value of the FA activities can be computed as follows:

Table 4.33 Offshore Sourcing Intensity of Strategic Value Activities

	Offshore Insourcing				Offshore Outsourcing			
	Average # of activities sourced	Breadth	Depth	Intensity	Average # of activities sourced	Breadth	Depth	Intensity
Core Activities	9 out of 11 activities	.85	83%	71%	1 out of 11 activities	.23	74%	17%
Moderately-Core Activities	3 out of 4 activities	.80	91%	73%	1 out of 4 activities	.70	78%	55%

Note: Core activities: Credit/Cash management, Credit analysis, Services and product costing, Fixed asset accounting, General Ledger management, Statutory reporting, Planning, Forecasting, Analysis, Business advisory, Internal Audit. Moderately-core activities: Accounts payable, Accounts Receivables, All types of payments, Reporting.

The insourcing of strategic value FA activities offshore has shown both greater breadth and depth as compared to offshore outsourcing. Based on the analysis, on average, 9 out of 11 core FA activities were being insourced offshore while 3 out of 4 moderately-core FA activities were being insourced. On the other hand, on average, only 1 out of 11 core FA activities were being outsourced offshore and 1 out of 4 moderately-core FA activities were being offshore outsourced. From a breadth dimension perspective, these firms insourced more strategic FA activities offshore. As for the volume of each of the activities sourced, the insourcing of both core and moderately-core FA activities offshore have a depth of 83 percent and 91 percent respectively as compared to offshore outsourcing which recorded a depth of 74 percent and 78 percent respectively.

Also, an independent t-test was conducted to compare the significant influence of core and moderately-core FA activities on offshore insourcing and offshore outsourcing respectively. The results of the t-test in comparing the effects of core and moderately-core FA activities on offshore insourcing shows that there was no significant difference in both offshore insourcing and offshore outsourcing. For offshore insourcing, the magnitude of the differences in the means of both core and moderately-core activities was very small (eta squared =.009) while for outsourcing, the magnitude of the differences was large (eta squared = .015) (Cohen, 1988).

Sourcing intensity is computed as the combined construct of both breadth and depth. As sourcing intensity measures the MNCs' reliance on the Strategy, the intensity computation shows offshore insourcing of core and moderately-core FA activities were at 71 percent and 73 percent as compared to offshore outsourcing at 17 percent and 55 percent respectively. Further analysis is conducted to ascertain the association between strategic value FA activities and offshore insourcing strategy based on the regression analysis as shown in Table 4.29, core FA activities are positively and significantly related to MNCs' offshore insourcing strategy. On the other hand, the analysis also demonstrates that these firms do not have much interest in insourcing their moderately-core FA activities offshore because at this stage, they have already insourced a lot of their moderately-core FA activities offshore as the existing intensity was recorded as an average of 73 percent. On the contrary, offshore outsourcing is negatively associated with core FA activities and positively associated with moderately-core FA activities. Even though the relationship is not significant, it demonstrates the high potential that these firms could offshore outsource their moderately-core FA activities in the future. Therefore, based on the computation of the intensity of both offshore sourcing strategy comparison and the significant association of core FA activities to offshore insourcing, hypothesis 5d can be supported as these firms insource more strategic value activities offshore as compared to offshore outsourcing.

Respondents were asked to indicate the extent to which they agree with attaining costs satisfaction from sourcing their core and moderately-core FA activities offshore. The analysis of the data provided by the respondents as shown in Table 4.34 shows that cost satisfaction was highest from offshoring the moderately-core FA activities with an average mean of 4.05. As for the core FA activities, these firms were only moderately satisfied with the cost satisfaction achieved.

As for the need for quality improvement for both core and moderately-core FA activities, respondents' feedback highlighted that the quality of how the core FA activities were managed required the most improvement, followed closely by the quality of how the moderately-core FA activities were managed (as shown in Table 4.34). In short, this suggests as these MNCs confirmed that all of their FA activities were either core or moderately core FA activities, which indicates that all of the FA activities that have been sourced offshore require further improvement in terms of quality of the work performed. The results testified the commitment of these firms in believing that the quality of the FA work that is insourced offshore must continuously be improved. To these firms, offshore insourcing strategy relates to the continuous improvement of how the activities are managed through innovations in technology and further development in capabilities as gathered from the analyses of the effects of TCE uncertainty due to technology and RBV development of capabilities. Furthermore, as performing these FA activities require human skills and human labour is a multidimensional construct (the first part is unclear), the quality improvement may relate to improvement in technical skills, interpersonal skills, as well as communication and problem-solving skills.

Table 4.34 Descriptive Statistics for Costs Satisfaction and Quality Improvement

Variable	Min	Max	Mean	Std. deviation
Costs Satisfaction-Core Activities	2.00	5.00	3.71	.67
Costs Satisfaction-Moderately Core Activities	2.00	5.00	4.05	.78
Quality Improvement requirement for Core activities	1.00	5.00	3.67	.86
Quality Improvement requirement for moderately core activities	2.00	5.00	3.21	.91

To assess if the Strategy of these MNCs affects their organisational performance, a regression analysis is conducted to assess the effects on both costs and quality performance. Financial and accounting are one of the core back end functions, the strategic measurement of how this function reaps the benefits of the offshore strategy can be attributed to its attainment of cost efficiencies as well as the quality assessments of how the work is performed. Based on the analysis results as shown in Table 4.35, it can only be concluded that the offshore insourcing of strategic value FA activities calls for improvement in the quality of how the moderately-core FA activities are being insourced offshore as predicted. The cost satisfaction of core FA activities has a negative relationship with offshore insourcing strategy while the cost satisfaction of moderately-core FA activities has a positive relationship with offshore insourcing. This probably suggests that these firms were satisfied with the cost optimisation of moderately-core FA activities and not the core FA activities. Also, this observation suggests that probably the cost optimisation of the core FA activities have not been fully realised because they have not been fully nor effectively sourced offshore. On the other hand, the requirement of quality improvement of the core FA activities was negatively associated with offshore insourcing. This further suggests that it is because most of the core FA activities have not been fully sourced offshore,

therefore, the requirement for quality improvement may not be the most effective indicator of the offshore sourcing strategy of these MNCs at this point.

Since the performance of the FA organisation was evaluated as a combined construct of both cost satisfaction and quality improvement, hypothesis 5e cannot be supported.

Table 4.35 Multiple Regression Analysis of Offshore Sourcing Strategy in Relations to Cost Satisfaction and Quality Improvement

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*T-value*	*Coeff.*	*T-value*
Cost Satisfaction-Core activities	-.039	-.260	.056	.166
Cost Satisfaction-Moderately Core activities	.104	.580	-.577	-1.780
Quality improvement-Core activities	-.321	-1.670	.526	1.703
Quality improvement-Moderately core activities	.680	2.285*	-.393	-.960
F	2.576*		1.630	
R_2	.167		.290	
Adj. R_2	.102		.112	
df	6, 77		6, 24	

*p<.05; **p<.01

4.5.7 Summary of data analyses on the effects of the drivers from the perspective of Resource-Based View (RBV) on MNCs' FA Strategy

Based on the information provided by these firms, it is confirmed that the relationship and effects of the level of importance or strategic value of the FA activities affect their offshore insourcing more than their offshore outsourcing

strategy. The relationship between offshore insourcing and strategic value is stronger and more positive, recording an intensity of 71 percent for core FA activities and 73 percent for moderately-core FA activities. This observation is aligned with the study of Espino-Rodriguez et al. (2005) in analysing the relationship between strategic value activities and sourcing intensity of the hotel industry. The analysis also shows that there is no significant difference between the tendency to source core and moderately-core FA activities. If the relationship is assessed based on Lacity and Willcocks's (1996) definition of intensity, the relationship between offshore insourcing with both core and moderately-core FA activities are considered partially strong, thereby firms with the intensity between 20 and 80 percent are conducting moderate sourcing and intensity above 80 percent is full sourcing model. On the other hand, intensity below 20 percent is considered not conducting sourcing activities at all, which indicates that these firms are not doing offshore outsourcing of their core FA activities as the intensity was only 17 percent. This is aligned with the expectations that MNCs would be more likely to internally manage their FA activities, and as the analysis shows, this observation is consistent with both core and moderately-core FA activities. This study contributes to both MNCs' offshore insourcing and outsourcing literature by the identification of the FA activities from the strategic perspective, specifically, what activities are being insourced and outsourced offshore respectively. More importantly, the analysis shows that this identification is not a stagnant framework, rather it is possible to increase the insource or outsource of the FA activities offshore based on the development of their required internal capabilities.

RBV connects strategic value as possessing the factors of uniqueness or differentiation, and skills that are not easily adaptable nor substituted. Because of these factors of capabilities development, McIvor (2009) argues that RBV is important in helping firms determined if certain activities should be performed internally or taking on the insourcing strategy. However, the relationship between the factors of internal capabilities and MNCs' offshore sourcing strategy deviates slightly from RBV expectation. As the three factors of internal capabilities have

no significant effects on offshore outsourcing, this analysis is then concerned with determining the relationship between internal capabilities, strategic value FA activities, and MNCs' offshore insourcing strategy in sustaining competitive advantage. The results of the analysis show that first, adaptability is a positive and the only important factor in influencing these firms in insourcing their FA core activities offshore. Second, the difficulty in finding alternative resources to substitute existing resources is the most positive influential factor affecting these firms in insourcing their moderately-core FA activities offshore. These analyses confirmed that these firms assessed the offshore insourcing of their core and moderately-core FA activities with different levels of organisation. As confirmed by the investigation of the TCE based drivers, these firms were willing to invest into innovations and technological development of their FA systems and processes, therefore, aligned with their organisational objective, the core FA activities that require more complex handling of the work require resources to have deep knowledge of the firms' culture and business processes. Hence, it was not surprising to find that skills adaptability was the most important factor in affecting offshore insourcing of core FA activities. According to McIvor (2009), RBV is concerned about how these firms develop their capabilities to secure their competitive advantage. The above analyses seek to explain this concern as it shows these MNCs were very focused on their invested technology and had shown their passion for safeguarding the skills that are related in performing their core FA activities. On the other hand, these analyses also show that for FA, the acute development in the technology space eradicates the traditional belief of FA skills being rare and unique. The observations that differentiated skills are not the key determinant in sourcing coincide with the findings of Erramili and Rao (1993) and Murray and Kotabe (1999). Rather, it proves that the factor that is holding back the offshore sourcing of these core FA activities is the fact that the acquired knowledge arising from the changes in the systems, business process and innovations is the key decision criterion for these MNCs to keep these core FA activities to be managed internally at this point. It is important to note that the adaptability factor was also positively associated with offshore outsourcing, even though the relationship is not significant. As the offshore sourcing decision is

predominantly influenced by the ability of these firms in investing and developing internal capabilities relative to their competitors, the positive relationship of internal capability that is not easily adaptable with offshore outsourcing shows that when the organisation fails to invest in technology and lacks the necessary capabilities, there is a high probability that these core FA activities will subsequently be outsourced to an offshore location.

As observed in the analysis of the relationship between internal capabilities factors and offshore insourcing of moderately-core FA activities reveals that the only positive and significant factor is the internal capabilities that are not easily substituted. This shows while core FA activities are more related to the knowledge and skills that are associated with the firms' internal processes and culture, the handling of the moderately-core FA activities are more related to hands-on training of how the work is done rather than associating them to the firms' internal business processes. Therefore, the retention of the resources and the difficulty in finding alternate substitutes become a more critical concern. Similar to the observation in core FA activities, the substitutability factor also has a positive relationship with offshore outsourcing even though it was not a significant relationship at this point. This shows when the need arises, these firms can recruit and access complementary capabilities from external third party providers, especially when these firms determine they can gain no further advantage from managing these moderately-core FA activities internally. In other words, if it gets more difficult to substitute the required resources and the related costs in acquiring the resource increase, the option of outsourcing the FA activities offshore will become the preferred choice. This observation differs from the findings of Espino-Rodriguez et al. (2005) when they predicted that the difficulty in finding alternate resources resulted in the hotel management having less tendency to outsource their activities. However, the regression results, as shown in Table 4.30, reveals that all three internal capabilities factors explain only a small part of the variance of MNCs' offshore insourcing intensity (R_2 = .091). This means that there are probably other factors that influence the Strategy that is not included in this study.

As RBV concerns the sustainability of competitive advantage through the development of the firms' strategic value resources, this study assesses the impact of FA's organisation performance as a result of sourcing the activities offshore. Both cost satisfaction arising from offshore sourcing the activities as well as the quality assessment of the work performed were analysed. The analysis shows that these firms were only moderately satisfied with the cost-effectiveness achieved through offshore insourcing the moderately-core FA activities, whereas there was a negative relationship between cost satisfaction achieved and the offshore insourcing of core FA activities. This is contradictory to the findings of Massini et al. (2010) as according to their analysis of ORN data, it was observed that larger firms benefited higher cost savings arising from offshore insourcing of high-value activities. On the other hand, this study confirms that these firms benefited more on cost savings from their moderately-core FA activities as compared to the core FA activities. Comparing to the observations of Massini et al. (2010), as the research was not done specifically on FA, the distinction of high-value activities could differ. Data shows there was a positive significant association between the requirement to improve the quality of the moderately-core FA activities and offshore insourcing strategy while there was a negative association between the need for quality improvement and offshore insourcing of core FA activities. This analysis suggests that these firms have invested more in the development of skills for managing the core FA activities, therefore, the insourcing of the core FA activities offshore is truly a long term objective of skills development that these firms were willing to engage in. The expectation was the management of the core FA activities is not viewed as a short term cost reduction strategy and the quality of the work performed will be improved as a result of their invested innovations and skills development.

On the other hand, even though both costs and quality impact with offshore outsourcing was not a significant relationship, the signs of the association were completely the opposite of offshore insourcing. This shows these firms expect immediate cost savings and quality improvement if they decide to outsource their core FA activities offshore. On the other hand, as for the moderately-core FA

activities, they were not satisfied with the cost efficiency derived and did not relate quality improvement with the work performed. This is probably because when these firms outsourced certain FA activities offshore, the expectation was to have the third party provider take the ownership of the continuous improvement of the quality of the work. Nevertheless, assessing from the activities' performance, the analyses suggest that these firms would rather insource their FA activities offshore as compared to offshore outsourcing them.

Based on the analysis discussed above, it can be inferred that firms would rather outsource their poor performance activities and retain the ones that are of strategic value to them (Loh & Venkatraman, 1992). As argued by McIvor (2000) and Espino-Rodriguez et al. (2005), firms wish to manage their strategic activities internally, and as shown in the analysis, the offshore insourcing intensity of both core and moderately-core FA activities were much greater than the offshore outsourcing intensity. As no significant differences were found between offshore insourcing of core and moderately-core FA activities, it suggests that these firms will continue to insource these FA activities offshore in the near future. From the results of the analysis, it also suggests that these firms are also considering outsourcing these FA activities offshore and the criterion of holding back from the offshore outsourcing activities can be assessed from the analysis of the internal capabilities discussion.

Second, as stated by Barney (1999), internal capabilities can determine the sourcing decision, and per the findings from the analysis, skills adaptability dictates the offshore insourcing of the core FA activities while the difficulty in finding alternate substitutes of the resources enhances internal management of the moderately-core FA activities. Similar to the observations from the effects of the TCE drivers, the analyses suggest that the ability of the firms in acquiring resources for the different strategic level of FA activities attract different levels of focus and investment of these firms. As suggests from the discussion on the development of technology of TCE drivers, the adaptability of skills relates closely

to the continuous development of the firms' investment into technology. Hence, in this respect, the issue of the adaptation to the organisational culture and business models is key as to why these firms are holding on to offshore insourcing of their FA activities. In short, at this point, these firms have put great priority into the investment of improvement of their financial systems and processes.

On the other hand, as for the moderately-core FA activities, the inconvenience arising from the difficulty in finding alternate resources is an important factor for these firms in considering whether to outsource their activities offshore or manage them internally. Therefore, the analyses reveal that if these firms want to continuously manage these FA activities in-house, they need to aggressively build a healthy pipeline of resources or find the appropriate offshore locations that can provide an abundance of qualified resources.

4.6 Data analyses on the effects of drivers based on integrated TCE-RBV perspectives on MNCs' FA Strategy

The analyses of the drivers that affect MNCs' FA offshore sourcing based on TCE and RBV discussed by far shows both theories share the focus on maximising value for these firms, but considers different drivers when explaining the Strategy. Based on the analyses conducted in this study, TCE focuses on the strength of asset specificity in acquiring specific knowledge in performing the FA activities in addition to paying greatest attention on the economic gains arising from the development of technology. Based on the analysis, this was also the main reason why these firms chose offshore insourcing over offshore outsourcing of their FA activities. On the other hand, the analysis on RBV drivers show that these firms have specifically focused on the development of internal strength such as the skills and knowledge that have been adapted to their organisational culture, business model as well as greatly modified by their invested technological

changes in both systems and processes as main focus in explaining the offshore insourcing strategy. Nevertheless, even though both theories provide different perspectives but as suggested by researchers such as McIvor (2009), Kamyabi et al. (2011), Gulbrandsen et al. (2009) and Neves et al. (2014), both TCE and RBV complement each other in explaining the sourcing strategy. In addition, many researchers have called for the evaluation of the Strategy by merging these two theories (Gulbrandsen et al., 2009) to have a more complete understanding of the firm's economic dependency and its interdependence on capabilities (Holcomb et al., 2007).

Therefore, to assess Research Question 2 and similarly, in order to enrich the understanding of MNCs FA Strategy, the integrated effects of drivers from the perspectives of TCE and RBV is analysed together with the testing of hypothesis 6. First, in order to analyse an integrated and complementary effects of both TCE and RBV perspectives in affecting the Strategy, a hierarchical regression is conducted with combination of drivers such as talent as in asset specificity, FA process frequency, uncertainty due to technology, uncertainty due to management behaviour and strategic value FA activities as independent variables. Second, in order to provide empirical evidence of the importance of value creations and optimisation of transaction costs, this study evaluates the existence of a synergistic relationship between TCE and RBV. The test model consists of the most central driver from each theory and the test is to ascertain the existence of an interaction effects between TCE and RBV in affecting MNCs' FA Strategy. The most central driver from TCE is uncertainty due to technology while for RBV, the strongest driver is core FA activities. The interactive effect is assessed by evaluating if technology development affects MNCs to offshore source their core FA activities differently.

This part of the analysis starts by assessing the correlations between the variables.

4.6.1 Correlations analysis between integrated TCE, RBV drivers and offshore sourcing strategy

From the correlations analysis (Table 4.36), uncertainty due to technology, talent, and core FA activities were all positive and very significantly related to offshore insourcing strategy ($p<.01$). This is per expectations as from prior evaluations based on independent TCE and RBV assessment, these three determinants showed strong positive associations with offshore insourcing. Other notable relationships are 1) talent and core FA activities were positively and significantly related and, 2) management behaviour was positive and significantly related to core FA activities. These analyses provide a further understanding of the importance of talent development and management support in the selection of core FA activities to be insourced offshore.

On the other hand, the analyses between offshore outsourcing and the integrated drivers did not result in any significant relationship except with the main decision maker's level of education (Table 4.37). Non-routine FA activities were found to be negatively related to moderately-core FA activities. This is because three out of the four moderately-core FA activities such as accounts payable, accounts receivables, and all types of payment are denoted as routine FA activities by these firms. Therefore, there is a strong relationship between routine FA activities and moderately-core FA activities instead of core FA activities.

In conclusion, offshore insourcing of FA is associated with high levels of uncertainty due to technology, talent, and core FA activities.

Table 4.36 Correlation Matrix of TCE, RBV based drivers for Offshore Insourcing Intensity

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
Insourcing Intensity	1										
Firm Age	.067										
Firm Size	.066	.302**									
Level of Education	.562	-.157	-.064								
Technology	.583**	.111	.177	.132							
Talent	.511**	-.141	.115	-.067	.471**						
Management Behaviour	.123	.130	.243*	-.068	-.015	-.025					
Routine Frequency	.005	.148	.050	-.064	-.032	-.071	-.003				
Non Routine Frequency	.149	.008	-.122	-.066	.027	-.062	.057	.251*			
Core Activities	.299**	.020	.107	.001	.162	.402**	.301*	-.188	-.117		
Moderately-core Activities	.048	-.195	-.198*	.132	-.159	.117	-.157	.089	-.303*	.288**	1

*p<.05; **p<.01

Note: The strength of the relationship was based on Cohen's guidelines (1988, pp 79-81): if r = .10 to .29 (small); r =.30 to .49 (medium) and r =.50 to 1.0 (large)

Table 4.37 Correlation Matrix of TCE, RBV based drivers for Offshore Outsourcing Intensity

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
Insourcing Intensity	1										
Firm Age	-.210										
Firm Size	.142	.302**									
Level of Education	.408*	-.157	-.064								
Technology	-.251	.111	.177	.132							
Talent	-.112	-.141	.115	-.067	.471**						
Management Behaviour	.210	.130	.243*	-.068	-.015	-.025					
Routine Frequency	-.089	.148	.050	-.064	-.032	-.071	-.003				
Non Routine Frequency	.048	.008	-.122	-.066	.027	-.062	.057	.251*			
Core Activities	-.146	.020	.107	.001	.162	.402**	.301**	-.188	-.117		
Moderately-core Activities	-.028	-.195	-.198*	.132	-.159	.117	-.157	.089	-.303**	.288**	1

*p<.05; **p<.01

Note: The strength of the relationship was based on Cohen's guidelines (1988, pp 79-81): if r = .10 to .29 (small); r =.30 to .49 (medium) and r =.50 to 1.0 (large)

4.6.2 Analysis of Integrated TCE and RBV drivers and MNCs' FA Strategy

The results of the first integrated theories regression analysis (as in Table 4.38) show a very significant offshore insourcing model, however, the model was not significant for offshore outsourcing. For offshore insourcing, the integrated theories model resulted in improved adjusted R_2 of 42.3%% as compared to R_2 of TCE based drivers model of 41.2% and RBV strategic value FA activities of 4.5% independently. Uncertainty due to technology and talent remained positively and significantly associated with MNCs' offshore insourcing strategy. Unfortunately, even though both core and moderately-core FA activities have similar positive associations with offshore insourcing, the relationships were not significant. The positive associations assert that both core and moderately-core FA activities share equal importance when firms select FA activities for their offshore insourcing strategy. This is aligned with the observations by Erramilli and Rao (1993) that in the services sourcing space, firms that are high in human asset specificity are expected to insist on insourcing regardless of the firm's costs or capabilities. On the other hand, core FA activities were shown to be negatively associated with offshore outsourcing, aligned with the predictions of RBV theorists where the choice of outsourcing is weakened when the strategic value of the FA activities increase. It is important to note that uncertainty due to technology remains the highest coefficient in the TCE drivers independent assessment (.412, $p<.01$) as well as in this integrated driver analysis (.452, $p<.01$). This shows that these firms have the highest regard for the changes they invested in innovations and the continuous development of their systems and processes. Technology development is the most influential driver in explaining why these firms adopt offshore insourcing of their FA activities. On the other hand, surprisingly, when the drivers are integrated and tested, non-routine FA activities produced a positive and significant association with offshore insourcing. The findings show that with the inclusion of strategic value FA activities, process frequency became a significant driver. This probably suggests that as a comparison between periodicity and level of importance, MNCs would be more inclined to assess their FA activities from the aspect of more complex activities as shown in their selection of non-routine activities. This is mainly because to

these firms, almost all of the activities within the FA function are either very strategic or moderately strategic, therefore, the level of importance of FA activities can be indifferent in the presence of other drivers.

Table 4.38 Integrated TCE, RBV Hierarchical Multiple Regression Analysis

	Standardised Regression Coefficients MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	.096	1.056	-.158	-.887
Firm Size	-.056	-.607	.257	1.441
Level of Education of decision maker	.034	.396	.475	2.834**
Technology	.452	4.535**	-.369	-1.903
Talent	.301	2.836**	.153	.744
Routine Frequency	-.026	-.286	-.133	-.753
Non-Routine Frequency	.202	2.201*	.125	.698
Management Behaviour	.144	1.565	.276	1.548
Core Activities	.037	.358	-.273	-1.343
Moderately-Core Activities	.163	1.591	.025	.124
F	7.462**		1.828	
R_2	.489		.454	
Adj. R_2	.423		.206	
Df	7, 78		7, 22	

*p<.05; **p<.01

While the assessment of the effects of the drivers using single theories was clearly valuable in this study, integrated theories evaluations by Choi et al. (2018), Eldenburg et al. (2019), Yuan et al. (2019), Holcomb et al. (2007), Gulbrandsen et al. (2009), Javalgi et al. (2009) and Kamyabi et al. (2011) provided insightful views of combining the theories in explaining the Strategy. Nevertheless, as this

research aims to further increase the understanding of the relationship between the drivers and MNCs' FA Strategy, the combined concepts is further tested by drawing upon the most influential driver from both TCE and RBV. From the independent theory assessment as well as the first integrated theory analysis, uncertainty due to technology (from TCE, Table 4.16) and core FA activities (from RBV, Table 4.32) are the most influential drivers of offshore insourcing. Accordingly, as proposed, the interaction and the synergistic relationship of these two critical drivers are tested based on Hypothesis 6.

