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## A Multiple Case Study on Small and Mid-Size Enterprise Managers' Lived Experiences on the Impact of Job Losses on Outsourcing Practices

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## A Multiple Case Study on Small and Mid-Size Enterprise Managers' Lived Experiences on the Impact of Job Losses on Outsourcing Practices

### Abstract

There is a greater need to understand how economic insecurities contribute to outsourcing practices. Previous research documented that small and medium-sized enterprises gained limited advantages from outsourcing. The purpose of this qualitative multiple case study design was to explore the contribution of consumer job losses on outsourcing practices. A semi-structured open-ended interview was used to collect data from the 13 participants from the furniture, bedding, and wooden industries in Jamaica. From the analysis of the data collected, two themes emerge: (1) affordability and (2) market trends. The findings obtained from this research suggest that consumer job losses contributed to outsourcing practices. This knowledge might change current views on the factors that lead to outsourcing and the benefits of this strategy to manufacturing small and mid-size enterprise from developing countries. The results may also contribute to more informed macroeconomic policies. The following recommendations emerged from the findings: (a) utilize employment forecast to gauge production; (b) hedge prices for procured materials, and (c) quote selling price in primary outsourcing currency. Future research directed at SMEs managers' lived experiences of a specific economic insecurity, additional manufacturing industries, and adopting different methodological designs could create a larger body of knowledge for comparisons.

### Keywords

outsourcing, economic insecurities, small and medium-sized enterprises, emerging markets, qualitative, multiple case study

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There is a greater need to understand how economic insecurities contribute to outsourcing practices. Previous research documented that small and medium-sized enterprises gained limited advantages from outsourcing. The purpose of this qualitative multiple case study design was to explore the contribution of consumer job losses on outsourcing practices. A semi-structured open-ended interview was used to collect data from the 13 participants from the furniture, bedding, and wooden industries in Jamaica. From the analysis of the data collected, two themes emerge: (1) affordability and (2) market trends. The findings obtained from this research suggest that consumer job losses contributed to outsourcing practices. This knowledge might change current views on the factors that lead to outsourcing and the benefits of this strategy to manufacturing small and mid-size enterprise from developing countries. The results may also contribute to more informed macroeconomic policies. The following recommendations emerged from the findings: (a) utilize employment forecast to gauge production; (b) hedge prices for procured materials, and (c) quote selling price in primary outsourcing currency. Future research directed at SMEs managers' lived experiences of a specific economic insecurity, additional manufacturing industries, and adopting different methodological designs could create a larger body of knowledge for comparisons.

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## Introduction

The influence of outsourcing on economic insecurities has been explored by many researchers (Oversby et al., 2013; Schieberl & Nickles, 2014; Soils et al., 2013; Zutshi et al., 2012); however, there are limited data available on the influence of economic insecurities on outsourcing practices (Jain & Ramachanran, 2011). Due to the limited information available on the effects of economic insecurities on outsourcing, manufacturers, microeconomic and macroeconomic planners, and other home and host country stakeholders are not scientifically informed when adjusting policies to compensate for market insecurities. This qualitative multiple case study sought to explore the experiences of small and mid-size enterprises (SMEs) managers on the impact of economic insecurities on outsourcing practices. The present study focused primarily on the impact of job losses on the SMEs managers' decision to incorporate an outsourcing policy.

This qualitative research incorporated three phenomena: outsourcing, job losses, and SMEs managers' experiences. The transaction cost theories (analysis and economics) best relate to the core focus of this research and speaks directly to the benefits of outsourcing (Balogun, 2013). The job losses function as the environment in this research and a key

singularity that connects managers' experiences of the impact of economic insecurity on outsourcing practices. The present study is significant, as it advances the limited literature available on the influence of economic insecurities on outsourcing practices. Furthermore, the data collected and presented is of particular importance, as it was retrieved from the perspective of people from a developing country, which has not received any attention in the literature. This work assumed a multiple case study design.