While uncertainty due to technology was observed as the impact on FA work arising from changes in software, systems and processes, and core FA activities refer to activities that are closely related to the internal capability of competence that is not easily adaptable and of high importance to these firms. Therefore, the second analysis is to examine the relatedness of these two drivers by proposing the existence of the interaction effects between uncertainty due to technology and core FA activities on the Strategy. The second hierarchical analysis as shown in Table 4.39 shows the impact of the interaction effects between uncertainty due to technology and core FA activities. The baseline analysis shows the original analysis of the combined drivers without the interaction effects while subsequent results show the results of the interaction effects.

Hypothesis 6 is supported because when the interaction effects between uncertainty due to technology and core FA activities were added to the regression model, it accounted for a significant proportion of the variance in explaining offshore insourcing intensity with R_2 change of .066, p-value = .000. A comparison of the adjusted R_2 shows a positive increase of 6.6 percent in variance explained when the interaction between uncertainty due to technology and core FA activities is included in the analysis. Also, the interaction effects between uncertainty due to technology and core FA activities on offshore insourcing is significant ($p<.000$). The positive effects of uncertainty due to technology in moderating the offshore insourcing of core FA activities are shown

in the changes of the standardised coefficient of core FA activities. As shown in Table 4.39, without the interaction effects of uncertainty due to technology, regression analysis of core FA activities effect of the Strategy registered $\beta = .149, p > .05$ as compared to $\beta = .329, p < .01$ (after the interaction effects of uncertainty due to technology). This clearly shows uncertainty because technology has not only increased the effect of core FA activity on offshore insourcing but also reversed the relationship significance. In other words, when these MNCs invest in FA related technology, they expect to increase the offshore insourcing of their core FA activities. Furthermore, the significant interaction effects between the two variables indicate that there is a close relatedness between the investment of technology and the development of not easily adaptable internal competence that these firms deem as affecting the offshore insourcing of their more complex and core FA activities. Another surprising outcome is the analysis highlights that uncertainty due to technology also changes the offshore outsourcing of core FA activities from a negative association to a positive association even though the association was not significant. This observation can be testified to the observations of Eldenburg et al. (2019) where according to these researchers, even though the high technology manufacturing firms highly valued skills and technology, the expensive development of capabilities would motivate them to outsource their processes offshore.

Table 4.39 Interaction Effects of Technology Development on MNCs' Offshore Sourcing of FA Strategic Value Activities

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	.147	1.559	.003	.011
Firm Size	-.020	-.207	.164	.723
Level of Education of decision maker	-.068	-.702	.228	.953

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Technology	.919	1.692	-.349	-.321
Talent	.299	2.871*	.238	.903
Routine Frequency	-.015	-.165	.047	.205
Non-Routine Frequency	.043	.455	-.117	-.448
Management Behaviour	.098	1.037	.037	.147
Core Activities	.149	1.515	-.462	-1.507
Moderately-Core Activities	.165	1.634	-.039	-.114
Technology x Core Activities	.329	3.145**	.379	1.174
Technology x Moderately-core Activities	-.430	-.803	-.361	-.285
R_2 Change	.066**		.042	

*p<.05; **p<.01

4.6.3 Summary of data analyses on the effects of integrated TCE-RBV on MNCs' FA Strategy

The purpose of the integrated theories analysis is to advance the effects of combined TCE and RBV drivers on MNCs' FA Strategy. Even though both theories were able to provide meaningful explanations of the effects of their individual drivers, the integrated analysis provides further understanding of the complementary role play by TCE and RBV combined. The combined evaluations further confirmed the strong effects of both uncertainties due to technology and talent in promoting offshore insourcing of MNCs' FA activities. These findings also demonstrate that these firms were willing to invest in technological innovations despite the uncertainty posted by the robust technological advancement in the marketplace as depicted in the strong discussion of the impact of Industrial Revolution 4.0. While it was expected that firms will offshore outsource when the technological environment is uncertain (Eldenburg et al., 2019, Mudambi et al., 2010), this study shows that the synergistic relationship

between TCE and RBV drivers reveals that the core driver in affecting MNCs to offshore insource is the heightened technological capacity in which the firms can transform into internal capabilities or competencies to sustain the firms' competitive advantage and to take the offshore sourcing strategy to another level. Moreover, this also shows despite the uncertainty observed, talent remains an important driver in affecting MNCs to offshore insource their FA activities.

The synergistic relationship that exists between uncertainty due to technology and core FA activities is extremely important. The uncertainty due to technology affects MNCs to increase the intensity of insourcing FA core activities offshore. It shows that while these MNCs were willing to invest in continuous innovation of their systems and processes, there is a close link between their invested technological changes and their internal capability development. In this study, the interaction effects of technology on the increase in offshore insourcing of core FA activities serve as an indication that the intensity to insource their core activities offshore is highly depends on their willingness to invest in continuous improvement of their FA systems and processes. As TCE focuses on opportunism (Williamson, 1981), the interaction effects can be related to internal opportunism that arises within the invested means of the organisation and thus, not necessarily directly reflected in moderating the expected transaction costs. Hence, as discussed, the efficiencies of costs in this situation are translated as the development of internal resources as advocated by RBV theorists. Past research as observed by McIvor (2009) stated that sourcing was not employed for cost reduction only but also in developing a range of capabilities for the organisation. This study contributes to theory by the observation that offshore insourcing was employed to conduct FA process innovations to have the ability to increase the intensity of complex and core FA activities to derive longer-term cost optimisation, taking the Strategy to the next level. In addition, in the process of innovating this digital sourcing solution, these firms are required to develop skills that are aligned to the new architecture. If both technology and talent development are not activated concurrently, the Strategy will cause intense skill gaps within the FA organisation. Therefore, both theories are not just

complementary in explaining the Strategy but also demonstrated that technology (TCE) acts as an antecedent to the development of internal capabilities (RBV) and in combination creates value to MNCs which is the ability to insource core and complex FA activities offshore to secure longer run optimisation objectives.

4.7 Analyses of location advantages as moderator variables between the drivers and MNCs' FA Strategy

To assess Research Question 3, the analysis is aimed at evaluating if host country locational attributes moderate the relationship between the drivers and the Strategy. Similar to the empirical locational attributes analyses conducted by Caniato et al. (2014) and Ellram et al. (2013), the locational attributes described by location advantages that are part of Dunning's OLI framework are investigated. These locational attributes are first investigated if they affect these firms in sourcing their FA activities offshore. Second, as gathered from the sourcing evolution, FA is a follower and not a leader in terms of the offshore sourcing start-up. Therefore, it can be argued that while these locational attributes may directly affect these MNCs in sourcing their FA activities offshore, their locational strength could also motivate and strengthen the economic and strategic drivers in affecting the Strategy. This can be assessed by establishing a moderator relationship between these location advantages, the drivers, and the Strategy. As a whole, this study further provides complete empirical evidence that MNCs decide the decision to sourcing their FA activities offshore based on a portfolio of drivers that provide economic, strategic, and locational benefits.

In the survey conducted, respondents were asked to indicate which of the twelve factors within the location advantages were locational motivators when offshoring their FA activities. A 5-point Likert scale with twelve items was developed based on the OLI framework's location advantages. These twelve factors were grouped into location-specific factors, firm-specific factors, and situational-specific factors leveraging the works of Hatonen (2009) and Graf and Mudambi (2005). Based

on the data collected, factor analysis was conducted to assess the possibility of regrouping the factors according to a similar pattern of responses. The objective of the data analyses is to first, assess if these factors affect MNCs in sourcing their FA activities offshore and ultimately analyses are conducted to investigate their potential moderator role between the drivers and the Strategy and in testing hypotheses 6a-6c. Therefore, following the factor analysis, two sets of multiple regression analyses were conducted. The first set of multiple regression analysis is to assess if the locational factors positively affect the Strategy. The second set is to investigate if these locational factors moderate the TCE and RBV drivers in affecting MNCs' FA offshore sourcing strategy.

4.7.1 Factor Analysis

This part of the data analysis begins with principal factor analysis and as suggested by Pallant (2016), the data were subjected to a three-step factor analysis procedure.

The first step is to assess the suitability of the data for factor analysis and this includes the assessment of whether the sample size is adequate and a strong relationship exists among the twelve items (refer to correlations analysis as shown in Table 4.43). According to Hair et al. (1992), as a general rule of thumb, there should be four or five times as many observations as there are variables to be analysed. As there were twelve factors, the minimum observations required will be 60 (12 x 5). Similar to all of the regression analyses conducted in this research, the "Listwise Deletion" method is used to omit any observations with missing data. Statistically, the inspection of the correlation matrix (Table 4.44) revealed the presence of many coefficients of .3 and above and the strength of the inter-correlations is confirmed by Bartlett's test of sphericity (Table 4.40) which is significant at $\alpha < .01$. The Kaiser-Meyer-Olkin (KMO) value was .656, above the recommended value of .6 (Pallant, 2016; Tabachnick & Fidell, 2001).

Table 4.40 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.656
Bartlett's Test of Sphericity	Approx. Chi-Square	752.7
	df	66
	Sig.	.000

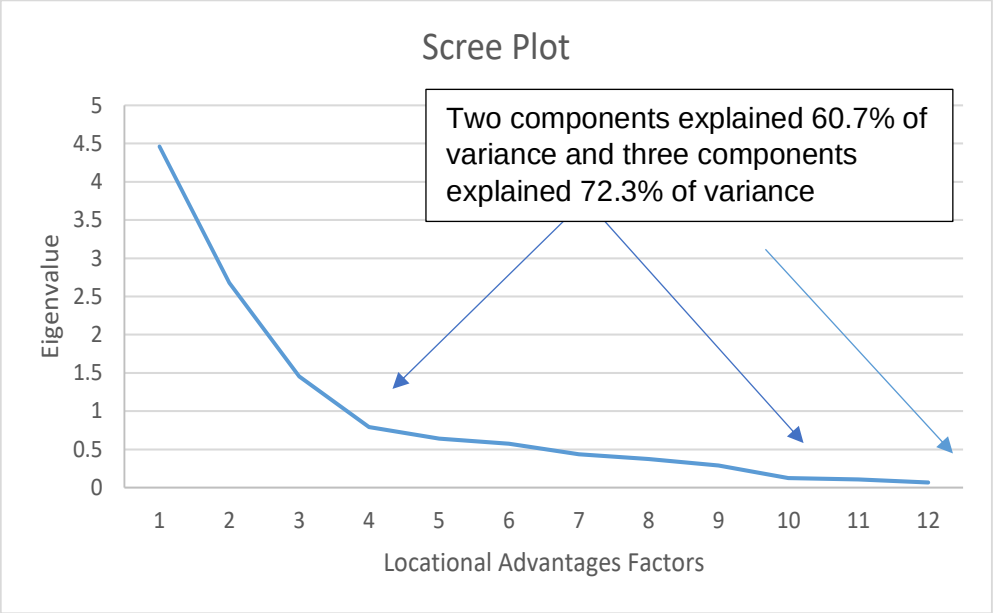
The next step is to reveal the number of factors with an eigenvalue of 1.0 or more to be retained and regrouped for further investigation. The eigenvalues for each of the components are listed below (Table 4.41). The first three components recorded eigenvalues above 1 (4.697, 2.584, 1.396). These three components explain a total of 72.3 percent of the variance.

Table 4.41 Factor Analysis

Factors	Initial Eigenvalue		
	Total	% of Variance	Cumulative %
1	4.697	39.1	39.1
2	2.584	21.6	60.7
3	1.396	11.6	72.3

In addition, to complement the eigenvalue rule approach, the Screeplot is used to identify the optimal number of factors (Hair et al.,1992; Pallant, 2016).

Figure 4.1 Scree Plot



The final step in the factor analysis is to confirm the number of factors. Even though all of the items loaded into the three factors were above .3, there were nine items loaded into Factor 1, two items loaded into Factor 2, and one item loaded into Factor 3. According to Pallant (2016), ideally three or more items must be loaded into each of the factors. Therefore, the factor analysis was rerun with two-factor solutions. The final factor loadings are presented below:

Table 4.42 Factors and Items

KMO = .656 , chi-square=752.7 (p<.01)

Results of the principal components analysis

Factors	Items	Communality	Factor Loading	Cronbach Alpha
1	Political and economy stability	.691	.821	.851
	Availability of competent talent and right skills	.652	.773	
	Technical and Language requirements	.502	.702	
	Lower costs (besides Labour costs)	.782	.688	

KMO = .656 , chi-square=752.7 (p<.01)

Results of the principal components analysis

Factors	Items	Communality	Factor Loading	Cronbach Alpha
	Lower costs (Labour)	.780	.687	
	Co-locating with existing segments/functions facility	.543	.651	
	High quality technological and other infrastructure	.763	.645	
	Strong business process organisation (BPO) presence in the country	.690	.611	
	Cultural adaptation	.396	.605	
	Government incentives (tax breaks or other monetary incentives)	.536	.554	
2	Geographic proximity	.565	.748	.554
	Location of re-known external Finance and Accounting service provider	.382	.534	

Even though ideally there should be a minimum of three items loaded into each factor, in this situation, Factor 2 with two items are included because the loadings of these items are high and this study could not afford not to include these items in the analysis. The reliability of the scale for Factor 1 measured using Cronbach's alpha is .851 and Factor 2 is .554. The initial three groupings of items into location-specific factors, firm-specific factors, and situational-specific factors will be regrouped into location-specific factors (LSFs) and firm-specific factors (FSFs). The regrouping of the items into the two factors results in both location-specific factors and firm-specific factors to consist of newly acquired items merged from situational-specific factors. The new groupings with the new items are shown in Table 4.43.

Table 4.43 Factors Groupings

Factor 1 **Location-Specific Factors (LSFs)**	**Factor 2** **Firm-Specific Factors(FSFs)**
High quality technological and other infrastructure	Geographic Proximity
Strong Business process organisations (BPO) presence in the country	Location of re-known external Finance and Accounting service providers
Co-locating with existing segments/functions facility	
Cultural Adaptation	
Government Incentives (tax breaks or other monetary incentives)	
Political and economy stability	
Technical and Language requirements	
Availability of competence talent and right skills	
Lower Costs (Labour)	
Lower Costs (besides labour costs)	

4.7.2 Correlations Analysis

Table 4.44 (a) Correlation matrix of Location-Specific Factors and Insourcing Intensity

	1	2	3	4	5	6	7	8	9	10
Insourcing	1.00									
Firm Age	.074									
Firm Size	.053	.352**								
Decision maker level of education	.062	-.196*	-.098							
F_1	.088	.168	.421**	-.101						
F_2	.189*	.259**	.408**	-.113	.870**					
F_3	.064	-.007	.160	.071	.358**	.281**				
F_4	.221*	.084	.311**	-.096	.270**	.302**	.221*			
F_5	.086	.163	.242*	.020	.105	.183*	.232*	.531**		
F_6	.207*	.063	.241*	.047	.217*	.206**	.390**	.369**	.460**	
F_7	.229*	.122	.175	-.071	.009	.035	.135	.498**	.579**	.616**
F_8	.286**	.454**	.420**	-.307**	.495**	.593**	.243**	.435**	.278**	.108
F_9	.114	.228*	.495**	-.213**	.742**	.574**	.307**	.115	.065	.098
F_{10}	.202*	.327**	.309**	-.345**	.324**	.438**	.079	.473**	.539**	.356**

*p<.05; **p<.0 ($_1$Lower labour costs; $_2$Lower costs(besides labour); $_3$Cultural adaptation; $_4$Technical and Language requirements; $_5$Co-locating with existing segments/functions facility; $_6$Strong business process organisations (BPO) presence in the country; $_7$High quality technological and other infrastructure; $_8$Availability of competence talent and right skills; $_9$Government incentives; $_{10}$Political and economy stability)

Table 4.44 (b) Correlation matrix of Location-Specific Factors and Outsourcing Intensity

	1	2	3	4	5	6	7	8	9	10
Outsourcing	1.00									
Firm Age	-.337*									
Firm Size	.088	.316*								
Decision maker level of education	.359*	-.296	.013							
F_1	.266	.007	.072	.319*						
F_2	.209	.143	.240	.174	.854**					
F_3	.101	.175	-.092	-.048	.461*	.369*				
F_4	.156	-.065	.254	-.131	-.112	-.114	-.174			
F_5	-.151	.550**	.568**	-.412	.169*	.365*	.306*	.472**		
F_6	-.034	.080	.134	-.283	.000	.000	.662**	.191	.409*	
F_7	-.297	.308*	.073	-.393*	.000	.056	.378*	.541**	.668**	.663**
F_8	-.438**	.605**	.187	-.422**	.073	.321*	.209	.216	.733**	.250
F_9	.036	.366**	.316*	.125	.625*	.532**	.389*	-.112	.450**	-.114
F_{10}	-.507**	.539**	.248	-.477**	.100	.330*	.156	.233	.753**	.228

*p<.05; **p<.01

($_1$Lower labour costs; $_2$Lower costs(besides labour); $_3$Cultural adaptation; $_4$Technical and Language requirements; $_5$Co-locating with existing segments/functions facility; $_6$Strong business process organisations (BPO) presence in the country; $_7$High quality technological and other infrastructure; $_8$Availability of competence talent and right skills; $_9$Government incentives; $_{10}$Political and economy stability)

Table 4.45 (a) Correlation matrix of Firm-Specific Factors

(a) Insourcing

	1	2	3	4	5	6
Insourcing	1.00					
Firm Age	.125					
Firm Size	.068	.349**				
Decision maker level of education	.081	-.214*	-.078			
F_1	-.123	.005	-.060	-.027		
F_2	.082	-.097	.068	-.024	.383**	1.0

*p<.05; **p<.01

($_1$Geographic proximity; $_2$Location of re-known external Finance and Accounting service provider)

Table 4.45 (b) Correlation matrix of Firm-Specific Factors

(b) Outsourcing

	1	2	3	4	5	6
Outsourcing	1.0					
Firm Age	-.322					
Firm Size	.016	.372*				
Decision maker level of education	.507**	-.395*	.122			
F_1	-.109	.034	-.221	-.481**		
F_2	.182	-.201	-.271	-.158	.525**	1.0

*p<.05; **p<.01

($_1$Geographic proximity; $_2$Location of re-known external Finance and Accounting service provider)

4.7.3 Data analyses on the effects of LSFs and FSFs on MNCs' FA Strategy

Using a 5-point Likert scale, MNCs were asked to indicate the extent to which they agree the location advantages were the reasons they selected Malaysia as the choice of location to offshore their FA activities. The scale were 1 = Totally Disagree, 2 = Disagree, 3 = Moderately Agree, 4 = Agree, 5 = Totally Agree.

The factor analysis resulted in two main factors. Among the two factors, location-specific factors (LSFs) have a higher mean score of 3.90 as shown in Table 4.46. Based on the 5-point Likert scale, this means the items that form part of this group are stronger factors to these MNCs in selecting their location of choice to offshore their FA compared to the firm-specific factors (FSFs). Within the LSFs, lower labour costs have the biggest influence on MNCs' FA Strategy with a mean of 4.31 (Table 4.46). This score shows respondents were in between "agree" and "totally agree" that this was the most influential of all the items in affecting their offshore sourcing strategy. Complementing lower labour costs, factors such as government incentives, other lower costs, and availability of competent talent and right skills are equally very strong factors with a mean score of 4.21, 4.30, and 4.14. On the other hand, technical and language requirements recorded a moderate to high influence on MNCs' FA Strategy with a mean of 3.96. Meanwhile, the moderate influential factors are cultural adaptation (3.67), co-locating with existing segments/functions facility (3.56), and high technological and other infrastructure (3.66). Strong BPO presence in the country (3.47) scored the lowest mean, indicating that BPO presence in the country has less significant influential power in their decisions.

Table 4.46 Location-Specific Factors Average Mean Scores

Items	Mean
Lower Labour Costs	4.31
Lower Costs (besides Labour costs)	4.30
Cultural Adaptation	3.67
Technical and Language requirements	3.96
Co-locating with existing segments/functions facility	3.56
Strong business process organisations (BPO) presence in the country	3.47
High Quality Technological and other infrastructure	3.66
Availability of competent talent and right skills	4.14
Government Incentives	4.21
Political and economy stability	3.98
Overall Location-Specific Factors	3.90

FSFs grouping was one of the two groups of factors extracted from the factor analysis. Comparing to LSFs, the FSFs have an average score of 3.18 (Table 4.47), meaning they have moderate influence on MNCs' FA offshore sourcing strategy. Both locations of re-known external FA service providers and geographic proximity are rated as moderate factors in influencing MNCs' offshore sourcing strategy with a score of 3.30 and 3.03. The presence of FA service providers did not pose very high influential power mainly because most of these firms are already insourcing their FA activities offshore.

Table 4.47 Firm-Specific Factors Average Mean Scores

Items	Mean
Location of re-known external Finance and Accounting service provider	3.30
Geographic proximity	3.03
Overall Firm-Specific factors	3.18

4.7.4 The relationship between LSFs, FSFs and MNCs' FA Strategy

As discussed earlier, there were two stages of analyses. The first stage is to assess the relationship between the factors and the MNCs' FA Strategy. The investigation involves first, analysing the location advantages as a single driver and second, detailed analyses of the effects of all the factors within the groupings of LSFs and FSFs on the Strategy. Table 4.48 shows the analysis of the relationship of these factors defined as a single driver with MNCs' FA Strategy. It revealed that LSFs positively and significantly affect MNCs insourcing their FA activities offshore while on the contrary, these factors were negatively associated with offshore outsourcing. This implies that lower costs, availability of infrastructure, competent talent, cultural adaptation, and government incentives affect MNCs to insource their FA activities offshore. On the other hand, the relationship between FSFs and MNCs' FA Strategy was not significant. However, these factors were positively associated with MNCs' offshore outsourcing and negatively associated with offshore insourcing. This suggests that when MNCs select their outsourcing partners, geographical proximity as well as the presence of other third party providers are preferred factors.

Subsequently, each of the factors embedded within both LSFs and FSFs is analysed on each of its effects on MNCs' FA Strategy. Comparing the results of the two multiple regression analyses (Table 4.49 and Table 4.50), the elaborated analysis detailing all the embedded LSFs was found to be significantly associated with offshore insourcing whereas the FSFs were not significantly related to offshore insourcing. On the other hand, as for offshore outsourcing, both LSFs and FSFs were found to be not significantly associated with the Strategy. The analysis shows that these two groups of locational attributes are more related to offshore insourcing as compared to offshore outsourcing because to these MNCs, to fully benefit from these locational attributes, they need to own and be in full control of their operations, hence offshore insourcing is preferred as observed in this study. These analyses also show that the items within LSFs are more positively related to MNCs' offshore

insourcing as compared to FSFs. However, the same cannot be applied to offshore outsourcing as the model is not significant for both factors.