## Review of Literature

### Manufacturing SMEs and Outsourcing

The rapid evolution of technology creates problems for companies of any size and from any sector; however, for SMEs this is a critical issue (Brooks et al., 2009). Investing in newer technology can quickly become a constraint on the company to keep up with demands; however, higher cost to procure, install, maintain, and train can easily create a financial hardship. Consequently, SMEs are challenged to outsource part or all their manufacturing operations to keep afloat (Hafeez & Andersen, 2011). In Jamaica's Furniture Bedding and Wooden Industries (FBWI), for example, furniture imports grew from US\$257 million in 2011 to US\$337 million in 2012, while bedding and wooden imports increased from US\$3.14 million to US\$4.34 million over the corresponding period (JMA, 2014). This trend, according to researchers, is a paradigm shift in SMEs manufacturing as companies with fewer resources are moving away from building and heading towards assembling (Brewer et al., 2013; Contractor et al., 2010; Dogerlioglu, 2012). This pattern is not uncommon, as SMEs perceive outsourcing to improve efficiency, reduce labor cost while supplying quality products, sustain flexibility in allocating resources, and develop meaningful relationships by networking with multiple suppliers (Hayden et al., 2013). There are many studies that validate the benefits of outsourcing to MNEs and other large conglomerate; however, very few have explored its value to SMEs or the factors that may lead them to implement this strategy (Lis et al., 2012; Soils et al., 2013). Using the transaction cost economic theory (TCE), this research explored the SMEs managers' lived experiences on the impact of job losses on outsourcing practices.

Given the supposition that SMEs size restricts their ability to benefit from outsourcing (Mohiuddin & Su, 2013), these researchers argued that it is imperative to concentrate on outsourcing strategies by SMEs for several distinctive reasons. Because of their inadequate resources and the high levels of economic insecurities, especially in the emerging markets, SMEs might have a greater need to access quality products at low prices to withstand competition from multinational enterprises (MNEs; Sanberg, 2013). Additionally, outsourcing is a fundamental stage in SMEs internationalization process since they are inclined to engross in it even before considering exporting (Buck, 2013; D'Angelo et al., 2013). Furthermore, outsourcing might be SMEs first international activity (Mohiuddin & Su, 2010). Also, the levels of risk, motivations, and benefits extended through outsourcing may significantly differ from those of MNEs (Danciulescu, 2014).

New attention to outsourcing by SMEs argues that strategies by these companies may not best underscore their competencies and location-based competitiveness (Kamyabi & Devi, 2011). Nonetheless, the existing literature on outsourcing suggests that SMEs attained limited advantages from outsourcing and deemed this as less helpful in developing competitive advantages (Abdul-Halim et al., 2012). However, as Kamyabi and Devi (2011) pointed out, studies examining reasons SME managers choose to incorporate outsourcing strategies is virtually nonexistent. These researchers sought to address this gap by exploring the influences of economic insecurities on SME managers' decision to outsource parts of all their manufacturing activities. There are conflicting research findings on the advantages and

disadvantages of outsourcing to SMEs, and several researchers have suggested different perceptions on the value of outsourcing to productivity.

### **Job Losses and Manufacturing Practices**

The high rate of inflation, unemployment, and depressed salary growth has forced consumers to reduce their discretionary spending. In fact, one in every five households has experienced salary cuts because of the loss of bonuses, unemployment, increased part-time working, and reduction in overtime payments (Atinc et al., 2012). Additionally, 7% of households have experienced at least one member losing their job in 2014. According to the 2011 research findings from Deloitte's Consumer Tracker, 53% of households were cynical about disposable income, 28% pessimistic about personal debt, and 23% unenthusiastic about job security (Clarke, 2011). Subsequently, manufacturers' knowledge of spending power in the domestic market will help them determine the potential demand for their goods, thus instituting the best practices to reduce the overhead cost of manufacturing the goods.

Unemployment is documented as a bad occurrence (McInerney & Mellor, 2012). While academics and economists have concluded that there will always be unemployment in the society, elevated job losses impose substantial costs on the society in general (Howard & Shipp, 2013). From the consumer's perspective, the effects of unemployment are not hard to envisage. The loss of job normally results in the direct impact on the standard of living of the consumer. Individuals who are eligible for government assistance such as unemployment benefits are traditionally provided with up to 50% less than their normal income. Reduced disposable income means that individuals would have less spending power (Giulietti et al., 2013). The economic ramifications go beyond reduced consumption, as some consumers will utilize retirement savings and other investments to maintain a particular standard of living (Sherif, 2013). Extended unemployment can contribute to loss of skills, essentially depriving the economy of valuable talents (Schumerer, 2012). Conversely, the experience of job loss can change how consumers plan for their immediate and future purchases. Additionally, lack of income can force families to repudiate educational programs to their children thus depriving the economy of future skilled workers (Popescu et al., 2013). Any reduction in the skilled labor force will have a negative repercussion for manufacturers since development of their product requires highly skilled laborers.

### **Market Trends**

Currency stability is a fundamental element of economic growth and development (Sarkar & Amor, 2009). Since the implementation of the flexible exchange rate system, global financial liberalization has been investigated by many researchers (Adhikari et al., 2011). These researchers have agreed that currency valuation is affected by the economic outlook for growth and development (Elwell, 2012); the trade balance (Lane & Shambaugh, 2010); and the rate of inflation and deflation (Reserve Bank of New Zealand, 2012). Also, Lakehal-Ayat (2010) concluded that the nature of currency valuation is affected by structural and financial reforms in the respective economies. Consequently, the currency stability influences the purchasing power of the SMEs in the manufacturing industries.