Despite the results of the multiple regression analysis of LSFs (Table 4.49) showing the largest coefficient for offshore insourcing strategy is lower labour cost (β = -.815), it was a negative relationship. This information confirms that MNCs do not depend on offshore insourcing of their FA activities to gain labour costs arbitrage, rather they were more interested in obtaining greater cost efficiencies in other areas (β (lower other costs) = .608). As observed from previous studies, labour costs differential is usually preferred in firms that were interested in hiring entry-level personnel (Graf & Mudambi, 2005), specifically for tasks that require minimal skills. The results of the data analysis show the negative association between offshore insourcing and lower labour costs confirms that these firms were more focused and more interested in offshore insourcing FA activities that require enhanced FA skills. Because these firms were more focused in the development of talent, these MNCs would rather take on a trade-off between lower labour costs and efficiencies that can be gained through other channels such as the best combination of other lower costs opportunities and resources, similar to the observations of Jensen and Pedersen (2011). MNCs show more interest in the foreign countries' technological infrastructure and competencies as compared to solely seeking lower labour costs. This is aligned with Graf and Mudambi's (2005) observations whereby the offshore strategy is a trade-off of competing factors. In other words, these firms would not only seek a combination of various cost-effectiveness arising from strategic resources and high-quality infrastructure (Caniato et al., 2015), they would also seek the maximisation of internal efficiencies in performing the FA activities. Also, the availability of competent talent was significantly and positively related to offshore insourcing strategy. This is aligned with the results obtained in regards to the relationship between TCE and RBV drivers and MNCs' FA offshore insourcing strategy where asset specificity in regards to skills and not easily adaptable knowledge development were the

significant drivers. On the other hand, two other variables were negatively associated with offshore insourcing even though the association was not significant, namely, cultural adaptation and co-locating with existing segments. Cultural adaptation was not seen as a positive variable possibly because most of these firms would view Malaysia as a country of multi-racial background and the people are highly adaptable to other cultures and ways of doing things. The observation that co-locating with existing segments was negatively associated with offshore insourcing was a surprise because as observed from the evolution, FA was not a leader in offshore strategy. Rather, they would follow the footsteps of other functions that have shown success in their offshoring effort. However, the data obtained shows while FA may follow the footsteps of other more successful functions in the Strategy, they do not require any co-locations initiative with them. The reason for such observation can then be related to another important positive and significant variable which is government incentives. The analysis shows that government incentives are an important and positive factor impacting the offshore insourcing strategy. Similarly, Graf and Mudambi (2005) found that government incentives are an 'important factor that shapes a country's attractiveness' (Graf & Mudambi, 2005, p260). Therefore, it can be estimated that while FA values the success of other internal functions in the Strategy, instead of trailing behind other functions, FA would rather take on direct involvement with the local host country to gain similar benefits such as the government incentives. On the other hand, factors that relate to country risk such as political and economic risk is negatively associated with offshore insourcing. According to previous examinations, these factors are expected to be negatively associated with both insourcing and outsourcing strategies (Graf & Mudambi, 2005) because if the country posits weak political front, these MNCs would not be willing to take on investment and resources development to begin with.

On the other hand, for offshore outsourcing, even though the entire model was not a significant association, there were two significant factors and these two were

strong coefficients. The bigger coefficient but less significant is the 'political and economic stability' factor. Similar to offshore insourcing, political and economic stability was negatively associated with MNCs' offshore outsourcing strategy, meaning when MNCs are willing to outsource their FA activities, they expect these countries' risk assessment should not only have been verified by the third party contractors but also the expectations of a stable operating environment as they do not want any business or support interruptions. The more significant but smaller coefficient is the 'technical and language requirement' factor. Contrary to MNCs' offshore insourcing strategy where the development of competencies was regarded of high importance, in situations where they outsource activities offshore, it is not surprising that they demand technical and language requirements. This shows that when they outsource activities offshore, they require similar development of technical competencies from the service providers or else they could and would prefer to perform the activities on their own. Similar to the observations in offshore insourcing, lower labour costs were negatively associated with offshore outsourcing. This observation allows the prediction that these firms would turn to offshore outsourcing not specifically due to labour costs reduction but perhaps as Graf and Mudambi (2005) commented that probably these firms were facing internal quality issues. These internal issues could be in the form of the inability to attract and retain talented employees that drove them to request help from third party professionals to improve the process quality (Graf & Mudambi, 2005).

Table 4.48 Multiple Regression Analysis of Location-Specific Factors and Firm-Specific Factors as single drivers and MNCs' Offshore Sourcing Strategy

Standardised Regression Coefficients

MNCs' Finance and Accounting Offshore Sourcing

Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*T-value*	*Coeff.*	*T-value*
Firm Age	.018	.156	-.181	-1.056
Firm Size	-.058	-.486	.309	1.729
Level of Education of Decision Maker	.149	1.326	.355	2.100*
$LSFs_1$	.328	2.675**	-.244	-1.320
$FSFs_2$	-.073	-.676	.200	1.238
F	1.688		2.472	
R_2	.094		.314	
Adj. R_2	.038		.187	
Df	2, 81		2, 27	

*p<.05; **p<0.01

Note: $LSFs_1$: Lower labour costs; $_2$Lower costs; $_3$Cultural Adaptation; $_4$Technical and Language requirements; $_5$Co-locating with existing segments/functions; $_6$Strong BPO presence in the country; $_7$High Quality technological and other infrastructure; $_8$Availability of competence talent and right skills; $_9$Government incentives; $_{10}$Political and economy stability. $FSFs_2$: Geographic proximity; $_2$Location of re-known external Finance and Accounting service provider;

Table 4.49 Multiple Regression Analysis of Location-Specific Factors and MNCs' Offshore Sourcing Strategy

Standardised Regression Coefficients

MNCs' Finance and Accounting Offshore Sourcing

Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*t-value*	*Coeff.*	*t-value*
Firm Age	-.063	-.510	-.090	-.369
Firm Size	-.232	-1.724	.035	.116
Level of Education of decision maker	.159	1.354	-.076	-.335
LSF_1	-.815	-2.770**	-.128	-.224
LSF_2	.608	2.276**	.444	.772
LSF_3	-.164	-1.245	.243	.596
LSF_4	.168	1.197	.848	2.271*
LSF_5	-.148	-1.002	-.292	-.501
LSF_6	.245	1.529	.399	.726
LSF_7	.300	1.392	-.977	-1.200
LSF_8	.450	2.358*	1.035	1.238
LSF_9	.518	2.605*	.164	.419
LSF_{10}	-.417	-1.715	-1.088	-2.155*
F	1.987*		2.252	
R_2	.272		.647	
Adj. R_2	.135		.360	
Df	10, 69		10, 16	

*p<.05; **p<0.01

Note: $_1$Lower labour costs; $_2$Lower costs; $_3$Cultural Adaptation; $_4$Technical and Language requirements; $_5$Co-locating with existing segments/functions; $_6$Strong BPO presence in the country; $_7$High Quality technological and other infrastructure; $_8$Availability of competence talent and right skills; $_9$Government incentives; $_{10}$Political and economy stability

Table 4.50 Multiple Regression Analysis of Firm-Specific Factors and MNCs' Offshore Sourcing Strategy

	Standardised Regression Coefficients			
	MNCs' Finance and Accounting Offshore Sourcing			
Predictors	Offshore Insourcing		Offshore Outsourcing	
	Coeff.	*T-value*	*Coeff.*	*T-value*
Firm Age	.169	1.368	-.093	-.407
Firm Size	-.005	-.044	.061	.292
Level of Education of Decision Maker	.116	1.011	.514	2.171*
FSF_1	-.188	-1.533	.025	.102
FSF_2	.174	1.407	.249	1.115
F	1.076		2.010	
R_2	.068		.334	
Adj. R_2	.005		.168	
Df	2, 74		2, 20	

*p<.05; **p<0.01

Note: [1]Geographic proximity; [2]Location of re-known external finance and accounting service provider;

The regression analysis on the relationship between FSFs and MNCs' FA offshore strategy was not significant for both offshore insourcing and offshore outsourcing models (Table 4.50). However, it was observed that the 'geographic proximity' factor was negatively associated with offshore insourcing, meaning these firms are not concerned with the distance nor any similarities requirement with the country of origins. The positive association of geographic proximity and offshore outsourcing probably suggests that when they decide to expand on offshore outsourcing of their FA activities, they consider the access to workers with similar languages and dialects of the countries they support as important, similar to the observations by Graf and Mudambi (2005).

While Caniato et al. (2015) commented that firms that seek more strategic performance look to operate in locations with similar culture and business environment with their home country, these surveyed MNCs seek cost-effectiveness of other available infrastructure and the quality of how the FA activities are performed in the offshore environment. Also, the study shows that MNCs put emphasis on locations that enable them to have access to technological and skills development. Evidently, based on the analyses of the TCE and RBV drivers, as the LSFs have such close associations to both strategic (RBV) and operational (TCE) drivers, their local footprint and establishment would enable them to be strong moderators in influencing the relationship between TCE, RBV drivers, and MNCs' FA offshore sourcing strategy. Meanwhile, even though FSFs are not significant drivers, they could have positive interactions with both TCE and RBV drivers. Looking beyond their direct effects, this can lead to further understanding and additional insights. Therefore, the following analyses focus on analysing the interaction effects of LSFs and FSFs on the relationship between TCE, RBV drivers, and MNCs' strategy.

4.7.4 Interaction effects of LSFs and FSFs on the relationship between the drivers and MNCs' FA Strategy

Holcomb et al. (2007) mentioned that 'markets or geographies having the ability to provide specialised capabilities allow firms to gain greater standardisation of their products or services processes and hence made offshoring easier as the transfer of "standardised activities are easier "'(p. 467). Therefore, to analyse if these locational factors have the capabilities to enhance the strength of TCE and RBV drivers in affecting the Strategy, the interaction effects of these factors are analysed. This part of the analysis is to investigate Research Question 3 and to test hypotheses 6a, 6b, and 6c. However, as the original three groupings of factors were regrouped into LSFs and FSFs as a result of the factor analysis, only two hypotheses which are 6a and 6b will be tested. Based on the analysis conducted on the location advantages in assessing if they are drivers of offshore sourcing showed that only LSFs significantly

and positively affect MNCs' offshore insourcing strategy. However, even though FSFs are not significant drivers affecting MNCs to offshore their FA activities, their potential interaction effects need to be investigated too. This is because these factors could prove even though they are not direct drivers, they can influence the relationship between the TCE and RBV drivers and the offshore sourcing strategy. Therefore, hypotheses 6a and 6b will be tested to ascertain the interaction effects of both LSFs and FSFs on the relationship between the TCE and RBV drivers and MNCs' Strategy. In testing hypotheses 6a and 6b for potential interaction effects, only the coefficients for the interaction terms are analysed and interpreted. If the coefficients turned out to be significant, it means that the factor is a significant moderator variable.

The investigation of the two groups of factors on their interaction effects on the relationship between the TCE, RBV drivers, and MNCs Strategy will be analysed in three stages:

(a)First Stage:

To investigate their interaction effects on the relationship of TCE drivers and MNCs FA offshore sourcing strategy

(b)Second Stage:

To investigate their interaction effects on the relationship of RBV strategic activities and MNCs' FA offshore sourcing strategy

(c)Third Stage:

To investigate their interaction effects on integrated TCE, RBV drivers and MNCs' FA offshore sourcing strategy

Interaction Effects of LSFs

Hypothesis 7a examined the interaction effects of LSFs on the relationship between the drivers and MNCs' FA offshore insourcing strategy. Table 4.51 shows the results of the interaction effects of LSFs on TCE based drivers. Even though uncertainty due to technology, talent, and LSFs are central drivers in influencing MNCs' offshore insourcing, the analysis shows that LSFs have no interaction effects on any of the drivers as explained by TCE. This shows that LSFs are drivers, similar to technology and talent. Similar observations can be applied to offshore outsourcing. LSFs did not have any interaction effects on both offshore insourcing and outsourcing when tested on drivers from the perspective of TCE alone. In other words, while LSFs are strong drivers in influencing MNCs to insource their FA offshore, these factors do not motivate nor interact with any of the TCE drivers. Even though all of the associations with both offshore insourcing and outsourcing were not significant, LSFs' effects on uncertainty due to technology, talent, and routine FA activities were positive for offshore insourcing; whereas for offshore outsourcing, LSFs' effects were only positive for talent. This highlights that LSFs have more positive interaction effects on the relationship between TCE and offshore insourcing strategy instead of offshore outsourcing. This makes sense as factors within LSFs consist of not only lower costs, it is also a gathering of other important economic elements such as the availability of competent talent, technology, infrastructure, resources, and government incentives, in which such factors are attractive attributes if these MNCs focus on offshore insourcing. An interesting observation is when the TCE drivers interacted with LSFs, uncertainty due to management behaviour became negatively associated with both offshore insourcing and offshore outsourcing. This shows that these locational attributes do not positively affect MNCs' trust and confidence in the local environment. This analysis is beneficial to the local host government in which they need to seek and develop other locational attributes in addition to strengthening the existing attributes to sustain and positively increase the confidence of these MNCs.

LSFs are also tested on their interaction effects on the relationship between strategic FA activities (RBV) and MNCs' Strategy (Table 4.52). When such a large number of interaction terms involving one variable are included in the model, multicollinearity problems exist. The correlations between LSFs and moderately-core activities were above .7 (r = .988). The tolerance reading was .048 with corresponding variance inflation factor (VIF) of 21.050 for offshore insourcing and tolerance of .010 and VIF of 97.36 for offshore outsourcing. To mitigate the multicollinearity issue, all the variables were centered by subtracting the corresponding variable mean from each value. However, the multicollinearity issue did not subside and had affected the standardised coefficient to be greater than 1. The analysis (Table 4.52) shows that LSFs did not positively influence the relationship between strategic FA activities and MNCs' Strategy. However, the interaction effects between LSFs and core FA activities resulted in a positive association for offshore insourcing as contrary to offshore outsourcing. In addition, the interaction effects between LSFs and moderately-core FA activities were negative for offshore insourcing and positive for offshore outsourcing.

Finally, the LSFs were tested on their interaction effects on the relationship between integrated TCE-RBV drivers and the Strategy (results as shown in Table 4.53). However, due to the existence of high correlations between LSFs and moderately-core activities in this integrated model, the standardised coefficients obtained were greater than 1. Tolerance and VIF of LSFs and moderately-core activities for insourcing were recorded as .034 and 29.8. On the other hand, tolerance and VIF of LSFs and moderately-core activities for outsourcing were recorded as .012 and 85.9. Table 4.53 shows that based on the analysis, LSFs have significant interaction effects on offshore insourcing of both core and moderately-core FA activities. Before the interaction effects of LSFs, core FA activities resulted in $\beta = .125, p > .05$ and moderately core FA activities $\beta = .273, p < .05$. After the interaction effects of LSFs, core FA activities shows $\beta = .543, p < .01$, and moderately core FA activities show

$\beta = -1.6, p < .01$. This indicates that the locational attributes embedded in LSFs encouraged these firms to increase the offshore insourcing of their more strategic FA activities whereas the inverse relationship is observed on the moderately-core FA activities. As for offshore outsourcing, there were no significant interaction effects observed. LSFs show positive interaction effects on uncertainty due to technology and routine FA activities but these were not significant associations. On the other hand, LSFs negatively affect talent, uncertainty due to management behaviour, and non-routine FA activities in increasing the intensity of offshore insourcing. As for offshore outsourcing, none of the effects on both TCE and RBV were positive except uncertainty due to management behaviour. This reveals that LSFs have very little congruence effects on firms increasing the outsourcing of their FA activities offshore. As the analysis shows that LSFs have very little influential effects on integrated TCE and RBV drivers except for strategic value activities in influencing either Strategy, hypothesis 7a cannot be fully supported.

Table 4.51 Interaction effects of location-specific factors on the relationship between TCE and MNCs' offshore sourcing strategy

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
Firm Age	.085	.807	.422	-.085	-.417	.682
Firm Size	-.041	-.395	.694	.215	1.066	.302
Decision Maker's Level of Education	-.030	-.304	.762	.340	1.787	.092
Technology	.526	4.372	.000	-.275	-1.175	.256
Talent	.348	2.866	.006	.234	.992	.335
Management Behaviour	.071	.721	.474	.112	.583	.567
Routine Activities	-.157	-1.443	.154	-.255	-1.209	.243
Non-Routine Activities	.112	1.035	.304	-.106	-.503	.621
LSFs	.081	.583	.562	-.037	-.136	.893

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
LSFs x Technology	.049	.298	.766	.489	1.537	.143
LSFs x Talent	.295	1.674	.099	-.234	-.684	.503
LSFs x Management Behaviour	-.173	-1.442	.154	-.314	-1.345	.196
LSFs x Routine Activities	.232	1.394	.168	-.072	-.223	.826
LSFs x Non-routine activities	-.173	-1.229	.223	-.156	-.572	.575
R_2 Change	.053**			.129**		

*p<.05; **p<.01

Note: [1]Lower labour costs; [2]Lower costs; [3]Cultural Adaptation; [4]Technical and Language requirements; [5]Co-locating with existing segments/functions; [6]Strong BPO presence in the country; [7]High Quality technological and other infrastructure; [8]Availability of competence talent and right skills; [9]Government incentives; [10]Political and economy stability

Table 4.52 Interaction effects of location-specific factors on the relationship between RBV and MNCs' offshore sourcing strategy

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
Firm Age	-.011	-.096	.923	-.175	-.812	.425
Firm Size	-.073	-.543	.589	.231	1.184	.248
Decision Maker's Level of Education	.114	1.001	.320	.485	2.004	.057
Core Activities	.129	.971	.335	-.089	-.338	.739
Moderately-core Activities	-.058	-.485	.629	.389	1.307	.204
LSFs	1.366	2.216	.030	.735	.414	.682

	Offshore Insourcing			Offshore Outsourcing		
LSFs x Core Activities	.113	.807	.422	-.339	-.973	.341
LSFs x Moderately-core Activities	-1.125	-1.798	.076	-.733	-.380	.707
R_2 Change	.038			.055		

*p<.05; **p<.01

Note: [1]Lower labour costs; [2]Lower costs; [3]Cultural Adaptation; [4]Technical and Language requirements; [5]Co-locating with existing segments/functions; [6]Strong BPO presence in the country; [7]High Quality technological and other infrastructure; [8]Availability of competence talent and right skills; [9]Government incentives; [10]Political and economy stability

Table 4.53 Interaction effects of location-specific factors on the relationship between integrated TCE-RBV and MNCs' offshore sourcing strategy

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
Firm Age	.051	.491	.625	-.092	-.404	.694
Firm Size	.138	1.179	.243	.018	.087	.932
Decision Maker's Level of Education	-.064	-.586	.560	.277	1.252	.239
Technology	.605	4.981	.000	-.751	-3.147	.010
Talent	.378	2.903	.005	.439	1.769	.107
Management Behaviour	.163	1.541	.129	.051	.194	.850
Routine Activities	-.124	-1.184	.241	-.287	-1.049	.319
Non-Routine Activities	.206	1.892	.063	-.491	-1.508	.163
Core Activities	.125	1.121	.267	-.258	-1.078	.306
Moderately-core Activities	.273	2.232	.029	.072	.296	.773
LSFs	1.350	2.617	.011	3.174	1.243	.242
LSFs x Technology	.154	.606	.547	-.838	-1.075	.307
LSFs x Talent	-.238	-.850	.399	-.343	-.707	.495
LSFs x Management Behaviour	-.213	-1.841	.071	.362	.897	.391
LSFs x Routine Activities	.111	.848	.400	-.660	-.815	.434
LSFs x Non-routine activities	-.074	-.576	.567	-.830	-.911	.384
LSFs x Core Activities	.543	3.000	.004	-.100	-.295	.774
LSFs x moderately-core activities	-1.667	-3.124	.003	-4.282	-1.391	.194
R_2 Change	.134**			.338*		

*p<.05; **p<.01

Note: [1]Lower labour costs; [2]Lower costs; [3]Cultural Adaptation; [4]Technical and Language requirements; [5]Co-locating with existing segments/functions; [6]Strong BPO presence in the country; [7]High Quality technological and other infrastructure; [8]Availability of competence talent and right skills; [9]Government incentives; [10]Political and economy stability

Interaction Effects of FSFs

Hypothesis 7b examined the interaction effects of FSFs on the relationship of the TCE, RBV drivers, and the Strategy. Based on the results shown in Table 4.54, FSF has no significant interaction effects on TCE drivers for offshore insourcing. However, uncertainty due to technology, talent, and routine FA activities was positively influenced by FSFs in offshore insourcing as compared to offshore outsourcing where only uncertainty due to technology is a positive association. However, the interaction effects were not significant. FSFs' effects on offshore outsourcing were significant for management behaviour, routine, and non-routine FA activities. Unfortunately these were negative associations. The interaction effects of FSFs on the TCE drivers mostly resulted in a positive association for offshore insourcing shows that even though the relationship is not significant, the presence of these FSFs supports these drivers favourably.

Similar to the correlation results of LSFs and moderately-core activities, the correlations between moderately-core FA activities and FSFs resulted in high results where r = .991 and caused multicollinearity issues. It resulted in a tolerance score of .045 with VIF of 22.3 for offshore insourcing. As for offshore outsourcing, the tolerance results were .023 and VIF of 43.9. These cause the coefficients for offshore outsourcing to be greater than 1. The interaction effects of FSFs on RBV core activities show a positive insignificant relationship with offshore insourcing (Table 4.55). Both resulted in insignificant FSFs interaction effects on both core and moderately-core FA activities for offshore insourcing while there exist consistently negative significant interaction effects of FSFs on offshore outsourcing of core FA activities. The positive effects on offshore insourcing show that the presence of FSFs provides a greater opportunity for the insourcing of their strategic value FA activities offshore.

The assessment of the interaction effects of FSFs on TCE and RBV independently did not result in positive significant observations. After the assessment, the analysis of the interaction effects of FSFs on integrated TCE and RBV drivers was conducted. The analysis (Table 4.56) shows that both geographic proximity and the co-habitants with other third party providers are positively and significantly associated with MNCs in offshoring their core activities. This is supported by the results of the interaction effects that FSFs have shown on core FA activities were without the effects of FSF, $\beta = .050, p > .05$ whereas with the interaction effects of FSF, $\beta = .400, p < .01$. This highlights that FSFs have not only increased the effects of core activities on MNCs' offshore insourcing strategy but also reversed the significance of the relationship. On the other hand, FSFs have negative interaction effects on offshore outsourcing of core FA activities. This makes sense as the elements embedded in FSFs incorporated geographic proximity which are important elements for FA activities that require close contact between financial analysts and the business. Usually these types of FA activities are more strategic to the firm. Therefore, this can explain the reason the interaction effects show an inverse relationship with offshore outsourcing.

As geographical proximity has been proven to be a strong driver in affecting firms sourcing (Bunyaratavej et al., 2007; Ellram et al., 2007), the analysis (Table 4.56) also reveals that apart from core FA activities, routine FA activities were also positively and significantly influenced by FSFs for offshore insourcing. Without the interaction effects of FSFs, routine FA activities registered $\beta = -.285, p < .05$. However, with the interaction effects of FSFs, routine FA activities show $\beta = .306, p < .05$. The interaction effects of FSFs reversed the effects of routine FA activities from negative to positive effects. Moreover, when these drivers were integrated, almost all of them have positive associations with offshore insourcing except for management behaviour and non-routine FA activities. It did not posit a positive association with management behaviour probably because these firms were already very well informed of the capability of the resource in the nearby locations

and therefore, the influential power of these FSFs on the trust and confidence of the parent company is limited. On the other hand, the location of third party FA subcontractors means the location has an abundance of skilled talent. This caused the interaction effects to be significant and positive on offshore insourcing of routine FA activities and the inverse for non-routine FA activities because routine FA activities are usually activities that are voluminous and require a lot more resources to be hired. On the other hand, FSFs have no significant interaction effects on offshore outsourcing and all the interaction effects resulted in negative associations. This could be because geographic proximity is only relevant when firms decide on setting up a team internally and to be placed near to the parent company for easier access. Therefore, hypothesis 7b can only be partially supported as FSFs positively and significantly only produce interaction effects on the relationship between core and routine FA activities and offshore insourcing strategy.

Table 4.54 Interaction Effects of Firm-Specific Factors on the Relationship between TCE and MNCs' Offshore Sourcing Strategy

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
Firm Age	.083	.822	.414	.011	.094	.926
Firm Size	-.059	-.600	.550	.108	.909	.378
Decision Maker's Level of Education	-.009	-.085	.933	.280	2.273	.038
Technology	.397	3.761	.000	-.234	-1.840	.086
Talent	.341	3.014	.004	.199	1.463	.164
Management Behaviour	.112	1.144	.257	.066	.558	.585
Routine Activities	-.126	-1.116	.268	.041	.301	.768
Non-Routine Activities	.127	1.352	.181	.031	.273	.789
FSFs	-.082	-.812	.420	.298	2.452	.027

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
FSFs x Technology	.037	.334	.739	.007	.055	.957
FSFs x Talent	.191	1.728	.089	-.036	-.270	.790
FSFs x Management Behaviour	-.083	-.842	.403	-.384	-3.230	.006
FSFs x Routine Activities	.100	.868	.388	-.535	-3.852	.002
FSFs x Non-routine activities	-.029	-.301	.765	-.409	-3.479	.003
R_2 Change	.042**			.358**		

*p<.05; **p<.01

Note: FSFs=[1]Geographic proximity; [2]Location of re-known external finance and accounting service provider

Table 4.55 Interaction Effects of Firm-Specific Factors on the Relationship between RBV and MNCs' Offshore Sourcing Strategy

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
Firm Age	.028	.231	.818	-.143	-.759	.456
Firm Size	.034	.279	.781	.191	1.151	.263
Decision Maker's Level of Education	.052	.453	.652	.435	2.294	.032
Core Activities	.295	2.450	.017	-.349	-1.746	.095
Moderately-core Activities	-.078	-.604	.548	.201	1.092	.287
FSFs	.548	.985	.328	-1.976	-1.614	.121

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
FSFs x Core Activities	.187	1.316	.192	-.679	-2.792	.011
FSFs x Moderately-core Activities	-.681	-1.183	.241	2.529	1.960	.063
R_2 Change	.026			.181*		

*p<.05; **p<.01

Note: FSFs=[1]Geographic proximity; [2]Location of re-known external finance and accounting service provider

Table 4.56 Interaction Effects of Firm-Specific Factors on Relationship between Integrated TCE-RBV and MNCs' Offshore Sourcing Strategy

	Offshore Insourcing			Offshore Outsourcing		
Variable	Standardised Coefficient	t-value	p-value	Standardised Coefficient	t-value	p-value
Firm Age	.049	.473	.638	.124	.615	.556
Firm Size	.093	.857	.395	-.145	-.882	.404
Decision Maker's Level of Education	.005	.049	.961	.136	.735	.483
Technology	.304	2.410	.019	-.238	-.506	.627
Talent	.395	2.706	.009	.731	1.035	.331
Management Behaviour	.161	1.372	.175	.119	.305	.768
Routine Activities	-.285	-2.486	.016	.276	.523	.615
Non-Routine Activities	.207	2.142	.036	.012	.021	.984
Core Activities	.050	.440	.661	-.052	-.074	.943
Moderately-core Activities	.185	1.360	.179	.407	.503	.629
FSFs	.677	1.194	.237	2.902	.663	.663
FSFs x Technology	.031	.254	.801	-.475	-.731	.485
FSFs x Talent	-.020	-.156	.877	-.328	-.439	.672
FSFs x Management Behaviour	-.044	-.399	.691	-.317	-.732	.485
FSFs x Routine Activities	.306	2.542	.014	-.624	-1.417	.194
FSFs x Non-routine activities	.027	.295	.769	-.557	-.919	.385
FSFs x Core Activities	.400	3.583	.001	-.437	-.687	.511
FSFs x Moderately-core Activities	-.873	-1.460	.150	-3.650	-.673	.520
R_2 Change	.136**			.304*		

*p<.05; **p<.01

Note: FSFs=[1]Geographic proximity; [2]Location of re-known external Finance and accounting service providers

4.7.6 Summary of data analyses of location advantages as moderator variables between the drivers and MNCs' FA Strategy

To assess the roles of location advantages in affecting MNCs' offshore sourcing of their FA activities, two different analyses were conducted. First, the investigation of LSFs and FSFs as drivers that affect MNCs' FA offshore sourcing strategy is conducted. The analysis shows similar observations with other researchers such as Massini et al. (2010) and Caniato et al. (2015) where low cost is not the only locational attribute affecting MNCs' Strategy. The analysis reveals that MNCs do not assess location attractiveness from a cost perspective only, rather they assess a portfolio of factors that are important and relevant to effectively manage their FA activities. The portfolio of factors include low costs in other areas other than labour, availability of competent talent, technological infrastructure, co-exist with other internal functions, cultural adaption, and government incentives. However, these observations apply when MNCs decide to insource their FA activities offshore.

Secondly, another important observation shows that not only these location advantages are drivers of the Strategy, they also interact with both TCE and RBV drivers in influencing MNCs to source their strategic value activities offshore. The results reveal that both LSFs and FSFs have shown significant influence in MNCs' insourcing of their core FA activities offshore. In addition, FSFs have strong interaction effects even on offshore insourcing of routine FA activities. This is contrary to the findings of Hatonen and Eriksson (2009) and Mudambi and Venzin (2010) whereby offshore and outsourcing have a twinning effect whereas this study shows that offshore and insourcing can be weaved into an effective sourcing strategy for these MNCs.

The observation that LSFs are strong drivers while both LSFs and FSFs positively and significantly interact with offshore insourcing of core FA activities suggest that

these firms seek direct internal capability enhancement and focus on reaping the highest return on investment of their resources through utilising these location advantages. Through the analysis of each of the location attributes within LSFs, the human capital dimension has a greater effect. These factors may have shown fewer interaction effects on most sourcing drivers probably because these MNCs are not only matured organisations but also firms that have many years of offshoring experience. For example, instead of LSFs significantly influencing the relationship between the drivers and the Strategy, they are more considered as strong drivers in promoting these firms to insource their FA activities offshore. On the other hand, FSFs promote the offshore insourcing of both routine and core FA activities through the strength of geographical proximity. The FSFs embedded factor of the location of third party service providers seems to be a locational attribute for MNCs to insource their routine FA activities offshore because of the availability of highly skilled talent. Through leveraging these location advantages in particular LSFs and their market experience, these firms can invest in their core competence, in this case, their technological knowledge. Hence, similar to the interaction effects between TCE and RBV where technology has enabled these firms to move towards insourcing more core FA activities offshore, these locational attributes also delivered significant interaction effects on the offshore insourcing of core FA activities. The close resemblance of the results of both analyses indicates that these factors can provide the amenity for technological and talent development for these firms.

4.8 Control Variables

The firm's age, size, and decision maker's level of education did not have any significant relationship with the offshore insourcing strategy. Moreover, the firm's size was negatively associated with offshore insourcing intensity. The findings were aligned to the observations made by Erramilli and Rao (1993) where their data analysis showed that high specificity firms would insource their activities offshore

regardless of the firm's size. On the other hand, all of the three control variables have a positive relationship with offshore outsourcing intensity except firm age.

Contrary to the findings of Everaert et al. (2009) where the education level of the CEO or the decision maker had a direct impact on outsourcing strategy of the SMEs' FA activities, in the case of MNCs, where the offshore sourcing strategy is predominantly a corporate objective and not a decision of any single individual, the level of education of the decision maker has an insignificant impact on the Strategy.

4.9 Summary of Findings and Hypotheses Tests

Below summarises the testing of the hypotheses and findings from the analyses in relations to the Research Questions (Table 4.6). Chapter 5 documents the discussion of these findings.

Table 4.6: Summary of data analyses and the testing of hypotheses

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
Research Question 1 What are the independent effects of Transaction Cost Economics and Resource-Based View drivers on MNCs'	**Hypothesis 1:** Offshore insourcing of FA activities is expected to increase with the uncertainty due to technology	Uncertainty due to technology has a positive and significant impact on offshore insourcing strategy. On the contrary, it is negatively associated with	Hypothesis 1 is accepted based on the data findings as shown

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
Finance and Accounting offshore sourcing strategy?	**Insourcing:** Technology has a positive and significant association **Outsourcing:** Technology has a negative association	offshore outsourcing and the relationship is not significant	
	Hypothesis 2: MNCs are expected to increase offshore insourcing FA activities that are low in frequency **Insourcing:** Routine and non-routine FA activities have a positive association. **Outsourcing:** Routine FA activities have a negative association. Non-routine FA activities have a positive association	Process frequency has no significant associations with neither offshore insourcing nor offshore outsourcing. However, both routine and non-routine FA activities were related to offshore insourcing. On the other hand, routine FA activities were negatively associated with offshore outsourcing, and	Hypothesis 2 cannot be accepted based on the data findings as shown

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
		non-routine FA activities were positively related to offshore outsourcing.	
	Hypothesis 3: Offshore insourcing of FA activities is expected to increase with FA talent specificity **Insourcing:** Talent has a positive and significant association **Outsourcing:** Talent also has a positive association	Talent has a positive and significant impact on offshore insourcing strategy. It is also positively related to offshore outsourcing but not a significant relationship	Hypothesis 3 is partially accepted based on the data findings as shown. (talent is also positively associated with offshore outsourcing)
	Hypothesis 4: Offshore insourcing of FA activities is expected to increase with management confidence in the foreign host country talent in performing FA activities **Insourcing:** Management behaviour has a positive association	Management behaviour was found to be positively associated with both strategies.	Hypothesis 4 cannot be accepted based on the data findings as shown

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
	Outsourcing: Management behaviour has a positive association		
	Hypothesis 5a: MNCs are expected to increase the insourcing of FA activities offshore especially those that require unique **Insourcing:** Core and moderately-core FA activities have negative associations **Outsourcing:** Core and moderately-core FA activities have negative associations	Contrary to RBV theorists expectation, unique skills are found to have a negative association to both core and moderately-core FA activities	Hypothesis 5a cannot be accepted based on the data findings as shown
	Hypothesis 5b: MNCs are expected to increase the insourcing of FA activities offshore especially those that require skills that are not easily adaptable **Insourcing:** Core FA activities are positively and significantly associated with skills that are not easily	As predicted, skills that are not easily adaptable was found to be positively and significantly related to the insourcing of core FA activities offshore while it was negatively	Hypothesis 5b is accepted based on the data findings as shown

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
	adaptable. Moderately-core FA activities are negatively associated with skills that are not easily adaptable. **Outsourcing:** Core FA activities are positively associated with skills that are not easily adaptable and moderately- core FA activities are negatively	associated with outsourcing	
	Hypothesis 5c: MNCs are expected to increase the insourcing of FA activities offshore especially those that require skills that are not easily substituted **Insourcing:** Core FA activities are negatively associated with skills that are not easily substituted. Moderately-core FA activities are positively and significantly associated with skills that are not easily substituted. **Outsourcing:** Core FA activities are negatively associated with skills that are not easily substituted	Skills that are not easily substituted was found to be positively and significantly related to the offshore insourcing of moderately-core FA activities. Similarly, it was also positively associated with outsourcing but the relationship was not significant	Hypothesis 5c is partially accepted based on the data findings as shown

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
	and moderately-core FA activities are positively associated with skills that are not easily substituted.		
	Hypothesis 5d: MNCs are expected to increase the insourcing of FA activities offshore, especially those that are high in strategic value **Insourcing:** Core FA activities have positive and significant associations. Moderately-core activities have negative associations. **Outsourcing:** Core FA activities have negative associations and moderately-core activities have positive associations	Core FA activities were found to have a positive and significant relationship with offshore insourcing while moderately-core FA activities have a negative but not significant association. On the contrary, core FA activities were negatively associated with offshore outsourcing, and moderately-core FA activities were positively associated with outsourcing.	Hypothesis 5d is accepted based on the data findings as shown
	Hypothesis 5e: Offshore insourcing of high strategic value FA activities	Both cost satisfaction and quality were	Hypothesis 5e cannot be accepted

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
	is expected to increase FA's organisational performance **Insourcing:** Cost satisfaction for core FA activities have a negative association and moderately-core FA activities have a positive association. Quality improvement requirement for core FA activities have a negative association and moderately-core FA activities have a positive and significant association **Outsourcing:** Cost satisfaction for core FA activities have a positive association and moderately-core FA activities have a negative association. Quality improvement requirement for core FA activities have a positive association and moderately-core FA activities have a negative association	found to have no significant associations with both strategies on core FA activities. It shows there was a negative association between cost satisfaction, quality, and offshore insourcing of core FA activities. Meanwhile, there was a positive and significant association to the requirement of improvement in managing the insourcing of moderately-core FA activities	based on the data findings as shown

Research Question	*Hypotheses testing Results*	*Data Findings*	*Accept/Reject Hypothesis*
Research Question 2 How do the integrated Transaction Cost Economics and Resource-Based View perspective expand the effects of the drivers on MNCs' finance and accounting offshore sourcing strategy?	**Hypothesis 6:** The interaction of technology and strategic FA activities is expected to increase MNCs' offshore insourcing strategy **Insourcing:** Technology has a positive and significant interaction effect on core FA activities and negative effect on moderately-core FA activities **Outsourcing:** Technology has a positive interaction effect on core FA activities and negative effect on moderately-core FA activities	Integrated TCE and RBV drivers revealed that technology, talent, and non-routine FA activities have a positive and significant impact on offshore insourcing. Even though strategic value FA activities did not show significant associations but both core and moderately-core FA activities were positively associated with offshore insourcing The interactive effects of uncertainty due to technology on strategic value activities reveal that technology significantly	Hypothesis 6 is accepted based on the data findings as shown

Research Question	*Hypotheses testing Results*		*Data Findings*	*Accept/Reject Hypothesis*
			influences and encourages MNCs in the insourcing of their core FA activities offshore.	
		Interaction effects on:		
Research Question 3 How do location advantages moderate the effects of Transaction Cost Economics and Resource-Based View perspectives on MNCs' finance and accounting offshore sourcing strategy?	**Hypothesis 7a:** The interaction of location-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy	TCE drivers: **Insourcing:** No significant interaction effects on the drivers **Outsourcing:** No significant interaction effects on the drivers	Location-specific factors are positive and significant drivers in influencing offshore insourcing of FA activities. However, these factors only reveal positive and significant interaction effects on core FA activities. It also demonstrated inverse significant interaction effects between	Hypothesis 7a is partially accepted based on the data findings as shown
		RBV drivers **Insourcing:** No significant interaction effects on the drivers		

Research Question	*Hypotheses testing Results*		*Data Findings*	*Accept/Reject Hypothesis*
		Outsourcing: No significant interaction effects on the drivers	moderately-core activities and insourcing.	
		Integrated TCE-RBV **Insourcing:** Positive and significant effects on core FA activities. Negative and significant effects on moderately-core FA activities **Outsourcing:** No significant interaction effects on the drivers		
	Hypothesis 7b: The interaction of firm-specific factors and the TCE	TCE drivers **Insourcing:** No significant interaction	Firm-specific factors are not significant drivers. On the other hand, they positively and	Hypothesis 7b is partially accepted based on the

Research Question	*Hypotheses testing Results*		*Data Findings*	*Accept/Reject Hypothesis*
	and RBV drivers is expected to increase MNCs' offshore insourcing strategy	effects on the drivers **Outsourcing:** Negative and significant effects on management behaviour, routine, and non-routine FA activities.	significantly moderate the relationship between routine and core FA activities and offshore insourcing strategy Firm-specific factors have negative effects on the outsourcing of routine, non-routine, and core FA activities. It also negatively affects management confidence in offshore outsourcing.	data findings as shown
		RBV drivers **Insourcing:** No significant interaction effects on the drivers **Outsourcing:** Negative and significant effects on core FA activities		
		Integrated TCE-RBV **Insourcing:** Positive and significant effects on core and routine FA activities. **Outsourcing:** No significant		

Research Question	*Hypotheses testing Results*		*Data Findings*	*Accept/Reject Hypothesis*
		interaction effects on the drivers		
	Hypothesis 7c: The interaction of situational-specific factors and the TCE and RBV drivers is expected to increase MNCs' offshore insourcing strategy		Variables within situational-specific factors have been regrouped into location-specific factors and firm-specific factors.	

In the next chapter, the findings from the analyses of the data are discussed to assess the study's three research quest

5: Discussion

5.1 Introduction

This chapter discusses the four relationships established based on the three research questions as depicted in the study's conceptual model as shown below (extracted from Chapter 2, Figure 2.2, page 83). The first relationship relates to research question 1, which discusses the relationship between the drivers from the perspective of TCE and MNCs' offshore sourcing strategy (Link 1, as shown in the study's conceptual model). The second relationship also relates to research question 1 which highlights the relationship between drivers from the perspective of RBV and MNCs' offshore sourcing strategy (Link 2, as shown in the study's conceptual model). The first and second relationships relate to the effects of the drivers on the Strategy by assessing the perspectives of TCE and RBV as an independent approach. The third relationship relates to research question 2, and it assesses the integrated TCE and RBV drivers' effects on MNCs' offshore sourcing strategy (Link 3, as shown in the study's conceptual model). Lastly, research question 3 analysed the fourth relationship, specifically the interaction effects of the location advantages on the relationship between the drivers and MNCs' offshore sourcing strategy (Link 4, as shown in the study's conceptual model). The examination and analyses of these relationships were made possible by analysing and integrating the data obtained from the digital survey of 214 MNCs' FA offshore establishment in Malaysia. The analyses were conducted using regression analysis as the research's main key questions were relating to investigating relationships and associations.

In the following discussion, Part A discusses research questions 1 and 2. The first, second, and third relationships are assessed. All three relationships are regarding the effects of drivers from the perspective of TCE and RBV on the Strategy. Part B discusses the fourth relationship which is the interaction effects of location advantages on the relationship between the drivers and the Strategy. Part C reflects

on the main findings of this research by revisiting the original research hypotheses and considering how the analyses have assisted in developing further understanding in these areas. Throughout the discussions, findings are compared and contrasted to prior observations and also discuss how MNCs can garner greater benefits attained from these findings. This chapter ends by summarising the key findings from the study.

5.2 Part A: The relationship between TCE, RBV drivers and MNCs' Strategy

5.2.1 Research Question 1, First relationship –Effects of TCE on the Strategy

This part of the discussion relates to the study's findings in relation to research question 1 – "What are the independent effects of Transaction Cost Economics and Resource-based View drivers on MNCs' finance and accounting offshore sourcing strategy?"

Research question 1 examines independent TCE and RBV effects on the Strategy. First, the relationship between TCE uncertainty due to technology, FA process frequency, human asset specificity (talent), uncertainty due to management behaviour, and MNCs' offshore sourcing strategy are analysed.

Uncertainty due to technology is positively and significantly associated with the insourcing of FA offshore but negatively relates to the outsourcing of FA, aligned with the expectations of Hypothesis 1. As it is the strongest positive and significant coefficient, the analysis reveals the shifting of the prominent driver from asset specificity (as observed in previous research such as McIvor, 2009 and Gulbrandsen et al., 2009) to the uncertainty due to technology in affecting MNCs' FA offshore insourcing strategy.

Both routine and non-routine FA activities are positively associated with offshore insourcing strategy but the relationships are not significant. As for the outsourcing of

FA offshore, routine FA activities show a positive relationship and non-routine FA activities show a negative relationship. Even though the expectation that non-routine FA activities have a positive relationship with offshore insourcing as shown in Hypothesis 2, it did not result in a significant association, thereby highlighting that in this era of advanced technological development, high level of transactions did not equate to a high level of transaction costs. On the other hand, technology has enabled the shifting of the cost structure. The ability to simplify and standardise the voluminous FA activities cause transaction costs to be reduced when the number of transaction increases. Hence, as observed in this study, FA process frequency have very minimal effects on the Strategy, contrary to the observations made by Everaert et al. (2009).

As expected in Hypothesis 3, talent is positively and significantly associated with the insourcing of FA offshore. However, the analysis also revealed a reverse relationship, contradicting previous studies such as Kamyabi et al. (2011) and Christensen et al. (2016) but mirrored the observations of Aubert et al. (2004), that is, talent is also shown to be positively associated with the outsourcing of FA activities offshore. This provides another perspective for both theory and practice where these MNCs revealed that they are not concerned in sharing the knowledge of managing the FA activities with third party professional outsourcers. The ultimate goal is to seek the best alternative in delivering accurate management of the FA activities without risking the firms' competitive advantage.

Lastly, even though the uncertainty due to management behaviour is positively associated with the offshore insourcing of FA as expected in Hypothesis 4, the analysis also revealed contradictory observations. The uncertainty due to management behaviour is also positively associated with the outsourcing of FA offshore. However, both associations were not significant. Even though these

associations did not result in significant associations, the positive association which is indifferent to whether the firms insource or outsource offshore shows that management support and belief in the resources in emerging countries is an antecedent to a successful offshore Strategy.

Based on these observations, there is a sufficient basis to believe the existence of the following relationships. First, according to this study, MNCs generally favour the insourcing of their FA activities offshore when the uncertainty due to technology is high and also when human asset specificity increases. The current wave of globalisation is characterised as an era of intense technological advancement. Therefore, as these MNCs took on the discreet decision in internally investing their FA process innovations and move towards digital FA solutions is an indication of their commitment and confidence to drive their FA competitive advantage through insourcing their FA activities offshore.

In situations characterised by high levels of technological uncertainty, the data suggest these firms increase their human asset specificity to support the required progression in financial technology by closely adapting the skills required to manage the FA activities to the innovated systems, FA software, and work process. Hence, this confirms that there is a high degree of closeness between the continuous development in FA innovations and the increased development of related skills. This is critical because if the required skills are not aligned with their innovated processes, there will be a challenge of skills gaps in the future. The skills gap issue is not a myth as Kearney's 2018 Global Location Index reported that in the last ten years, standardisation efforts on transactional, routine FA activities have caused substantial job losses as these efforts have enabled these FA processes to be simplified and eradicate the requirement of human efforts. Given the coming of extreme FA digital solutions, the sound decisions that these firms need to embark on is to reengineer and reskills their internal resources aligned to the changes of both processes and

talent because automation will soon overtake more complex activities. The conflicting positive link between talent and offshore outsourcing suggests that in situations where FA skills are scarce, these firms opted to outsource their FA activities offshore. On the other hand, the positive link between asset specificity and offshore outsourcing shows that FA knowledge, though it can be highly specific, it cannot be "unlearned" (Aubert et al., 2004). Moreover, knowledge can also be obsoleted once the FA architecture or technology changes. Therefore, this suggests that if firms find that it is not cost-effective to increase the specificity of these talents, they probably will outsource the FA activities offshore, similar to the observations of Eldenburg et al. (2019). This inverse finding serves as a reminder for MNCs to continuously reassess their sourcing model, compare their capabilities with other firms, and be flexible with the required characteristics of their FA offshore sourcing portfolio.

Even though the process frequency of FA activities in the form of transaction volume did not result in any significant associations with both offshore insourcing and outsourcing, the study shows that for these firms, both routine and non-routine FA activities are likely to be insourced offshore while routine FA activities are not likely to be outsourced offshore. Such observations are contrary to the recommendations as observed by researchers such as Ellram et al. (2008) that firms were more likely to outsource larger volume activities offshore as compared to small volume activities due to the differential in transaction costs. While TCE suggests that outsourcing is ideal when the number of transactions increases, these MNCs demonstrate that through the advancement in technology, they were able to optimise transaction costs through the simplification and standardisation of large volume activities, resulting in more economic management costs. Therefore, as observed, these firms were less likely to outsource their routine FA activities offshore internally as they can manage these FA activities more effectively from both costs and efficiency perspective. This

suggests that in the future, with acute development in technology, process frequency would no longer have any effects on the selection of activities to source offshore.

As TCE pays attention to opportunism, this study creates additional opportunities to assess uncertainty due to management behaviour as a substantial opportunism factor. This study shows that management behaviour is crucial to the decision on both offshore insourcing and outsourcing. Even though TCE has been criticised for the assumption of opportunism, in this study, it shows that these firms have curbed internal opportunism by establishing higher management confidence on the local resources at the pre-sourcing stage. It also revealed that the trust and confidence that the parent company has on the local talent remains unaffected whether the firm increases or decreases the intensity of both offshore insourcing and outsourcing. Therefore, this creates opportunities for more research on the effects of management behaviour on pre-sourcing decisions.

The findings of the relationship between TCE and MNCs' offshore sourcing strategy reveal that the decision to increase the offshore insourcing of the FA activities is highly related to the investment of technological innovations of the FA systems and resources. These firms have demonstrated that the operating implications and success of the FA support involves the preservation of their invested resources and knowledge in performing the work. Meanwhile, the knowledge in performing the work evolves with the progress of innovations and improvements of the internal systems and processes. Financial analysts and accountants learn by doing the work, enabling their knowledge to evolve with the innovations. Therefore, this type of learning is very difficult to imitate or substitute because it is considered as tacit knowledge and is very high in specificity. Hence, at the strategic level, these MNCs are cautious about losing this tacit knowledge because it is such an asset for a breakthrough into greater FA innovations and improvements. Therefore, the study shows that these MNCs prioritised their technological investment that is aligned with their internal skills development. Furthermore, the ultimate plan is to capitalise on the investment in

developing the relevant offshore sourcing advantages such as the sustenance of competitive advantage and the development of core competencies. This is critical as such core competencies cannot be acquired externally instantly as these capabilities need time to develop and reengineer according to the new and revised financial architecture of the firms.

5.2.2 Research Question 1, Second relationship –Effects of RBV on the Strategy

This part of the discussion relates to the study's findings answering research question 1 – "What are the independent effects of Transaction Cost Economics and Resource-based view drivers on MNCs' finance and accounting offshore sourcing strategy?"

This part of the discussion pertains to the effects of RBV strategic value activities on MNCs' FA offshore sourcing strategy.

Even though MNCs were predicted to increase the offshore insourcing of FA activities that require unique skills (Hypothesis 5a), findings revealed that FA skills are not unique. Furthermore, both core and moderately-core FA activities share negative associations in regards to their ability in crafting unique internal capabilities. This was observed for both offshore insourcing and outsourcing strategies. The analysis shows the FA skills that can be acquired through tertiary education are not unique skills, rather, these are explicit knowledge (Grant, 1996).

On the other hand, Hypothesis 5b can be accepted as MNCs are expected to increase the offshore insourcing of FA activities that require skills that are not easily adaptable. The offshore insourcing of core FA activities is positively and significantly associated with capabilities or skills that are not easily adaptable. FA knowledge that is developed in accordance with the company's culture and financial architecture are

considered skills that have been adapted to the requirement of the firms. These are explicit FA knowledge (Grant, 1996) that have been developed and adapted which are also considered tacit FA knowledge (Grant, 1996; Ellram et al., 2008). On the other hand, association of skills that are not easily adaptable with offshore outsourcing was not significant.

Lastly, MNCs are expected to increase the offshore insourcing of FA activities that require skills that are not easily substituted (Hypothesis 5c). The offshore insourcing of moderately-core FA activities is positively and significantly associated with capabilities that are not easily substituted. Skills to manage moderately-core FA activities do not require intense adaptations of the required knowledge, however, these related skills also require time and resources to develop. Therefore, losing the talent and replacing them will cause interruptions to the ongoing operations. Meanwhile, the association of skills that are not easily substituted with offshore outsourcing was not significant.

Hypothesis 5d predicts that MNCs are expected to increase the offshore insourcing of FA activities that are high in strategic value. Results showed that core FA activities are positively and significantly associated with offshore insourcing. On the contrary, it is negatively associated with offshore outsourcing but the association was not significant. This is important as core FA activities usually require some level of knowledge specificity and are viewed as critical. Such knowledge cannot be discounted and need to be protected by internally managing these FA activities.

Finally, Hypothesis 5e predicts that the offshore insourcing of high strategic value FA activities is expected to increase FA organisational performance. However, the results showed that cost satisfaction is negatively associated with core FA activities and the performance of the core FA activities require much improvement in quality. While cost was also perceived as the main driver of the Strategy, the findings show

that the pursuit of cost satisfaction becomes secondary as it will be quickly overcome by performance and quality (Ellram et al., 2008).

The above analyses (Hypotheses 5a-5e) relate to research question 1 that examines the relationship between strategic value FA activities and MNCs' FA offshore sourcing strategy. Accordingly, core FA activities are positively and significantly associated with offshore insourcing strategy, and moderately-core FA activities are negatively associated with offshore insourcing strategy. Both core and moderately-core FA activities showed an inverse relationship with offshore outsourcing strategy. Core FA activities are negatively associated with offshore outsourcing and moderately-core FA activities are positively associated with offshore outsourcing.

The findings reveal that MNCs have a high passion for insourcing their core FA activities offshore. Core FA activities are highly strategic as FA leaders considered these activities as important activities. The study shows that core FA activities are activities that possess the internal capability that is not easily adapted elsewhere. Therefore, similar to the observations of TCE human asset specificity, a transaction-specific asset is an important determinant for these firms to insource their FA offshore. Core FA activities are supported with skills that have been adapted to the internal financial architecture and are not easily redeployable. This is also testified by the inverse relationship between core FA activities and offshore outsourcing revealing that MNCs would not outsource their core FA activities offshore unless they do not have any options. On the other hand, this research suggests that MNCs' FA can outsource their moderately-core FA activities offshore and align these activities to internal capabilities that are not easily substituted. In other words, in situations where they are not able to recruit the right skilled talent, they would be willing to outsource these FA activities offshore.

The comparison of the effects of FA process frequency (TCE) and FA strategic value (RBV) in the framework provided new and valuable knowledge on the effects of strategic value FA activities on the selection of the type of FA activities to source offshore. Accordingly, the study shows while FA process frequency is positively related to offshore insourcing, the insignificant associations revealed that these constructs are not the main criteria in deciding what FA activities should be sourced. Between process frequency and strategic value activities, the study shows that these firms select to place more emphasis on the level of importance of their FA activities as compared to how frequently these FA activities are performed. This research has enabled the classification of the FA activities into core and moderately-core FA activities. The study shows that moderately-core FA activities tend to be more offshored as compared to core FA activities. Similarly, at present, moderately-core FA activities were more insourced offshore as compared to core FA activities as it constitutes fewer core competences. Moreover, the study highlights that there was a big difference between the intensity to outsource moderately-core FA activities as compared to the outsourcing of core FA activities offshore (57% versus 20%). This large gap was not visible in the case of offshore insourcing (73% versus 71%). This indicates that by assessing the strategic value of the activities, these firms were more willing to outsource their less strategic activities offshore but when offshore insourcing is concerned, they did not show such high protection on their more strategic activities. In other words, these MNCs were more willing to outsource their FA activities offshore especially ones that they are more familiar with while keeping the complex and important ones insourced. Therefore, the high strategic value FA activities are not only high in complexity but they are also seen as having greater perceived value as these activities require an intimate understanding of how these firms operate internally. The study confirms that there is a very close relationship between the core FA activities and skills that are adapted to the firms' internal processes and culture. According to the study, these highly strategic FA activities are worth keeping internally.

RBV theorists affirm that for strategic value activities to have a competitive advantage, it must possess unique internal capabilities, not easily adaptable and substituted. However, this study shows that FA skills are considered explicit skills and they do not need to be unique. Accordingly, these firms believe the potential of the internal capabilities varies according to the strategic value of the FA activities. The study shows that for highly strategic activities, the skills that the firm develops are adapted to the financial architecture and analytical requirements of the firms. They believe these skills are not easily replicated elsewhere. On the other hand, for moderately-core FA activities, these firms were more concerned about skills substitutions. As the skills required to perform the FA work become more specific when the firms customise their systems internally, finding alternatives or resources replacements become more complex. In many instances, even if the firms can choose to transfer some of these moderately-core FA activities to others to perform, losing the related tacit knowledge complicates the transfer process. As it becomes more difficult to replace these resources due to the increased transaction costs, these firms prefer to insource their activities offshore.

The relationship between strategic value activities and FA organisational performance is non-conclusive as the analyses show core FA activities did not improve cost satisfaction through offshore insourcing while even though the association was positive for offshore outsourcing, the relationship was not significant. On the other hand, moderately-core FA activities have a positive association with cost satisfaction for offshore insourcing and negative association with offshore outsourcing. In terms of the requirement for quality improvement, moderately-core FA activities have a positive and significant association with offshore insourcing. Such observation could be inferred as these MNCs have materialised more cost optimisation from offshore insourcing the moderately-core FA activities and hence, they are more willing to undertake a continuous improvement of the existing moderately-core FA processes. On the other hand,

referring to the observation of Poppo and Zenger (1988), when firms find difficulty in measuring the performance of their activities, they would regard insourcing as an easier solution as compared to outsourcing, as insourcing allows the capacity for internal management intervention. This indicates that the greater degree the uncertainty to measure the activities' performance, the greater the reliance on insourcing. This observation by Poppo and Zenger (1988) applies specifically to the core FA activities because the opportunity to measure their contributions to the firms' performance only arises when these firms can capitalise on the innovations of their core FA processes activities. Such behaviour is synonymous with firms' response to environmental uncertainty.

This study shows by comparing the independent effects of TCE and RBV, there is a close relationship between the findings from TCE and RBV. This study reveals that to effectively manage their offshore sourcing strategy, these MNCs need to have a broad understanding of the overall organisational technological investment plans and internal capabilities. This is important as when these FA activities are locked into a type of sourcing strategy, such as offshore insourcing, the internal capabilities such as skills that are not easily adaptable and substituted need to be aligned to the innovated technologies. These highly customised related skills are the FA core competencies that are difficult to be implemented elsewhere. Hence, technologies caused the customisation of skills, which in turn increases their specificity. Therefore, it will be very costly for these firms to switch their Strategy as they will need to release and share these highly specific skills with third party providers. As the independent effects of TCE and RBV are closely linked, the following section further details and discusses how integrated TCE and RBV increased the understanding of MNCs' Strategy.

5.2.3 Research Question 2, Third relationship -Effects of integrated TCE and RBV on the Strategy

As discussed above, both TCE and RBV independently affect MNCs' offshore sourcing strategy. This part of the study aims to analyse research question 2- "How do an integrated Transaction Cost Economics and Resource-Based View perspectives expand the effects of the drivers on MNCs' finance and accounting offshore sourcing strategy?"

The analyses reveal two separate observations:

1. Integrated TCE-RBV drivers reveal that TCE drivers or cost economics drivers have more dominant effects on MNCs' FA Strategy. The uncertainty due to technology, asset specificity (talent), and non-routine FA activities positively and significantly affect MNCs' decisions to insource their FA activities offshore. RBV strategic value did not show significant associations when integrated with TCE drivers in one single test model.
2. Interaction effects between TCE and RBV were observed when the uncertainty due to technology was tested as the moderator variable. The analysis indicates that the uncertainty due to technology positively and significantly affects MNCs to insource their core FA activities offshore. This suggests that the development in FA technology is an antecedent for MNCs to move their Strategy to another level.

When TCE and RBV drivers are integrated into one single test model, the findings revealed that MNCs placed more value on the benefits of transaction cost as compared to strategic value. Even though past research on combined TCE and RBV effects on the Strategy (Yuan et al., 2019; Neves et al., 2014; Kamyabi et al., 2011;

Gulbrandsen et al., 2009) revealed that competencies are critical drivers as compared to cost economics drivers, this study mirrors the observations by Eldenburg et al. (2019) where transaction costs arising from uncertainty due to technology superseded the development of internal capabilities in affecting manufacturing firm's Strategy decision. This shows that to these MNCs, the foremost objective for FA Strategy is to secure the benefits of optimising the cost of economic drivers. After which the firm will capitalise on the benefits derived from these cost economic drivers to sustain and increase their competitive advantage, which is as observed in this study, the increase in capabilities in offshore insourcing more core and complex FA activities. In other words, MNCs are trading off short term gains with long term investment of FA technology to take their Strategy to a higher level. This observation is revealed in the findings of the interaction effects between TCE and RBV drivers in affecting the Strategy and is discussed as follows.

For many of these MNCs, the decision to insource FA activities offshore is a very critical managerial decision and such a decision is part of their corporate objectives. The offshore sourcing of strategic FA activities is a very strategic managerial decision as it is usually difficult to reverse and if managed correctly, it can develop long term competitive advantage to the FA organisations. There is enough evidence to show at the present time, the offshore insourcing of core FA activities is less conducted compared to moderately-core FA activities. However, the study shows with the aggressive development of technological innovations, firms believe the offshore insourcing of core FA activities will be increased to sustain longer term efficiencies. The interaction effects between the uncertainty due to technology and core FA activities can be viewed as an indication that it is productive to link organisational investment factors to the analysis of MNCs' global sourcing in achieving continuous competitive advantage. Moreover, the limitation of not having adequate skills to perform the core FA activities seems to be critical to extend the understanding of MNCs' offshore insourcing of their more strategic activities.

The findings meet the research needs as the analyses show that while the theories were able to provide meaningful effects on the Strategy independently, both perspectives also turn out to be complementary and synergistic in explaining offshore insourcing. This outcome is consistent with the findings of Santos and Eisenhardt (2005) and Gulbrandsen et al. (2009). The positive effects of the uncertainty due to technology on offshore insourcing and negative effects on offshore outsourcing extend previous studies that examined similar factors such as Everaert et al. (2009) and Kamyabi et al. (2011). It is observed that these firms were willing to invest in FA work and processes innovations, systems, and software to stay ahead of their competitors. The actions of these firms were aligned with TCE's proposition that under the uncertain technological situation, firms prefer to insource their activities offshore, believing that they can support their activities more effectively than third party providers (Ellram et al., 2008). Their desire to be in full control of their invested resources did not diminish even though there were mixed reactions from their competitors in regard to the coming of extreme technological advancement (Deloitte, 2018). Contradictory to most research where TCE was examined to support outsourcing, this study shows that when the market fails, these firms took on the opportunistic approach to insource activities offshore. This can be explained by the following. First, when uncertainty arises due to the aggressive development in technology, these firms found the opportunity to capitalise on their core competence which is technology to enhance the FA processes to optimise incremental costs and efficiency. Second, while according to TCE, it is expected that professional third party outsourcers may behave opportunistically by assisting these firms to enhance FA innovations, these firms seem to have more confidence in managing the innovations internally. This probably reflects their aspirations to have full control of their FA management. These observations indicate that uncertainty in the technology space is the primary antecedent to these firms' decisions to intensify the offshore insourcing of their core FA activities.

The study also reveals that the MNCs surveyed were very confident in confronting the uncertainty due to technology by investing head-on in digital FA solutions, and in turn, promote the acute development of the required changes in FA skills. This then raises the human asset specificity, which forms a stronger relationship between the changes in the way FA work is conducted and the requirement of the increase in talent. As technology changes the FA work in terms of the introduction of a digital solution in the form of new software and systems implementations and the creation of innovative ways in managing the support of FA activities, the development of the required skills become more specific to the changes conducted within the financial architecture. The protective behaviour demonstrated by these firms in regards to FA skills that have been adapted to the requirements of the firms, particularly in supporting the core FA activities highlight that skills and knowledge that are associated with more complex and core FA activities determine which FA activities should be insourced to offshore locations. These learn-by-doing acquired skills (Ellram et al., 2008) are considered as intellectual property of these firms and contribute to the long term competitive advantage of the FA function.

Additionally, TCE and RBV turn out to be synergistic in their ability to explain the increase in the offshore insourcing strategy, as suggested by Gulbrandsen et al. (2009). The positive and significant effects between uncertainty due to technology and core FA activities on offshore insourcing are critical and the empirical support augments the relevance of combining the two perspectives. While TCE places a priority on a firm's boundaries, the high transaction costs arising from investment in technology and the high asset specificity of FA skills developed as a result of technology-related advancement did not deter these firms from internalising their activities. Yet, the interaction effects between technology and strategic value activities increased the likelihood of further insourcing the FA activities offshore. Even though TCE has been argued as paying very little attention to the firm's existing competence and resource base, the interaction effects indicate that they were

capable to overcome market uncertainty, and even with higher transaction costs, they were able to create competitive solutions. Their desire to own and be in control of their invested resources are strong. This could be evidence that this interaction effects increase the transaction costs differences between offshore insourcing and offshore outsourcing of their core FA activities and confirms the observation by Erramilli and Rao (1993) that the selection of insourcing and outsourcing strategy in any given situation is affected by the comparative transaction costs. Therefore, the intensity to insource these core FA activities offshore is prevalent and viewed to be more efficient when the uncertainty due to technology is high while organisation failure in containing this disruptive development is low. The combined effects of both TCE and RBV perspectives broaden the theoretical understanding of MNCs' offshore insourcing strategy. The synergistic relationship between technology and core FA activities shows a breakthrough in offshore insourcing of the more complex and difficult activities which in return, result in greater cost optimisation for the firms in the long run.

This study contributes to the global sourcing literature by revealing the relevance of these drivers in affecting the Strategy from the perspectives of TCE, RBV, and extends the effects on the Strategy by integrating and interacting with the combined theoretical views. From a strategic perspective, MNCs consider factors that develop internal capabilities that are not easily adaptable, and this strategic objective is enhanced by the firm's investment into the continuous development of their FA work innovations. The research also suggests MNCs can outsource these FA activities offshore, especially the ones that do not generate these internal capabilities that are adapted to their internal systems. The study shows that the philosophy behind why these MNCs insource their strategic value activities to offshore locations is not only cost reduction but more importantly, the Strategy supports the notion that the offshore insourcing of the FA activities is determined by the value they generate for the firm's competitive advantage. In this instance, that support is shown by the

capitalisation on the firms' technology in developing the right FA capabilities to manage more complex FA activities and hence, able to increase the intensity of offshore insourcing of more complex activities. This, in turn will result in long term gains for the firms from a cost reduction and sustenance of competitive perspectives.

In addition, the data analyses show that for MNCs to compete continuously in forging more offshore insourcing of their strategic FA activities, acute technology advancement is key. This research has contributed to the need for more research on the development of internal capabilities that are related to these strategic activities as technological progress is capable of creating complex and unique skills. If the development of skills does not go hand-in-hand with technological innovations, there will be an internal skills gap. Therefore, the re-skilling and up-skilling is indeed the new game during this disruptive technological environment.

This study also revealed that apart from TCE, RBV also places significance on opportunism. The interaction effects indicate that the firms have acted opportunistically by detecting the required development in skills that are aligned to the innovations of system, software, and processes. By combining new technologies and newly developed skills, firms can achieve greater competitive advantage through increasing the offshore insourcing of highly strategic FA activities. This study supports the argument that TCE and RBV theory both contribute to explaining MNCs' FA Strategy as both theories extend the benefit of MNCs' FA offshore insourcing strategy.

5.3 Part B: Research Question 3, Fourth relationship

-Location advantages as moderator variables between the drivers and the Strategy

This part of the discussion relates to the study's findings concerning research question 3 – "How do location advantages moderate the effects of Transaction Cost Economics and Resource-Based View perspectives on MNCs' finance and accounting offshore sourcing strategy?"

The factors within location advantages were regrouped into location-specific factors (LSFs) and firm-specific factors (FSFs). Analyses revealed that LSFs positively affect MNCs to insource their FA activities offshore. These factors proved that they played the role of drivers in affecting the offshore insourcing strategy. These LSFs were positively and significantly associated with offshore insourcing while on the contrary, these factors were negatively associated with offshore outsourcing. Even though the association with the offshore outsourcing strategy was not significant, the inverse relationship shows that these firms decrease their offshore outsourcing strategy when the LSFs increase. Moreover, this suggests that factors that are related to human capital considerations are the determinants of location attractiveness to these MNCs' offshore insourcing strategy. The testing of Hypothesis 7a showed that LSFs have no significant interaction effects when tested on TCE and RBV drivers independently. This was confirmed because the interaction term was not statistically significant nor the coefficients possess the predicted sign for all the variables. However, when the testing was done on integrated TCE and RBV drivers as a single model, LSFs were confirmed to have positive significant effects on increasing the offshore insourcing of core FA activities. Also, it shows negative significant interaction effects on offshore insourcing of moderately-core FA activities.

Other observations included that the interaction effects between LSFs and uncertainty due to technology, routine activities, and core activities resulted in a positive association with offshore insourcing. The remaining variables such as talent, management behaviour, non-routine and moderately-core activities resulted in negative effects on offshore insourcing. This suggests that these inverse relationships between offshore insourcing and talent, management behaviour, non-routine and moderately-core activities were strengthened with increasing values of LSFs. These observations are aligned with what was argued earlier on the importance of uncertainty due to technology as compared to the availability of talent. Technology, the core competence of these firms, surpassed human asset specificity as the determinant of their offshore insourcing strategy. Moreover, technology was also the strong moderator variable in affecting these firms to increase the offshore insourcing of their core FA activities. The results of the analysis of the interaction effects between LSFs and the drivers revealed that only the interaction effects with core FA activities were positive and significant. The negative interaction effects on uncertainty due to management behaviour is another indication that the locational factors are not the justification in increasing the confidence of the parent company to source their FA in a foreign environment. The trust has already been established and built by the offshore experience of other internal functions.

As hypothesised, LSFs have positive significant interaction effects on the offshore insourcing of core FA activities, whereas it has negative effects on moderately-core FA activities. The availability of competent talent and right skills, lower costs beyond labour and government incentives strengthened the willingness of these MNCs to insource more complex and fundamental FA activities offshore, as aligned with the observation of Caniato et al. (2014) where similar locational factors were observed to have strengthened the effects of sourcing strategic performance.

On the other hand, the FSFs were not the main drivers that attract these MNCs to either insource or outsource offshore as the analysis resulted in negative and insignificant relationships. However, they showed positive interaction effects in influencing the relationship between the drivers and the Strategy. The analyses revealed that when the strategic views of both TCE and RBV are combined, the FSFs positively moderate these firms to insource their core and routine FA activities offshore as the interaction term between FSFs, routine, and core FA activities were positive and significant for offshore insourcing. Meanwhile, the interaction effects between FSFs and talent, uncertainty due to management behaviour, and moderately-core FA activities were negative and insignificant for offshore insourcing. The existence of a synergistic relationship between FSFs, routine, and core FA activities suggest that geographic distance that could facilitate better operational coordination in addition to the considerations of the locations of majority third party providers encourage these firms in their decision to insource routine and core FA activities offshore.

Offshoring has always been linked to seeking labour arbitrage. In more recent times, it is closely associated as a resource seeking strategy. This study contributes theoretically by showing evidence of what determines location attractiveness for these MNCs and how these factors strengthen the effects of the drivers on the Strategy. Based on the analyses of this study, lower labour costs were not the ultimate benefit that these firms were seeking. Dictating labour costs savings as the sole motive is considered a generalisation of the study of location attractiveness. These observations were also prevalent in the studies conducted by Ellram et al. (2008) and Mudambi and Venzin (2010). The analyses confirmed that other cost reductions and not specifically cost savings arising from labour arbitrage was the most important determinant to offshore insourcing, an observation that slightly differs from the observations by Jensen and Pederson (2011) which maintained the ultimate importance of labour costs reductions.

Also, this study showed evidence that other important factors such as the availability of technical skills and competencies as well as government incentives influence MNCs to insource their FA offshore. On the other hand, the analyses showed that these MNCs were also keen to outsource their activities offshore and the important factors were the availability of technical competence in the offshore locations. Relating these observations to TCE and RBV analyses, it can be confirmed that these MNCs' desire in obtaining and developing competencies is of the highest priority. Accordingly, the drivers that had motivated them to perform their FA activities in emerging countries are their desire in pursuing technological development while replicating their desired skills that need to be adapted to the companies' culture and way of doing business. Hence, the location drivers of the best combination of cost savings, as well as the availability of competent talent, strengthen their desire to insource their FA in the related country. This observation aligns with Manning (2016) and Lahiri (2016) that advocated the recent shift in the ability to source more complex activities offshore is a result of host countries' ability in providing dynamic capabilities and exclusive skillsets. In other words, such locational factors help strengthen their desire to own and be in control of their invested resources. The controlling effects in this situation relate to the continuous development of their core competence which is their pursuit of technological advancement. The complexity of their desire in performing a trade-off of their labour arbitrage to efficiencies seeking derived from systems and process innovation is evidence of their desire in securing a long term strategic performance footprint. As cost savings are found to be not solely associated with the Strategy, it is possible that these firms internally reinvest or plough back the savings derived from lower labour costs into enhancing their processes and skills development, enriching their core competences.

Another contribution to the literature is that the analyses highlight how the firms measure the performance of the offshore sourcing strategy by putting priority into factors that relate to both operational and strategic performance. According to Choi

et al. (2018) and Caniato et al. (2014) operational performance factors consist of factors where efficiencies are derived from costs, time, and quality of the FA activities offshored. Meanwhile, strategic performance factors are host location-specific factors such as cultural and linguistic specificity. Prior observations show that offshore strategy is a trade-off of competing factors where researchers believe that these firms seek the combinations of costs and maximisation of performing the activities (Graf & Mudambi, 2005). However, based on this study, it is revealed that the offshore sourcing strategy goes beyond costs and work performance as these firms capitalised on location advantages such as technical competence, government incentives, and IT infrastructure to strongly motivate and encourage the internal development of their technical innovations. Therefore, in contrast to previous observations, the offshoring trade-off strategy was reflected in the reinvestment of potential cost differences into the improvements of their internal FA work requirement.

The observations from combining the analyses of TCE, RBV, and location advantages reveal that MNCs insource their FA to emerging countries not so much to save labour costs but to acquire other costs efficiencies and to deepen the development of their global FA skills and knowledge, in particular, the competencies that relate to their invested technological innovations and internal culture. The motive of having a mixture of operational and strategic gains show that MNCs were very keen to replicate their FA knowledge in addition to gaining costs optimisation and access to technical competencies. The interaction effects of FSFs on offshore insourcing of core and routine FA activities provide a further understanding that these MNCs are also influenced by geographical proximity which explains the reason certain MNCs have aggressively conducted nearshoring of their FA activities. Nearshoring strategy refers to the offshoring of their FA to neighbouring countries. For example, for American companies, due to the influence of geographic proximity, they will be keen to insource their activities offshore, such as Latin American

countries. On the other hand, these MNCs have shown a desire to outsource their less strategic activities offshore but have put equal priority into accessing competent talent in the offshored location. None of the factors within the location advantages have shown significant effects nor interaction effects on offshore outsourcing as it is believed that these MNCs would put the locational assessment onto third party providers and expect that they would provide the right and relevant environment as well as the rightfully skilled competences.

Given the direct effects of these location advantages in affecting the offshore insourcing strategy, firms are reminded that the importance of short term costs savings could be a direct impact of the locational provision of lower costs labour. However, to attain longer term competitiveness, lower costs need to result from the improvement the firm makes in its FA processes and systems efficiencies. Moreover, to improve the performance and quality of its FA activities, the firm needs to access the resources, infrastructure, and government incentives, and work on capitalising these locational provisions in developing the available competent talent and expertise in providing FA support efficiencies and quality for the longer term. As confirmed by Caniato et al. (2014), offshore insourcing provides the opportunity to create a sustainable competitive advantage by the ability to own and control the developed resources. This study reveals these locational factors indeed encouraged these firms in pursuing technological development and subsequently have aspirations in further offshore insourcing their more complex and core activities.

The study shows that firms need to be aware that combining lower-skilled labour and talent availability provides new opportunities for these firms to not only replicate required skills but also create new ones that can take on other new activities. New activities can be in the form of FA activities that have not been offshored or it can be activities of other internal functions such as logistics, supply chain, marketing, and

procurement, and other horizontal integration of functions. This type of initiative not only unites the backend functions, but it will also optimise the required resources which will lead to a longer term competitive advantage.

On the other hand, firms can also take into consideration the importance of geographic proximity as based on the analyses, these firms find opportunities and benefits in offshore insourcing their FA activities in neighbouring countries. A possible explanation could be that the firm puts a priority on reduced travel time, easier access to deliver training initiatives, and the ability to meet the offshored team if the activities supported required face time efforts. The negative LSFs' and FSFs' effects on TCE and RBV drivers on offshore outsourcing show these firms do not need to consider any of these factors when they decide to outsource activities offshore, as these are prerogatives of the third party professional supplier.

5.4 Part C: Summary of Key Findings

These results show uncertainty due to technology (TCE), asset specificity as in talent (TCE) and core FA activities (RBV) are positively associated with the FA offshore insourcing strategy. Therefore, Hypothesis 1, Hypothesis 3, Hypothesis 5b, Hypothesis 5d and Hypothesis 6 are supported or partially supported as the results show these drivers positively and significantly affect these firms in increasing the offshore insourcing of their FA activities. Meanwhile, Hypothesis 7a and Hypothesis 7b can only be partially accepted as these groups of location advantages have shown positive and significant interaction effects on routine FA activities (TCE) and core FA activities (RBV) in affecting MNCs to offshore insource their FA activities. However the effects on offshore outsourcing were not conclusive.

These results extend the understanding regarding the relationship between the drivers from the perspectives of TCE, RBV and location advantages and MNCs FA offshore sourcing strategy as follows:

5.4.1. Key Findings from analysing the effects of the drivers on the Strategy-Independent TCE and RBV perspectives

First, from the perspectives of TCE, the uncertainty due to technology and talent as in asset specificity are positive and significant drivers. The effects of uncertainty due to technology on the Strategy from the perspectives of TCE revealed that MNCs aspire to invest in their core competence which according to these surveyed MNCs, is their technology development. In the quest to continuously upgrade their FA technological advancement, they grow and develop FA skills and knowledge aligned with their internal development, hence, increase the specificity of their FA talent. Therefore, from the perspectives of TCE, these MNCs are interested to continue to own and be in control of their invested FA resources which is their technology and talent.

Second, the conflicting positive link between talent (asset specificity) and offshore outsourcing of FA suggests that in a situation where FA skills are scarce, these firms opted to offshore outsource their FA activities. These findings completely debunk TCE's traditional belief that firms would only be interested to internally manage their highly specific activities. This shows that even though MNCs aspire to own and be in control of their talent, they are also willing to partner with third party professionals in managing their FA activities when technical competencies are scarce and lacking in the host locations. On the other hand, it also suggests when the costs of developing such specific skills become unaffordable (Eldenburg et al., 2019), MNCs are forced to refocus their investment into other areas of FA development such as digital solutions instead of developing internal capabilities. Hence, under such a

situation, MNCs would probably choose to outsource their FA activities offshore. This serves as a reminder to emerging countries that the availability of competent technical talent with the right skills is critical in motivating these MNCs to continue their offshore sourcing in the selected locations.

Third, the results of the analysis on the effects of management confidence and trust on the local host country resources alter the traditional TCE opportunism guidance. The positive association of uncertainty due to management behaviour with both offshore insourcing and offshore outsourcing of FA activities show that the importance of this driver is indifferent to both strategies. In addition, the effects of this driver did not change despite the changes in the intensity of offshore sourcing. In this study, it shows that opportunism has existed internally and probably even before the decision to offshore sourced, in other words, management confidence is the antecedent to MNCs' FA offshore sourcing decision.

Fourth, contradictory to RBV theory, FA skills are not unique and strategic value FA activities do not need to consist of a trilogy of internal capabilities because according to these MNCs, skills that are not easily adaptable are related to the most strategic FA activities. It is developed within the organisation that involves the understanding of the culture and the unique processes of the firm. On the other hand, skills that are not easily substituted are related to moderately-core FA activities. Even though the skills to manage the less strategic FA activities are not as highly specific as the core FA activities, the training, and development in learning to manage these FA activities require a specific amount of time. Therefore, they are not easily replaced. In essence, losing such skills may cause short term operational impact.

Fifth, comparing the effects of FA process frequency and FA strategic value on the Strategy suggests that FA organisations assess what to offshore source based on

the level of importance of the activities. This study extends the understanding of the selection of FA activities to be sourced offshore. Instead of placing importance on FA process frequency as the criteria in the selection of FA activities as observed by Everaert et al. (2009) and Anderson et al. (2006), this study shows that these MNCs would rather select their FA activities to offshore source based on the level of importance of their FA activities as compared to how frequent the activities are managed. This study shows that they were more willing to insource core FA activities offshore and outsource less strategic FA activities. In addition, with the development of acute technology, they see the opportunity to increase the offshore insourcing of their more strategic activities in sustaining longer term competitiveness.

Even though the independent assessment of these two perspectives provides meaningful assessment, they paid attention to different drivers when explaining the FA Strategy. Hence, as discussed next, given the criticality of these drivers through the lens of TCE and RBV, the effort of exploring the relationship of these drivers by integrating the two theories can provide clearer insights into MNCs' Strategy in taking their FA offshore sourcing to another level.

5.4.2 Key Findings from analysing the effects of the drivers on the Strategy-Integrated TCE and RBV perspectives

Consistent with RBV theorists' expectations, MNCs prefer to insource their core FA activities offshore. However, as compared to technology and specificity of talent, when both TCE and RBV drivers are integrated into one single test model, strategic value activities did not show significant effects on offshore insourcing of FA activities. The effects of strategic value FA activities on MNCs' FA offshore sourcing are weakened in the presence of the effects of technology suggests the need to investigate the relationship between strategic level and the trade-off that these MNCs are pursuing through investing into technology. The investigation into this

relationship is analysed by providing evidence of the existence of a synergistic relationship between the development in technology and the aspiration in increasing the offshore insourcing of more complex and core FA activities.

The synergistic relationship is evident based on the positive interaction effects of the uncertainty due to technology on the increase of offshore insourcing of core FA activities. It breaks away the bounded rationality aspect as according to TCE, in the absence of limited information, firms usually prefer to outsource their FA activities offshore to minimise risks and transaction costs. The findings put relevance into the need to continue the development of FA financial technology (digital solution) to secure the future of optimising the benefits of offshore insourcing of core and complex FA activities. The presence of great interest in leading technological innovations and the development of digital solutions that induce alignment in the reengineering of FA skills show the powerful synergistic relationship in the theoretical framework.

Besides, by the continuous development of firms' FA financial technology, they are confident that they will be able to insource their core and complex FA activities offshore with the purpose to expand their offshore strategy to another level to continue the optimisation of their costs and productivity. Hence, the integration of the two theories enrich the literature and increasing one's understanding of MNCs' offshore sourcing strategy and provide firms with greater planning initiatives in developing new strategies to capitalise their internal strength and core competencies so that they can continue to own and control the developed resources and enjoy continuous optimisation of their Strategic objectives.

5.4.3 Key Findings from analysing the interaction effects of location advantages on the relationship between the drivers and the Strategy

The analyses revealed that location advantages in the form of location-specific factors (LSFs) are drivers that have the potential to influence MNCs' FA offshore insourcing strategy. Also, these factors have positive interaction effects on MNCs' offshore insourcing of their core activities. On the other hand, factors relating to firm-specific factors (FSFs) have strong positive effects on MNCs' offshore insourcing their routine and core FA activities. The study shows that while FA was always considered as a follower of their IT counterpart in terms of the offshore sourcing strategy, they want an equal share of the benefits of locational attributes. While previous studies show that organisations will select the offshore sourcing strategy based on the lowest costs option and the act of opportunism (Bunyaratavej et al., 2007; Ellram et al., 2013), this study reveals that MNCs have treated the offshore sourcing concept as a trade-off of lowest costs alternative to maximising their control and ownership of their investment and resources in foreign locations to increase the optimisation of their long term strategic objective of both costs and quality of their FA support.

It is learnt that through offshore insourcing their FA activities, these MNCs increase their location opportunities by leveraging on lower costs other than labour, availability of talent, and government incentives to develop their footprint in the long run. To exploit the full benefits of these local factors, these firms own the development of their FA technological innovations in securing process efficiencies and directly control the local talents that have been skilled and reskilled to the adaptations of the internal business culture. The development in technology and competency not only allows the firms to stay competitive but relive the objective of globalising their complex and strategic activities. These are recipes to the sustenance and new creation of competitive advantage for these MNCs in the long run. Due to the nature of the offshore insourcing of FA activities with its short term costs trades-offs, the

framework is evidence that the decision to intensify the offshore insourcing of FA involves investment into technology and skills that are strengthened by the availability of locational factors that includes a range of resources and capital considerations.

On the other hand, LSFs do not have significant associations with offshore outsourcing of FA nor have any interaction effects between the drivers and offshore outsourcing strategy. However, LSFs such as political and economic stability was negatively associated with MNCs' offshore outsourcing strategy, reflecting the expectation that these countries' risk assessment lies within the responsibility of the third party suppliers. Similar to the observations made in the offshore insourcing strategy where the development of competencies was regarded as extremely significant, in situations where they outsource activities offshore, they require similar development of technical competencies from third party suppliers. Accordingly, lower labour costs were negatively associated with offshore outsourcing. This observation allows the prediction that these firms would turn to offshore outsourcing not specifically due to labour costs reduction but perhaps because these firms were facing internal quality issues as some consider other factors such as speed and quality as greater determinants than costs (Graf & Mudambi, 2005; Rodgers et al., 2017). The internal quality issues can be in the form of the inability to attract and retain talented employees (Graf & Mudambi, 2005) or probably the firm would rather invest in other areas compared to the high costs of developing internal competencies (Eldenburg et al., 2019).

FSFs such as geographic proximity and co-habitants with other third party providers are positively and significantly associated with MNCs in the offshore insourcing of their core FA activities and have negative interaction effects on the offshore outsourcing of core FA activities. The inverse relationship with offshore outsourcing

is because geographic proximity is an important locational factor for management of core FA activities that require close contact between the financial analysts and the business partners. Hence, these core FA activities are usually offshore insourced. FSFs also have positive interaction effects with routine FA activities and offshore insourcing strategy. This is mainly because FSFs such as the location of third party FA subcontractors provides an abundance of skilled talent for MNCs to recruit. Moreover, routine FA activities are usually voluminous and require a lot more manpower.

The following chapter documents the conclusion of this research.

6 Conclusion

6.1 Introduction

This chapter documents the conclusion of the study. Overall, this study has taken a theory-based approach to improve the understanding of the FA offshore sourcing strategy of MNCs in the existing high technological and competitive business environment. Even though this study reveals that offshore insourcing is the existing significant governance model for these MNCs, the results also discussed the highlights of the drivers' effects on the offshore outsourcing strategy. Meanwhile, the analyses conducted on location advantages revealed that factors such as other costs impact (and not labour costs), technical competencies, and government incentives have significant direct effects on the Strategy. The offshore insourcing strategy adopted by these MNCs reveals the nature of a very distinct FA process model, with its portfolio of key indices involving technology investment, internal capability development, and a range of human capital considerations available in the offshored locations. The study recognises the importance of the effects of the uncertainty arising from technological advancement, the ability in developing skills that are adapted to the specifics of the company, the need to sustain core competitiveness by sourcing core FA activities, and locational attributes that enrich the offshore insourcing experience.

The chapter begins by addressing the research aim, research problems, and the findings in relation to the research questions. In addition, it also considers how the research contributes to elevating more options in analysing the research problem. Practical contributions of the findings to theory and practice are presented. The chapter ends by highlighting potential future research and limitations of the study.

6.2 The Research Aim and Findings in relation to the Research Questions

The aim of the research is to analyse the effects of the drivers on MNCs' FA offshore sourcing based on the perspectives of TCE and RBV and assessing the offshore efforts by studying the interaction effects of location advantages on the relationship between the drivers and the Strategy.

Research Question 1 relates to evaluating the independent effects of TCE and RBV drivers on MNCs' offshore sourcing strategy. While the minimisation of operational costs dominated the objective of offshore sourcing in the past (Massini et al., 2010), with the dawning of technological innovations, MNCs have shifted their traditional practices to intense considerations of innovations. The following are the facts observed.

The study highlights technology development had superseded human asset specificity as the most central and important driver in affecting these MNCs to insource their FA activities offshore. The more intense these MNCs invest in the innovations of their FA systems, software, and processes, the intensity to insource their FA activities offshore increases. The development of skills, as expected, continues to be the important driving force behind the Strategy. The analysis shows that as the skills become more related to the processes of the firm, the more likely these MNCs would insource their FA offshore. FA process frequency was positively associated with offshore insourcing. As the results did not show any significant association to either offshore insourcing or outsourcing suggests that the FA process frequency plays a very little role in affecting the Strategy. On the other hand, the consistent importance these firms placed on their confidence and trust on the host country resources show that while management behaviour may not affect the

intensity of the offshore sourcing of FA, it certainly defines its importance as the underlying driver that needs to exist regardless of which Strategy is adopted.

Even though RBV has not been widely leveraged in explaining the FA offshore sourcing strategy, the analysis shows that strategic value activities affect MNCs to insource their core FA activities offshore. Further observations show that the firm relates the core FA activities to internal capabilities that are not easily adaptable while moderately-core FA activities are related to internal capabilities that are not easily substituted. Contrary to RBV theorists, these firms do not regard FA strategic activities that need to be tied to the trilogy development of unique skills, not easily adaptable nor substituted. Yet, it shows that these firms believe the general explicit FA skills and knowledge are not unique as it can be learnt or acquired. According to the study, it is their internal development of the required FA skills that are associated with the practices and the culture of the firm that sets apart their definition of strategic value activities' internal capabilities.

The study also reveals the relationship between FA organisation performance and the offshore sourcing of their FA activities. While the effects of offshore sourcing of core FA activities on costs and quality satisfaction cannot be confirmed in this study, analysis shows these surveyed MNCs are adamant about the continuous quality improvement of managing their moderately-core FA activities. As to why there were no significant association of performance and core FA activities will be further explained through the synergistic relationship that strategic value activities share with technological development when addressing the research problem. However, the direct relationship between quality improvement and moderately-core FA activities in the offshore insourcing environment suggests that their commitment to the Strategy is beyond short term costs reductions and benefits because the analysis indicates that the firms were interested in continuous improvement of the quality of

the moderately-core FA activities that are insourced offshore. This reflects their interest and commitment in the offshore insourcing of their FA activities, in particular, the moderately-core FA activities.

The analyses conducted in analysing Research question 2 show that TCE and RBV perspectives can be integrated and are complementary in extending the understanding of MNCs' FA offshore sourcing strategy. The empirical evidence of the existence of a synergistic relationship between TCE (technology) and RBV (core activities) adds value to both theory and practice. The analyses conducted on TCE-RBV drivers as an integrated test model show that technology and talent are considered more critical drivers as compared to the assessment of the strategic value FA activities. These findings were rather contradictory because RBV strategic value FA activities were proven to be critical drivers when assessed independently. However, such doubt was clarified when the proposed interaction effects between TCE and RBV indicate that there was strong positive interaction effects of technology on the offshore insourcing of core FA activities. This shows that the main reason technology superseded strategic value of FA activities as the most central driver of the Strategy is because MNCs believe that it is the technological innovations of their FA processes that will elevate their Strategy to a higher level, which is to increase the offshore insourcing of more complex and core FA activities.

Research question 3 analysed the interaction effects of location advantages on the relationship between the drivers and the Strategy. It was found that location-specific factors (LSFs) were strong moderator variables that motivated MNCs to insource their core FA activities offshore. Three factors were the most significant, these are costs (other than labour costs) efficiencies, availability of technical competent talent, and government incentives. It is observed that these firms regard technical competencies above labour costs reductions. They favour other costs efficiencies

but not necessarily labour costs reductions. This highlights that their preferred offshore insourcing location needs to be accommodated with lower operating costs expectations but not necessarily in the form of labour. These firms were not willing to trade off technical competencies with short term labour costs reductions. On the other hand, firm-specific factors (FSFs) such as geographic proximity and preferred locations of other professional FA outsourcers also moderate and affect the relationship between the drivers and MNCs' offshore insourcing strategy. This is evidence of a nearshoring strategy where some MNCs prefer to operate their extended FA support from neighbouring countries. This observation aligns with the data gathered as some of the surveyed companies originated from the Asia Pacific region.

6.3 Addressing the Research Problem

This section considers how the research contributes to resolving the research problem: The lack of empirical evidence and limited understanding of (1) the effects of the drivers in affecting MNCs' FA offshore sourcing strategy by assessing TCE and RBV independently, (2) the effects of the drivers in affecting MNCs' FA offshore sourcing strategy by assessing integrated TCE and RBV perspectives and (3) the effects of host country attributes in affecting the relationship between the drivers and firms' offshore sourcing initiatives.

When the effects of TCE and RBV drivers are assessed independently, the empirical evidence of the effects of TCE and RBV highlight that talent and high strategic value activities affect MNCs to insource their FA activities offshore. The analyses revealed that for these firms to sustain the competitiveness of the advancement in technology and specific skills, they need to invest in digital innovations of their FA systems, software, and processes. As observed, technological development not only changes the internal FA processes and requirement of how the FA work is conducted, but it

also opens up the opportunity to create a global management network where FA activities can be supported and training can be provided through advanced network and communications. Therefore, without the development of a consistent set of internal capabilities that are aligned with the changes in the internal systems and process, the firm will need to face a potential skills gap arising from their advancement.

However, as MNCs should not assess their Strategy based on just economic factors or strategic factors, it was necessary to further discuss the integrated effects of these drivers in affecting the Strategy to extend the understanding of the effects on the Strategy. The integrated analysis of both TCE and RBV perspectives in a single test model provides a combined analysis of economic and strategic anomaly. To further add value to the study of the Strategy on the combined assessment of the effects of TCE and RBV, this study proposed a model to analyse the effects of technology development on MNCs' sourcing of their strategic value activities offshore. The empirical evidence revealed a positive synergistic relationship between technology and firms' insourcing of their core FA activities offshore. This shows that as MNCs continue to invest in their internal development of technology, they also invest in developing internal capabilities that are adapted to how their systems and software are integrated. While at this point, many MNCs have reservations in sourcing their more strategic FA activities offshore, through these synergistic collaborations, offshore sourcing is simplified through an improved global network. As a result, MNCs have more confidence in managing core FA activities in an offshore location. This explains that offshore sourcing is indeed a very critical strategic decision that is influenced by the capabilities that are needed to compete. Hence, it can be said that technological development and innovations are the enablers of a new wave of internalising FA activities. In other words, through digital innovations of new processes, these MNCs were able to take their offshore insourcing efforts to the next level, which is to offshore their core and yet complex FA activities. As most of these

surveyed MNCs were IT companies, the analyses suggest that these firms have tapped on their IT knowledge, a core competency, to enhance the flexibility to respond to the uncertain technological environment.

Comparing the analysis of the effects of FA process frequency and the strategic value of FA activities on the Strategy reveal that MNCs' FA selection criteria on which activities to source offshore was based on the strategic value of the activities while process frequency shows a lack of influence. Clearly, the empirical evidence highlights these firms were willing to outsource their less strategic value activities offshore whereas for the insourcing of activities, technology innovations were the enabler in driving the increase in the offshore insourcing of high strategic value FA activities.

On the other hand, empirical evidence shows that location advantages, in particular, LSFs are not the only drivers that affect MNCs to insource their FA offshore, but these factors are also strong moderator variables in affecting MNCs to increase the offshore sourcing of more complex FA activities. With the excessive growth in technological innovations, host country government's efforts in preparing competent resources in both technology and human resources assist in the successful growth of the firm's Strategy. As explained earlier, the skills gap that arises from both process automation and the continuous innovations of FA processes can be managed by horizontal reengineering of skills development provided that host countries put effort into reskilling the competencies of their resources. The analyses show that to these MNCs, offshore sourcing is no longer just another corporate objective, rather, it has become an engine to reinvent their competitiveness and it is used to exploit the present disruptive technological advancement to create and sustain the firm's value.

6.4 Contributions to Theory

This study shows that both independent and integrated assessments of TCE and RBV theories have increased the understanding of MNCs' offshore sourcing of their FA activities. The findings reveal that both TCE and RBV are required to explain the increase in the intensity of MNCs in the offshore insourcing of their complex FA activities. While TCE and RBV have shown complementary effects on their offshore sourcing decisions, this study extends theoretical knowledge by showing the empirical evidence of the synergistic relationship between TCE and RBV. Combining location advantages into the empirical analysis demonstrated that the provision of the right and strategic location attractions further affect MNCs in the offshore insourcing of their more complex FA activities. The relationship between the integrated effects of TCE-RBV, the interaction effects of location advantages, and core FA activities is crucial. This is because the relationships revealed in order for MNCs to sustain and increase their competitive advantage, the next phase of offshore sourcing is focused on the MNCs' ability in securing the offshore sourcing of their core and complex activities. The highlights of the implications to the theoretical development are summarised as below:

First, the empirical results show that consistent with the predictions of TCE, the study indicates that the more uncertain the environment, in this situation the uncertainty arising from the aggressive advancement of technology, the more intensely these firms insource their FA activities offshore. However, though it aligns with the predictions of TCE, it deviates from the theory of the minimisation of transaction costs. These firms show that in the presence of uncertain technological environments, they were willing to increase their investment to compete in terms of innovating practical FA practices, software, and systems. This practice contradicts the criticality that TCE places on the reduction of transaction costs. On the other hand, while the results demonstrate that as skills increase in specificity, the tendency to insource activities offshore increases. Similar results were also observed in

outsourcing offshore. This observation questioned TCE's focus on asset specificity because this contradicts TCE's traditional boundary choice where firms would opt for internal management when asset specificity increases. This observation where human asset specificity increases when both offshore insourcing and offshore outsourcing intensifies illustrates one of the unique features of offshore sourcing of FA activities that may not be visible in other services offshoring. FA activities are dependent on human skills and in many situations require close human connections and communications. Therefore, this new finding enhances the relevance of TCE asset specificity in affecting the Strategy as this study demonstrates that regardless of whether firms insource or outsource their FA activities offshore, talent remains a significant driver and the expectation is the continued development of the required FA skills.

Second, this research contributes to theory by examining the positive interaction effects of TCE's uncertainty due to technology on the relationship between RBV strategic core activities and offshore insourcing strategy. The positive interaction effects that technology has on the increase of the offshore insourcing of core FA activities breaks away the bounded rationality aspect where according to TCE, firms are usually more cautious to source new activities offshore due to the unknown and limited information on MNCs' Strategy. However, the analysis shows the presence of relatedness between technology and the increased intensity of insourcing core FA activities offshore. The pursuit of technology breaks away the fear of uncertainty as these firms capitalise on improving and expanding their FA internal capabilities. Moreover, the interaction effects brought to light the efforts of talent capitalisation that resulted from the development of FA skills that are adapted to the changes in new technological development. These new constructs of TCE and RBV contribute to the literature and expand the effects of these drivers on the Strategy by adding another dimension in understanding why MNCs were willing to invest in the span of uncertainty. Their capitalisation efforts assisted them in the creation of human assets

that are not easily imitable and in their opinion, contribute to their development of competitive advantage in increasing the sourcing of more complex activities offshore.

In addition, this study also contributes to literature by showing the empirical evidence that it is not adequate to support MNCs' internalisation or offshore insourcing of their FA activities with TCE elements. While the study dictates the importance of environmental dynamism of technological advancement, the empirical evidence shows these firms were not short of passion in developing core FA competencies. Also, these firms have put high regard on ownership advantages that they derived from the location-specific factors that are based on resources, networks, and incentives. The study shows that both TCE and RBV are in tandem with the strengthened analysis on offshore insourcing advantages as the study reveals that the internalisation of these drivers assisted the firms in optimising their transaction costs that are not only associated with market interaction but directly affect the success of their long term competitive advantages.

Third, while the analysis indicates that location advantages especially LSFs have positive locational attributes in driving the offshore insourcing strategy, this study also confirms that these factors have positive interaction effects in promoting increased intensity of insourcing more complex FA activities. It is the latter benefit that contributes to the theory of the effects of location advantages on the strategy. At the same time, the study shows the factors' incremental value-added features. This is because the study highlights the availability of competencies, infrastructure, government support, geographic proximity are fundamental to increasing the attractiveness of the host country locations. The more critical observation is that these attractions further encourage MNCs to insource their complex and core

activities offshore as they have more confidence to invest in technological innovations and talent in such locations.

Even though most of the analyses placed a significant focus on offshore insourcing, it cannot be denied that MNCs have placed an interest in the offshore outsourcing of their FA activities. This is evident in the presence of the hybrid model and a small percentage of firms engaging in the full offshore outsourcing model. The dawn of the innovative age calls for an intense internal invention of the digital FA solution but not all firms are able or willing to invest in such uncertainty. Also, the analyses show that talent, management behaviour, and moderately-core FA activities have positive associations with outsourcing. Therefore, the data entails the determination of the criticality of offshore outsourcing for firms that may want to secure the investment for other purposes within the firm. This is also evident in the latest 2018 MNCs' Global Survey conducted by Deloitte where some of these firms have indicated that the quickest way to embrace the digital transformation is to tap on the expertise of the partners through outsourcing. This "buying" of innovative capabilities is seen as a more productive and efficient solution to stay competitive than developing such capabilities internally.

Finally, this study highlighted the relevance and importance of TCE, RBV, and location advantages in understanding what drives MNCs to increase the intensity of their FA sourcing strategy. The presence of great interest in leading technological innovations and the development of digital solutions that induce alignment in skills reengineering illustrate the powerful synergistic relationship in the integrated theoretical framework. Combining the logic of TCE and RBV, the ability to control and own these strategic resources and where appropriate, complex and core FA activities can be further insourced to offshore locations to optimise both costs and productivity seems to be the long term objective of firms. Such an arrangement can

be complex, particularly in an offshore context. Therefore, the availability of strategic locational attributes is visibly the right mechanism in promoting and complementing the achievement of this long term strategic objective.

6.5 Contributions to Practice

The framework addresses several important operations management. As one of the objectives of this study is to extend the understanding of FA offshore sourcing by integrating TCE and RBV logics, this research offers a more concise approach for firms to not only extend the focus on cost economics but also to consider the value that is created through effective development of capabilities. An important distinction is the success of this Strategy requires the management to understand their investment affordability and be able to compare their capabilities with their peers and competitors. The following discusses the possible future challenges as well as practices that firms can implement to overcome those obstacles.

First, as discussed in all the analyses, it can be summarised that through the offshore insourcing of their FA activities, these firms have combined their core competencies with the comparative advantages available in the host location to develop competent talent and FA skills that are not easily adaptable. In other words, in combination, these factors create and sustain competitive advantage for the firms. As discussed in the literature review, there were three waves of global sourcing developments. Based on the observations from this study, the firms have revealed that in the upcoming wave, firms will be tested on their ability to demonstrate their forward-thinking and differentiated strategies in capitalising on the present technological innovations that may disrupt current practices. Managers need to be aware that it will be a combination of proactive investment and development in creating value for the FA organisation, in this case, one of the opportunities is the securing of inimitable and knowledgeable FA skills to orchestrate the firms' strategy in managing more

knowledge-intensive FA activities. Only then, these firms can broaden the globalisation of their FA activities. Therefore, the study shows that while firms need to invest more in the short term, they will be in a far better position to gain a competitive advantage in the long run.

Second, managers need to bear in mind that the sustainability of their current offshore sourcing strategy is debatable as evidence from this study shows these MNCs are continuously investing in the development of technology and talent with options open to assess the viability of future outsourcing opportunities. The low interconnectedness of cost satisfaction and the service quality of the insourcing of these FA activities offshore provide opportunities for managers to rethink their offshore outsourcing decisions. Costs and quality assumptions need to be re-examined especially given the futuristic expansion of geographic and technological sophistication. The assessment of the benefits of offshore outsourcing in comparison to the offshore insourcing of their FA activities deserves further evaluations.

Third, in the last decade, there has been a lot of research centralising on human asset specificity as the core value of the Strategy. Some studies, in particular, extend its intuitiveness to moderating other economic drivers in deriving greater value from the Strategy. However, as gathered from this research, the FA offshoring mainstream has shifted. While human asset specificity remains a relevant driver, it is the courage to face the uncertainty brought on by intrusive technology that will secure these MNCs' greater competitive advantage in the future. This study enlightens the FA managers that instead of playing the avoidance game or extending the risks of this uncertainty to third party providers, the true art of the game is to embrace the digital transformation of technology. MNCs who can stay focused on advancing the digital transformation of FA will stay ahead of the game. Digital innovated FA operating processes will be the business model in the future to achieve

the most costs optimised FA organisations. The best FA support model is one that provides the best financial support at the most optimised costs characterised as by a highly skilled, process-driven, technology-enabled and culturally innovated working culture.

Therefore, managers need to ascertain their firms' ability and decide whether they should increase the offshore insourcing or outsourcing of their FA activities to further develop their offshore strategy. As for these MNCs, it can be predicted that their extensive technological innovations will empower them to re-image their next FA operating model to meet the evolving requirements of the uncertain and yet interesting technological disruptions ahead. Moving forward, the winning teams must be proactive and thoughtful to take on the challenge of implementing the required strategies with flexibility and infinite imaginative capacities.

For three decades, MNCs have related the effectiveness of offshore sourcing from cost advantages perspectives. Regardless of the governance model, these firms assess their Strategy according to the costs and operational advantages. Meanwhile, in the last decade, multiple motives beyond transaction costs such as access to skilled resources dominated the research space. The ability to replicate skills in host countries motivated MNCs to insource FA activities offshore. As FA activities have and will continue to be regarded as a critical function, MNCs would need to strive to sustain the competitive advantage of the existing strategy. Therefore, moving forward, the sustenance of existing MNCs to rely on the offshore insourcing strategy or to choose to offshore outsourcing as an alternative option is dependent on the practical ability of these firms to dominate digital innovations of their FA architecture and processes. The past motivations of lowering transaction costs and the seeking of new talent will be quickly replaced by acute development of the innovative and automated FA processes that in turn, will change the landscape

of skills requirement. The return on investment will be sustained through cost savings arising from innovative ways of managing the FA activities and securing longer-term costs optimisation based on the ability to fully source the highly complex processes offshore.

6.6 Limitations of the Study

The study has several limitations. The identified limitations are as follows:

First, the empirical tests examined MNCs with international FA offshore sourcing in Malaysia. The gathering of data was obtained from one location. Moreover, in Malaysia, the majority of these MNCs were IT companies and the results of the study could be skewed to one single industry. While this increases internal validity, it decreases the opportunity to test the results and effects of other industries that could differ from IT.

Second, while this study has extended prior research by showing that process frequency of the activities have very little significance in affecting these companies to further global source their FA activities, the effects of process frequency can be further evaluated by incorporating volume and length of time of performing the activities.

Third, the data analysis was based on examining the intensity of the offshore sourcing strategy, which in other words, the strategy of expansion of their offshore sourcing. There was no attempt to conduct evaluations on the choice of offshore insourcing or outsourcing that had been adopted by these MNCs in the first place.

Fourth, as all of the analyses conducted in this study point to offshore insourcing as the preferred choice for MNCs' FA Strategy, there remains an opportunity to develop hypotheses predicting factors or circumstances that could influence these MNCs to increase their intensity to outsource their FA offshore or even promote switching from an offshore insourcing strategy to offshore outsourcing. For example, as some studies (Erramilli & Rao, 1993) predicted that as firms start to disintegrate and shrink in size, they may not find it plausible to have full control of their offshore sourcing strategy as they may no longer be able to afford to sustain the increase in transaction costs.

Fifth, the majority of the surveyed MNCs were already operating in the offshore insourcing governance model, therefore, the relationship between offshore outsourcing and the leveraging on the third party's ability in technological innovation is not conclusive.

Sixth, this study shows the comparison of the effects of the drivers for both offshore insourcing and offshore outsourcing. As there was insufficient data on the hybrid model, there was minimal opportunity to further evaluate the effects of this Strategy as an additional analysis.

Seven, the strong positive association between high human asset specificity and offshore outsourcing can be further evaluated. This study shows that because MNCs were passionate about gaining full control of their invested technology and resources, offshore insourcing was seen as the preferred choice. However, internal integration and management of these FA activities in the foreign environment entails significant resource commitments and carries greater locational risks than offshore outsourcing. This is because through offshore outsourcing, most of these risks can

either be passed on to the third party or jointly managed between the MNCs and the third party outsourcers.

Eight, as shown in the study, good location attributes are crucial to these MNCs in setting up their offshore insourcing establishment. However, the moderating effects of some of these attributes on the relationship between the drivers and the Strategy can provide further insights. For example, the relationship between these locational factors and the performance of the FA function has not been quantified. Moreover, as empirical evidence shows that LSFs are critical drivers suggests that to develop more viable offshore sourcing strategies, firms need to consider other locational factors such as exchange rates and the ease of working with foreign host governments that were not included in this study. For example, country risks such as political and economic factors in impacting the intensifying of the selected governance model have not been comprehensively researched for MNCs.

6.7 Future Research

As a conclusion to the study, opportunities for future research are presented as follows:

First, it is recommended that future studies can incorporate data from more than one location to have different market dynamism and to be able to obtain multiple industries' effects on comparing the explanations provided by both TCE, RBV and location advantages in this study.

Second, the effects of process frequency can be further evaluated by incorporating volume and length of time of performing the activities as an integrated measure of frequency. This is to provide more elaborated dimensions to further understand the effects of process frequency.

Third, further research is needed to test the choice of governance models among the hybrid, insourcing, and outsourcing decisions. Future studies can incorporate assessments if similar drivers excavated from this study have also influenced their choices or preferences of offshore sourcing governance models in the first place.

Fourth, future research can focus and expand the opportunity to develop hypotheses predicting factors or circumstances that affect MNCs to

(1) Increase the outsourcing of their FA activities or
(2) Adopt the hybrid model by implementing insourcing and outsourcing strategies or
(3) Promote the switching from offshore insourcing to offshore outsourcing of their FA activities

Fifth, it is also argued that the majority of these firms observed in the study were from the IT industries, therefore, the acute development of technological innovations was an arm's length opportunity. Yet, many of the non-IT companies that cannot quickly build on its own to innovate and propel the growth of innovation may find that collaborating with third party providers can accelerate their technological footprint of the future. Therefore, future studies can provide further research on these dimensions of offshore outsourcing and focus on the effects of the ability of the third party in providing innovations as the driver.

Sixth, based on the data gathered, it shows that the hybrid model is gaining popularity and as there has been minimal attention given to analysing the hybrid model in the FA offshore sourcing strategy. Future studies can focus on the effects of these similar factors in increasing the intensity of the hybrid strategy. Moreover,

the benefits, risks, and reasons behind adopting the hybrid strategy deserve further evaluations.

Seven, the inverse relationship between TCE asset specificity and offshore outsourcing requires further explorations. Future studies can explore leveraging resources and other locational risk factors as moderator variables to assess if the increase in these risk factors will influence the relationship between offshore outsourcing and human asset specificity.

Eight, the study shows that these MNCs prefer to insource their FA activities offshore rather than outsourcing them. This could be because the uncertainty of not knowing the best offshore strategy for FA or the entire process in general perhaps plays an integral role in limiting the outsourcing of these activities offshore. When firms are not certain of their requirements nor having the ability to secure what type of activities to be outsourced offshore, the fear of not accurately defining the level of service required contractually increase their preference of offshore insourcing the FA activities. As described by Ellram et al. (2008), the fear of being wrong, not getting what was required, and the inability to foresee the needs of the future discourage the offshore outsourcing of the firm's FA activities. Future studies can incorporate this type of internal uncertainty requirement to ascertain the impact on MNCs.

Nine, location advantages specific effects can be further examined especially as economists warn of a weakening market in the emerging countries. Future research can include specific measurements of economic and political risks encompassing institutional factors as determinants of a further increase in the offshore sourcing of FA activities.

Finally, with the dawn of disruptive technological development, assessing how MNCs' FA Strategy evolves from the effects of digital transformation over time using a longitudinal study could provide imminent insights and extension of managerial relevant practices. There is much to be explored on how this disruptive technological development will change the landscape of MNCs' FA offshore sourcing strategy and equally much to be learnt on the impact on both theory and practice.

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APPENDIX 1

Key research on Malaysia's sourcing practices

Study	Research Issues	Methodology	Main Findings
Kaseri Ramin; Wan Yusof; Kepal Nasir (2013)	Examined the factors that influenced SMEs to embark on FA outsourcing practices in Malaysia	Quantitative-Surveys	Rapid development of information technology and telecommunication (ICT) was seen as the enabler of sourcing practises for the service industry particularly in the area of business services. The motivation of outsourcing was found to bring many advantages including technology accessibility and financial efficiency to firms which enable firms to focus on its core competencies whilst the non-core functions are outsourced to the third party. These give firms flexibility to operate in the environment where resources are limited. Access to external skills and competencies were considered as the top priority by SMEs
Aini Aman; Amiruddin; Md Auzair; Maelah (2010)	Examined the drivers of accounting outsourcing decision practices in Malaysia.	Case study	Found that firm's size influenced the decision to outsource. It was argued that small businesses have low levels of formal planning and control therefore absence of cost benefits analysis is hazardous when

Study	Research Issues	Methodology	Main Findings
			deciding on outsource of accounting work.
Aini Aman; Amiruddin; Md Auzair; Maelah (2012).	Examined transaction costs economics (TCE) issues in FA offshore outsourcing in Malaysia	Case study	Using TCE and management control theoretical framework, findings indicated resources issues and challenges faced by the firms increase the need for contract management skills (outsourcing) in order to mitigate the issues. This study emphasises contract management such as negotiating contract and using long-term contractual arrangement This study not only identifies TCE effectiveness in explaining offshore FA outsourcing, but also provides suggestions for minimising transaction costs. For example, firms should consider the type of transaction costs involved and plan for appropriate contract management to mitigate the costs
Md Auzair, Aini Aman, Amiruddin, (2013)	Examined the management control aspect to successful accounting outsourcing in Malaysia	Quantitative and case studies	Their analysis provided evidence on the existence of systematic management controls. The identification of appropriate controls used for mitigating risks in accounting outsourcing process may be useful for practitioners

APPENDIX 2

Table below tabulates the Key research on the evolution of offshore sourcing strategy

Study	Research Issues	Methodology	Main Findings
Clements (2003)	Examined the various indications that finance outsourcing will be the core strategy of the future	Review and analysis of secondary data provided by other researchers, EPU including a survey on global outsourcing for finance conducted by Accenture	The study attempted to assess the benefits and risks of finance sourcing. Apart from concluding that minimisation costs was imperative and aligned with transaction costs theory, the study also highlighted other benefits of outsourcing such as "greater focus on core competence". While the main risk highlighted was lack of control and lack of security of data, the research found that most companies were too big to outsource. The study highlighted the importance of technology as it stated that automations expedite the Strategy across organisations. The study highlighted another important observation showing the disaggregation of non-core functions is an important lever for automation.
Hatonen & Eriksson (2009)	Examined the historical evolution of offshore sourcing	Literature review	The study discussed the Finance sourcing historical evolution highlighting Transaction costs theory,

Study	Research Issues	Methodology	Main Findings
	strategy with future aspects		Resource-competence based view and Organizational theories as the fundamental theoretical framework to studying sourcing strategies.
Kotabe & Murray (2004)	Examined the various aspects of "how" and "how much" to source successfully. A study emphasised on capabilities and offshoring sourcing strategy	Literature review discussion of previous research	The study elevated Transaction costs theory concept of strategic sourcing and Dunnings' paradigm location advantages as the art of globalisation and technological advancement survival. The study argued that the success of offshore sourcing is to acquire a balance-fit of processes between what is done locally (insource) vs offshoring and outsourcing. Authors concluded that the moving away from solely resource-based view to core competencies view reflect the call to moving to relations and capabilities view
Kakabadse et al., (2003)	Examined the management of processes integrations	Empirical review	Using Transaction costs theory authors explained the importance of the verticalisation of processes.
Anderson et al. (2006)	Examined the success of finance offshoring in developing countries	Literature review discussion of key indicators	The study argued that offshoring has given almost 50-70 percent labour

Study	Research Issues	Methodology	Main Findings
	in increasing the value of sourcing activities	and previous research	arbitrage. Authors supported that excessive offshoring was to tap on competencies availability in the developing world. The study found that sourced activities are no longer limited to transactional processes due to the improvement in the workforce on education, training programs and various exposures. The authors believe that offshoring will be even more excessive in the future.
Peter Chalos and Jaeyoung Sung (1998)	Examined the benefits of outsourcing surpassing insourcing- a view from coordination economics	Empirical overview of outsourcing contractual impact on costs differential. A mathematical analysis on the differential in costs	The study found that the hidden coordination costs in many outsourcing arrangement negate the actual benefits of costs optimisation. The authors observed that the costs of monitoring the performance of the outsourcer balanced out the benefits of costs savings. They further argued that the purpose of outsourcing is to improve managerial incentive, in particular on governance of suppliers and managerial incentives is

Study	Research Issues	Methodology	Main Findings
			defined as freeing up effort to focus on core competencies
Giao & Moacir (2012)	Examined offshoring strategy as the transfer of international process cross boundaries from developed economies to emerging countries	Literature review	The Study provided researchers' view showing apart from costs, these are factors for successful offshoring: Resources, skills, knowledge, expertise, talent pool, access to technologies, competences, educated workforce, innovative firms, and quality, among others, are presented as also being important reasons for offshoring.
Lacity and Willcocks (2016)	Examined the reason behind the surge in sourcing activities: a move away from just transaction costs theory to innovations	Research incorporates surveys and interviews conducted with 202 BPO professionals	Data analyses indicated that innovation is preferred as innovation brings about new way of doing things and subsequently lead to costs savings. According to the authors, innovation was an added criteria in the written governance as far as outsourcing is concerned. They concluded that gain sharing of the benefits derived from innovation became the art of successful sourcing contracts. The study found that successful innovations in the

Study	Research Issues	Methodology	Main Findings
			sourcing environment requires talent with the right skills and through collaborations within the entire organisations.
Lee (2014)	Examined if it's worth repatriating offshore activities to the parent location	Proposed a framework/steps in determining total coordination costs impact	Authors argued that many organisations offshored/outsourced completely leveraged on the transaction costs theory without considering other factors and these had created a lot of shortcomings to the firms, e.g.: the organisation did not have plans to re-accommodate the excess employees Therefore, the authors introduced the coordination costs theory in addition to transaction costs theory. Coordination costs theory refer to the costs of end to end work related to the process being outsourced/offshored. Its considered as the costs of capacity.
Kakabadse et al., (2005)	Explored the trends in terms of reasons for outsourcing, what areas/activities have been outsourced,	Theoretical and surveys	According to the study, E-commerce has been and is considered likely to continue defining trading in terms of "make, buy, process, sell"

Study	Research Issues	Methodology	Main Findings
	outsourcing arrangements, and outsourcing impact on employees.		decisions. The critical difference between current and future outsourcing trends and practice is that greater importance is likely to be attached to an existing trend of effectively managing relationships with key trusted suppliers. Moreover, according to the authors, enabling the service purchaser to gain greater competitive advantage and assistance to move up the value chain is considered to require pursuing multiple outsourcing strategies, ranging from improving service quality while simultaneously striving to attain cost advantage
Kotabe & Mudambi (2009)	Examined the vendor relationship in offshore sourcing strategy	Literature review	According to the authors, low cost is not enough to create sustainable competitive advantage over their competitors in a sourcing arrangement. Some firms with industry-specific characteristics are more conducive to the successful implementation of offshore sourcing than others.

Study	Research Issues	Methodology	Main Findings
			The study shows that application of an offshore sourcing strategy in an inappropriate context may well lead to a decline in firm performance.
Manning (2016)	Examined the evolution of offshore sourcing leading to the development of KSC (Knowledge Service Clusters) in developed geographical areas	Empirical analysis on the evolution of offshore sourcing and the recent development of KSC	Researcher argued that within the development of digitisation, offshore sourcing will continue to spike in areas providing exclusive geographical strength in terms of exclusive skills and location benefits. The fundamental of costs benefits continue to be the underlying theory of development

APPENDIX 3

Table documents Key Research on TCE, RBV and Location advantages in relations to Offshore Sourcing Strategy

Study	Research Issues	Methodology	Main Findings
Gilley & Rasheed (2000)	Examined the extent to which outsourcing of core versus non-core tasks influences firms' financial and non-financial performance.	Quantitative analysis. Researchers defined sourcing intensity as the multiplication of depth and breadth of activities sourced. Firm strategy and environmental changes were used as moderators of the relationship	The expectation that outsourcing would increase firms' performance was unfortunately not observed. In addition, the results also showed that the reduction in R&D costs due to outsourcing did not cause any significant impact to the firms' innovation efforts. However, it is found that the moderators have shown to impose significant influence on the relationship.
Murray & Kotabe (1999)	Empirical investigation into a modified TCE driven factors in influencing the sourcing of global procurement of services in Fortune 500 companies	Quantitative analysis to analyse the service sector: (a)domestic versus offshore sourcing (b)insourcing versus outsourcing	Results show that non-core services activities are commonly offshore outsourced or in some cases offshore insourced. Even though process frequency had been associated with sourcing activities, these researchers observed process frequency promoted insourcing intensity.

Study	Research Issues	Methodology	Main Findings
Everaert et al. (2009)	Investigated why small firms go for domestic outsourcing accounting activities versus performing them internally	Quantitative analysis (Logit regression) on extended TCE elements incorporating resource deficits as one of the drivers in influencing small firms domestic outsourcing of accounting activities	The results of the analyses showed that resource deficit is the most significant variable and it confirms that the higher the deficit, the higher outsourcing of SME accounting activities. This shows in general SME has the limitations of resources to satisfy their entire functional needs. It also shows that SMEs were willing to even outsource the activities that require specific skills as they do not have “access to these skills”. Both low frequency activities and low asset specificity support outsourcing of SMEs accounting activities
Sutcliffe & Zaheer (1998)	Examined TCE element of Uncertainty effects on vertical integration (insourcing)	Data was gathered through the use of written decision scenarios using an experimental methodology. Participant upon reading the scenarios are asked to decide on the vertical integration decision in the printing industry.	Analyses show that different dimensions of uncertainty influence insourcing decision differently. Primary, competitive and suppliers’ uncertainty independently affect vertical integration to a different degree. It is shown that technology development is negatively related to vertical

Study	Research Issues	Methodology	Main Findings
			integration whereas behavioural uncertainty is positively related to vertical integration.
Caniato et al. (2014)	Examined the locational factors that affect the implementation of the different types of offshore sourcing strategy and hence impact the organisation performance	Exploratory Factor analysis on data obtained from Offshore Resource Network (ORN)	Results show there are four major locational drivers such as low cost, resource availability, cultural proximity and local network that have significant impact on the firm's performance.
Sislian & Satir (2000)	Examined the framework for strategic sourcing decisions	Empirical and case studies resulting in a revised framework documenting the enhanced core competence requirement	Provided a strategic framework on sourcing decisions incorporating the disaggregation of what consists of competitive advantage to the firms
Bunyaratavej et al. (2007)	Examined the factors that contribute to the locational choices of offshoring activity incorporating costs of doing business, liability of foreignness and institutional theory.	Quantitative analysis incorporating regression analysis	Results show average wage, educational, cultural similarity as significant drivers of offshoring location choices.
Lahiri (2016)	Examined if outsourcing strategy truly improve firm performance	Literature review	Analyses indicated that the success factor of sourcing is dynamic capabilities and depending on how outsourcing is planned and

Study	Research Issues	Methodology	Main Findings
			executed by firms, results are going to vary, and not all outsourcing efforts can be expected to produce similar positive results. Moreover, results are also likely to vary, depending on how the extent of outsourcing and firm performance are operationalized
McIvor (2000)	Examined the framework for strategic sourcing decisions based on TCE and RBV	Case Studies	Researchers claimed that the framework derived from both TCE and RBV could address some of the problems associated with outsourcing by integrating a number of key strands related to outsourcing including a value chain perspective, core competency thinking and supply base influences into the decision-making process.
Espino-Rodriguez et al. (2005)	Examined the strategic drivers that influence hotels in outsourcing their services activities and firm performance from the RBV perspectives	Quantitative analysis, mainly multiple regression analysis	Results show that internal capabilities dimension-substitutability is the strongest factor among the three dimension, this factor leads to reduction in outsourcing of the hotel activities. Results also

Study	Research Issues	Methodology	Main Findings
			show the more the activities are outsourced, the more the firm is dissatisfied with the costs and quality.
Ellram et al. (2007)	Examined the offshoring of services in establishing a relationship between offshoring and services of low risks	Exclusive interviews with eight organisations on their supply chain management of offshored sourcing of services suppliers.	Conclusions drawn from the interviews suggest that high volume transactions are more favoured to be outsourced as these organisations indicated they wanted to avoid the fixed costs of monitoring these activities. As specific knowledge was not a concern to these organisations, they would not be concern of outsourcing areas where specific knowledge need to be trained.
Tate et al. (2009)	Examined and analyse the evolution of offshore services outsourcing based on institutional theory, transaction costs and resource-based perspectives	Case studies	Case studies analyses pointed out that the initial motives to offshore outsource was costs benefits, however the entire strategic benefits change to realising gains from increase quality and market share in the emerging countries.
Kamyabi et al. (2011)	Examined factors that affect Iranian SMEs decision to outsource	Quantitative analysis with focus on multiple	Results show asset specificity, management trust, degree of competition

Study	Research Issues	Methodology	Main Findings
	accounting functions in terms of TCE and RBV perspectives in the manufacturing sector.	linear regression analysis	and corporate strategy are significant factors in influencing Iranian SMEs' outsourcing in a positive manner. Technical competencies were assessed as RBV factors but the essence of core competencies development was not included in the study.
Kamyabi et al. (2011)	Examined factors that affect Iranian manufacturing SMEs decision to outsource management accounting functions	Quantitative analysis with focus on multiple linear regression analysis	Results show asset specificity, behavioural uncertainty, trust, technical competence and degree of competition are significant factors in affecting Iranian SMEs to outsource their management accounting functions
Javalgi et al. (2009)	Investigated the concepts of offshoring and outsourcing models and relevant theoretical perspectives relating to outsourcing	Discussions of the various types of offshore sourcing strategy based on TCE, RBV and resource dependent theory (RBT)	Researchers conducted the analyses on the taxonomy of manufacturing outsourcing comparing the three theories showing TCE focus on low level scoping to medium for RBV and high for RBT. It is argued that RBT focuses on organisations' survival and growth versus TCE on economies of scale and

Study	Research Issues	Methodology	Main Findings
			RBV on core competencies.
Gerbl et al. (2015)	Investigated the impact of location specific factors together with firm level and process level factors in determining the location distance and impact on the different choice of governance model: local, nearshore and offshore for BPO organisations	Case studies conducted on five German companies	Results show that local and nearshore strategies are greatly impacted by process and firm level factors such as in house human resources while location attractiveness factors are important determinant for offshore strategy
Neves et al. (2014)	Examined why firms outsource their value chain activities based on TCE and RBV perspectives	Case studies conducted on six coffee firms in Brazil	Results show cost reduction was the major reasons for outsourcing activities. This is mainly because the coffee business in Brazil is low in margins and low in skills. Therefore, activities requiring more complex skills are outsourced. The functions that are more prone to be outsourced are the logistics and marketing activities while R&D and activities requiring internal skills are kept internally. These companies value internal skills more than external knowledge. The

Study	Research Issues	Methodology	Main Findings
			authors concluded that both TCE and RBV must be assessed together as independent assessment can lead to mistaken outsourcing decisions.
Christensen et al. (2016)	Examined factors that influence a firm's decision to internalise or outsource risk management services using TCE.	Quantitative analysis (Tobit and multiple linear regression) where both primary and secondary data are combined in the analysis	The incurrence of R&D costs and technological impact supports the prediction that firms are less likely to outsource higher risk activities. The research finds contradictory view where the higher the environmental uncertainty arising from political and economic factors caused firms to outsource more. Firms are found to be outsourcing less when behavioural uncertainty increase, the researcher ascribed this to the impact of the competitive environment.
Choi et al. (2018)	Examined the drivers that affect offshore outsourcing of supply chains using TCE and ROT	Quantitative analysis	Environmental uncertainty and flexibility are greater determinants of offshore outsourcing of supply chains as compared to domestic supply chains. The fear of incurring switching costs in the form

Study	Research Issues	Methodology	Main Findings
			of innovations and cross country culture differences moderate offshore outsourcing strategy
Yuan et al. (2019)	Examined TCE and extended RBV effects on China logistics outsourcing	Quantitative analysis including moderator and mediator analyses	Results show that top management behaviour mediates outsourcing and the behaviour of top management is moderated by the amount of trust on the third party suppliers
Zhang et al. (2018)	Examined the mechanism of hotels outsourcing in China based on TCE and RBV perspectives	Quantitative analysis	Contrary to the findings of Espino-Rodriguez et al. (2005) who had conducted similar analyses on hotels outsourcing, these researchers found that third party suppliers cost efficiency and specialisation are key determinants to overall effectiveness of the Strategy
Eldenburg et al. (2019)	Examined factors that affect the longevity of offshore manufacturing operations	Quantitative analysis	Aligned with the predictions of RBV, Researchers found that longevity of the strategy is positively associated with skills and stability of workforce and negatively associated with total labour costs

Study	Research Issues	Methodology	Main Findings
Rodgers et al. (2017)	Examined the factors of location of choice for offshored R&D projects using Dunning's OLI framework and Demirbag and Glaister approach	Quantitative analysis	Analyses show quality, innovations have greater impact on location of choice as compared to cost and wage

APPENDIX 4: Survey

Default Question Block

Dear Sir/Madam

I am Jeannie and currently pursuing my PhD studies at University of Nottingham Malaysia. Many thanks for taking time to complete this survey. The topic of my research is: MNCs Finance and Accounting offshore sourcing strategy: Theories and Drivers.

This survey specifically studies the Offshoring Sourcing of Multinational Corporations (MNCs) Finance and Accounting Activities. It aims to analyse the drivers that influence MNCs Offshoring Sourcing of Finance and Accounting .

The drivers in the context of this study are:
(a) Technology development and Management Behavior,
(b) Human Talent as in Finance and Accounting skills and knowledge
(c) Process Frequency, as referring to the recurrence of each of the Finance and Accounting activities

As Finance and Accounting is a people intensive function, the organisations' internal capabilities are also analysed . These internal capabilities are strategic value to Finance and Accounting if these related skills are (a) Unique, (b) Not easily adaptable and (c) Not easily substituted

In addition, the survey investigate if the host country attractions influence the relationship between the drivers and MNCs Offshoring Sourcing of Finance and Accounting. These benefits include labour and related costs savings, culture, language, geographic proximity, government incentives, co-location with other functions, strong presence of other offshore multinationals, presence of professional service providers, local availability of Finance and Accounting talent pool, quality infrastructure and political and economy stability.

Below are the few keywords and their relevance to the context of this survey for your reference:

Offshoring Sourcing Strategies:

1-Offshore: Sourcing of Finance and Accounting activities outside of a firm's home country for purposes of serving home country or global Finance and Accounting requirements.

2. Offshore Insourcing: A firm embark on offshoring Finance and Accounting internally, by setting up their own centers in foreign countries while maintaining full ownership and control. This is also known as Center of Excellence (COE) to some firms.

3-Offshore Outsourcing: A firm embark on handing over the Finance and Accounting activities to foreign external professional Finance and Accounting providers through a formal contractual agreement.

Your Contribution to this study will result in greater understanding of below while providing relevant and useful information for management to decide on future offshore sourcing strategy :

(a) The significance relevance and the level of importance of Technology, Management Behaviour, Talent and Frequency in influencing MNCs Finance and Accounting Offshoring Sourcing Strategy.

(b) The study considers the sourcing strategy for Finance and Accounting from both economic and strategic perspective. The study relates to the importance of developing a range of internal capabilities and assessing whether insourcing or outsourcing an activity is appropriate to sustaining competitive advantage.

(c) Identification of the relevant host country attractions that affect the reliance on the strategy.

The selection of your organisation to participate in this study is based on the listing of MNCs under the Global Business Services (GBS) group by Malaysian Digital Economy Corporation (MDeC). These MNCs have registered offshore activities consisting core functions such as HR, R&D, KPO and Finance and Accounting. At point of study, the researcher is not able to identify the MNCs with solely Finance and Accounting function, therefore, all of the MNCs with the above core activities are invited to participate.

There are 26 questions in total and will take approximately 20-30 minutes.

Ethics and Confidentiality:

Your participation in this research is completely voluntary. You may decline altogether, or leave blank any questions you don't wish to answer. There are no known risks to participation beyond those encountered in everyday life. Your responses will remain confidential and anonymous. Data from this research will be kept confidential and reported only as a collective combined total. No one other than the researchers will know your individual answers to this questionnaire. Under no circumstances will any of the information provided be shared with anyone without explicit written permission from you.

The information gathered from the research survey will be used in the analyses and discussions of a research thesis to be submitted as the requirements for the degree of Doctor of Philosophy in Nottingham University Business School. In addition, the data will also be analysed and referenced for future journal publications by the researcher.

This study is conducted under the supervision of Dr Carol Hooi and Dr Tang Kin Boon. The researcher and the advisors contact details are listed below:
Contact details

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Complaint procedure

The ethical aspects of this study have been approved by University of Nottingham Malaysia Research Ethics Committee. If you have any ethical concerns regarding the study, please get in contact with Dr Tang Kin Boon (KinBoon.Tang@nottingham.edu.my). If you wish to complain about the way in which the research is being conducted or have any concerns about the research then in the first instance please contact Dr Tang Kin Boon

Or contact the NUBS REC:
Research Ethics Committee
Nottingham University Business School
The University of Notttingham Malaysia Campus
Jalan Broga 43500 Semenyih
Selangor Darul Ehsan, Malaysia
Email: nubs-rec@nottingham.edu.my

Many Thanks In Advance

Part 1: About Your Organisation

Q1. Company Name (Optional)

Q2. Main Industry

Q3. Home Country of Company

Q4. Your Name (Optional)

Q5. Your Current Position in the Company

Q6. Contact Details (Optional)

	Voice Details Mobile #	Mail address Email
Your Contact Details		

Q7. Select which statement below best describe your current Organisation Offshoring Sourcing Structure

- ○ A Organisation with Offshore Insourcing Activities (Internally Managed)
- ○ An Organisation with Offshore Outsourcing Structure
- ○ An Organisation with Offshore Outsourcing and Insourcing Structure in multi-countries location
- ○ A branch or part of a Multinational organisation

- ○ A Professional Outsourcer located in Malaysia

Q8. Please indicate the international experience of your offshoring sourcing practices of your Finance and Accounting organisation

- ○ Nil
- ○ Less than 1 year
- ○ Between 1 and 5 years
- ○ Between 6 and 10 years
- ○ Between 11-15 years
- ○ Between 16-25 years
- ○ More than 25 years
- ○ Don't Know/Not sure

Q9. Please indicate the total year(s) of the organisation has been in existence (Parent Company)

Q10. Please indicate the number of full-time employees (Total Company Worldwide)

Q11. Please indicate Total Assets in last financial year (in USD)

- ○ $500,000 or less
- ○ Between $500,000 and $1,000,000
- ○ $1,000,001 and $5,000,000
- ○ $5,000,001 and $10,000,000
- ○ $10,000,001 and $50,000,000
- ○ $50,000,001 and $100,000,000
- ○ $100,000,001 and $500,000,000
- ○ $500,000,001 and $1,000,000,000
- ○ $1,000,000,001 and above
- ○ Don't Know/Not Sure

Part 2: About Your Organisation Offshore Sourcing Strategy

Q12. Please indicate the main decision maker in the offshore sourcing strategy with the corresponding level of education of the person

	Position/Title					Level of Education				
	CEO or equivalent	CFO or equivalent	Vice President or equivalent	Director or equivalent	Manager	Postgraduate	Degree	Professional Accountant	Diploma	Don't Know/Not sure
Decision Maker's Position and Level of Education	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

The Definition of the Finance and Accounting Activities
(A) Routine versus Non-Routine
(B) Core versus Non-Core (based on level of importance)

For this part of the questions, please select to work on **ALL** the listed activities. Please indicate:

(A) Routine versus Non-Routine (Frequency):

The level of Frequency, meaning how frequent each of the activity is performed. Select the relevant or most representative frequency provided: Routine as (a) Daily and (b) Weekly; Non-Routine as (a) Monthly, (b) Quarterly, (c) BI-Annual and (d) Annual.

(B) Core versus Non-Core (Level of Importance)

The level of Importance is leveraged to determine if the activity is highly important (core activities) to the organisation or least important (non-core activities) to the organisation

Q13. There are two parts to this question:

(A) For each of the activity, select the relevant frequency
(B) For each of the activity, indicate the level of importance of this activity to your organization

	(A) Indicate if its Daily/Weekly/Monthly/Quarterly/Bi-Annual/Annual						(B) Indicate the Level of Importance				
	Daily	Weekly	Monthly	Quarterly	Bi-Annual	Annual	Totally Not Important	Not Important	Moderate	Important	Totally Important
Credit/Cash Management	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Credit Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Accounts Payable	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Accounts Receivables	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
All types of Payment/securities processing	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Product/Services Costing	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Fixed Assets Accounting	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
General Ledger Reconciliation	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Statutory Reporting and Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Financial Planning (Flash, Budgeting)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Forecasting (Periodically)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Financial Reporting	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Performance Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Business Advisory Analysis	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Internal Audit	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

The Scope of your Finance and Accounting Activities Currently Offshore Insourced or Outsourced

Please select **ONLY** the activities that are applicable to your organisation, this means choose to work on the activities that your company is currently Offshore Insourced (Internally managed) or Outsourced (Managed by third party via a formal contract)

Q14. For this question, please select ONLY the activities that are applicable to your organisation:

(A) First, select the activities that your organisation is currently Offshore Insourced or Offshore Outsourced.

(B) Second, indicate the extent of the activity is Insourced or Outsourced (in percentage %)

	(A) Indicate the current offshore model (select ONLY the activities applicable to your organisation)		(B) Estimate the % of the activity Insourced	(B) Estimate the % of the activity Outsourced
	Insource	Outsource	%	%
Credit/Cash Management	☐	☐		
Credit Analysis	☐	☐		
Accounts Payable	☐	☐		
Accounts Receivables	☐	☐		
All types of Payment/Securities processing	☐	☐		
Product/Services Costing	☐	☐		
Fixed Assets Accounting	☐	☐		
General Ledger Reconciliation	☐	☐		
Statutory Reporting and Analysis	☐	☐		
Financial Planning (Flash, Budgeting)	☐	☐		
	☐	☐		

	(A) Indicate the current offshore model (select ONLY the activities applicable to your organisation)		(B) Estimate the % of the activity Insourced	(B) Estimate the % of the activity Outsourced
	Insource	Outsource	%	%
Forecasting (Periodically)				
Financial Reporting	☐	☐		
Performance Analysis	☐	☐		
Business Advisory Analysis	☐	☐		
Internal Audit	☐	☐		

Part 3: To Explore the Impact of Uncertainty arising from the Development in Technology on Offshore sourcing of Finance and Accounting activities

The Development in Technology refers to the process of continuous improvement in performing the Finance and Accounting activities. This incorporates process innovations, standardisation, software and systems upgrade and improvement in workflow

Q15. Please indicate Total Technology (IT) investment and development for your function as a percent **(%)** of Revenue. For example: new software/systems upgrade/integration and standardisation capabilities

Q16. Please provide your own measurements of the Total Technology (IT) investment in this space provided if you are not able to provide it as a % of Revenue

Q17. Based on the activities that your firm currently offshore source (as you indicated in **Q14),** please indicate to what extent you agree with each of the statement below as the result of the impact of automation, variations in work and software innovations on the sourcing of the activities.

	Your Level of Agreement				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
Due to the development in technology as listed above, there were a lot of variation in the workload related to the Finance and Accounting routine activities	☐	☐	☐	☐	☐
Due to the development in technology as listed above, there were a lot of variations in the workload related to the Finance and Accounting non-routine activities	☐	☐	☐	☐	☐
Due to the development in technology as listed above, there were new Finance and Accounting software introduced as part of the systems innovations and is unique to the organisation	☐	☐	☐	☐	☐
Due to the development in technology as listed above, process standardisation and innovations simplify the offshoring effort	☐	☐	☐	☐	☐
Due to the development in technology as listed above, there were relevant changes in the company's Finance and Accounting structure	☐	☐	☐	☐	☐

Part 4: The impact of Talent and the influence of internal capabilities on Offshoring sourcing strategy of Finance and Accounting Activities

Q18.

The statements below refer to the Finance and Accounting activities you selected in Q14 . Please indicate to what extent you agree with the impact of talent on the Finance and Accounting activities offshored sourced.

	The extent you agree with the statements				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
To perform the routine activities, the analyst needs to acquire company specific information	☐	☐	☐	☐	☐
To perform the non-routine activities, the analyst needs to acquire company specific information	☐	☐	☐	☐	☐
The Finance and Accounting Software is custom tailored to the company	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐

	The extent you agree with the statements				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
The way the Finance and Accounting activities are performed is unique to your company					
It would be costly in terms of time and resources to switch to an external accountant at the end of the financial year. Or in the case if you are Outsourcing now, it would be costly to switch from one external accountant to another external accountant.	☐	☐	☐	☐	☐

Q19.

The statements below refer to the activities you defined based on the level of importance **in Part 2**. Please indicate to what extent you agree with the impact of the three dimensions of internal capabilities (unique, adaptability and substitutability) on the activities selected.

	The extent you agree with the statement				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
The activities you indicated as "Important" and "Totally important" require specific degree of knowledge and information about your firm way of working that the individuals carrying out the following activities must have	○	○	○	○	○
The activities you indicated as "Important" and "Totally important" require specific adaptability to your company's processes, culture and systems	○	○	○	○	○
The individuals carrying out the "Important" and "Totally Important" activities cannot be substituted (or replaced) easily	○	○	○	○	○
The activities you indicated as "Moderately Important" require specific degree of knowledge and information about your firm way of working that the individuals carrying out the following activities must have	○	○	○	○	○
The activities you indicated as "Moderately Important" require specific adaptability to your company's processes, culture and systems	○	○	○	○	○
The individuals carrying out the "Moderately Important" activities cannot be substituted (or replaced) easily	○	○	○	○	○
The activities you indicated as "Not Important" and "Totally not important" require specific degree of knowledge and information about your firm way of working that the individuals carrying out the following activities must have	○	○	○	○	○
The activities you indicated as "Not Important" and "Totally not important" require specific adaptability to your company's processes, culture and systems	○	○	○	○	○
The individuals carrying out the "Not Important" and "Totally Not Important" activities cannot be substituted (or replaced) easily	○	○	○	○	○

Q20

The below question is to assess your satisfaction on achieving your organisation costs objectives by implementing the offshore sourcing strategy . The definition of COSTS in the context of this question refers to the costs of performing the Finance and Accounting activities

	Your Level of Satisfaction				
	Totally Dissatisfied	Dissatisfied	Moderately Satisfied	Satisfied	Totally Satisfied
Indicate the extent to which the COSTS of "Important" and "Totally Important" activities meet your expectation	○	○	○	○	○
Indicate the extent to which the COSTS of "Moderately Important" activities meet your expectation	○	○	○	○	○
Indicate the extent to which the COSTS of "Not important" and "Totally Not Important" activities meet your expectation	○	○	○	○	○

Q21

The below question is to assess the extent of the quality of work achieved through the offshore sourcing strategy. The definition of QUALITY in this question refers to your expectation of how the Finance and Accounting work is performed. Indicate the extent to which the quality of the activities must be improved.

	Extent to which the activities must improve				
	Not at all required	Not required	Moderately required	Required	Totally required
Indicate the extent to which the quality of "Important" and "Totally Important" activities must improve	○	○	○	○	○
Indicate the extent to which the quality of "Moderately Important" activities must improve	○	○	○	○	○
Indicate the extent to which the quality of "Not Important" and "Totally Not Important" activities must improve	○	○	○	○	○

Part 5: The impact of Management Behaviour on Offshoring Sourcing Strategy of Finance and Accounting Functions

Q22.
For each question below, please indicate the extent you agree with each of the statement.

	Your Opinion				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
Management of the parent company have confidence that the local Finance and Accounting employees are able to perform according to the job scope required.	☐	☐	☐	☐	☐
Management have confidence that the local Finance and Accounting employees can perform the work with accuracy and quality	☐	☐	☐	☐	☐
Management have visibility and is familiar on the expertise and knowledge of the local Finance and Accounting team	☐	☐	☐	☐	☐
The relationship between management and the local Finance and Accounting team is based on trust	☐	☐	☐	☐	☐

Part 6: The impact of Host Country Location Specific Benefits

Q23.
Please indicate your level of agreement with the following motives for Offshoring sourcing your Finance and Accounting activities.

	Your Level of Agreement				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
Labour Arbitrage (Labour cost savings)	☐	☐	☐	☐	☐
Access to qualified talent offshore	☐	☐	☐	☐	☐
Achieve greater competitive advantage	☐	☐	☐	☐	☐
Access to core competence and skills	☐	☐	☐	☐	☐
Enhanced efficiency through Finance and Accounting process redesign	☐	☐	☐	☐	☐
Enhanced systems obsolescense	☐	☐	☐	☐	☐
Enhanced technology development allowing virtual data access	☐	☐	☐	☐	☐
Differentiation strategy	☐	☐	☐	☐	☐
Exploit country specific advantages	☐	☐	☐	☐	☐
Access to new markets talent and services	☐	☐	☐	☐	☐

Q24.
Please indicate your level of agreement on the risks of Offshoring Sourcing your Finance and Accounting activities.

	Your Level of Agreement				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
Lack of acceptance of internal clients/resistence to offshoring	☐	☐	☐	☐	☐
Loss of Managerial control	☐	☐	☐	☐	☐
Overstated costs savings	☐	☐	☐	☐	☐
Loss of internal capabilities/process/knowledge	☐	☐	☐	☐	☐
Loss of synergy across processes (no end to end view of each process)	☐	☐	☐	☐	☐
Exposing organisation to externally enforced contracts	☐	☐	☐	☐	☐
Cultural differences with employees in offshore location	☐	☐	☐	☐	☐
Language differences	☐	☐	☐	☐	☐
Difficulty in managing a global team	☐	☐	☐	☐	☐
Concerns on data security	☐	☐	☐	☐	☐
High employees turnover	☐	☐	☐	☐	☐
Wage inflation in offshore location	☐	☐	☐	☐	☐
Difficulty in finding qualified Finance and Accounting personnel	☐	☐	☐	☐	☐
Political and social instability in offshore location	☐	☐	☐	☐	☐
Concerns on operational efficiency	☐	☐	☐	☐	☐

Q25.
Please indicate the level of agreement on the reasons for Offshoring Sourcing your Finance and Accounting activities.

	Your Level of Agreement				
	Totally Disagree	Disagree	Moderately Agree	Agree	Totally Agree
Lower Costs (Labour)	☐	☐	☐	☐	☐
Lower Costs (besides Labour costs)	☐	☐	☐	☐	☐
Cultural adaptation	☐	☐	☐	☐	☐
Geographic proximity	☐	☐	☐	☐	☐
Technical and Language requirements	☐	☐	☐	☐	☐
Co-locating with existing segments/functions facility	☐	☐	☐	☐	☐
Location of re-known external Finance and Accounting service provider	☐	☐	☐	☐	☐
Strong business process organisations (BPO) presence in the country	☐	☐	☐	☐	☐
High quality technological and other infrastructure	☐	☐	☐	☐	☐
Availability of competence talent and right skills	☐	☐	☐	☐	☐
Government incentives (tax breaks or other monetary incentives)	☐	☐	☐	☐	☐
Political and economy stability	☐	☐	☐	☐	☐

Q26
Are there any other feedback, comments and observations related to Finance and Accounting offshore not covered in this survey that you would like to contribute?

Block 1

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