Another influence on the economy is Purchasing Power Parity (PPP), which has been extensively researched in recent decades (Hyrina & Serletis, 2010). According to Carbaugh (2010), PPP establishes the exchange rate that links the local and international cost, thus ensuring that the purchasing power would be similar in two trading economies. Critics of the PPP argue that this approach is impractical since it uses the price indices that have proven to be idealistic (Akrani, 2010). PPP further disregards the influence of cross-border capital trading

which could lead to oscillation of exchange rate between trading economies (Jimenez-Martin & Robles-Fernandez, 2010). Purchasing power parity does not elucidate the demand and supply of foreign exchange (Tang & Liew, 2010). Despite the many criticisms of the PPP, proponents argue that it allows an economist to calculate the wealth of a country effectively by amending the presumed PPP (Deaton, 2010). Also, researchers believe that PPP can assist policy makers in making and implementing macroeconomic policies (Oguanobi et al., 2010). Two ways to improve the stability of the local currency and the purchasing power of the manufacturers is to increase foreign reserves (Zultan, 2011) and strengthen the macroeconomic financial polices (Truman, 2010).

Jamaica is the 5<sup>th</sup> largest island in the Caribbean with a population of 2.7 million (James, 2012). The country's trade liberalization process started in the late 1970s, which led to an influx of imports and substantial growth in the manufacturing industry (James, 2012). According to Barclay (2010), foreign direct investment in developing countries has spiked in the last two decades. Due to the increase investments in the manufacturing industry, the demand for oil has significantly increased. The Bank of Jamaica reported that there was a 70% increase in the demand for energy in 2011 when compared to 2010 (Morrison, 2011).

The Jamaica Gleaner Company reported that Jamaica's trade deficit increased by 209% in 2011 when compared to 2010 (Morrison, 2011). According to the report, the increased fuel bill and imports significantly affected the country's balance of payment, with fuel imports accounting for 80% of the deficit. The Bank of Jamaica reported that the net international reserves fell from US\$2.6 billion in 2010 to US\$2.03 billion in 2011. Consequently, the Bank has sought to stabilize the economy (Bank of Jamaica, 2012). According to researchers, restoring the balance of payment in Jamaica will require fiscal discipline from the central bank. This fiscal discipline must be demonstrated through economic and financial reforms that will improve exports and stimulate the domestic market (Eita & Gaomab, 2012).

## **Theoretical Framework**

The Transaction Cost Economics Theory is viewed as a typical structure for describing the rationale for organizations to outsource (Kamyabi & Devi, 2011). According to Hayden, Michele, Sinha, and Paresha (2013), the most frequently identified incentive for SMEs outsourcing is rooted in the TCE theory. This suggests that a company ought to outsource the manufacturing of its goods if the returns from outsourcing are greater than the transaction cost. In principle, TCE indicates that functions that are not company specific must be outsourced. In practice, outsourcing is exaggerated by the TCE Theory, as it influences corporate strategies, competitive pressure, and ultimately productivity (Dekkers, 2011).

Transaction cost economics offers a set of normative regulations for selecting among alternative governance provision to the degree that governance selections are a vital determinant of company performance and eventually productivity. Vasilianuskiene and Snieska (2009) noted that TEC enables companies to utilize wider distribution channels, attain economy of scale, and reduce the cost of doing business. Administrators would be well counseled to observe those variables and to consider transaction cost concerns into their decision-making calculations. Over the last decade, the TCE Theory had developed into a gradually more significant anchor for analysis of a wide cross-section of organizational and strategic issues of substantial importance to managers. These issues range from vertical amalgamation to allotment strategy and from international development to strategic coalition. It considers optimal financial composition to the design of internal enticement systems and has selected normative implications (Kraaijenbrink et al., 2009).

From the consumers' perspective, TCE refers to the purchase cost of an item. The purchase cost includes the collection of data about a product, the cost associated with product

search, and transportation of selected items (Coase, 1937). Additionally, the cost associated with comparing products creates addition risk for the consumer and adds to the transaction cost. In general, the purchase cost significantly contributes to the consumers' decision to procure an item. Subsequently, the competitive advantage of a product consistently depends on its purchase cost (Beltz & Peattie, 2009).

## **Research Question**

This qualitative multiple case study sought to unearth how SMEs managers lived experiences of job losses influences their outsourcing practices. This fundamental question was guided by the following open-ended questions:

1. How do SMEs' managers plan for increase unemployment in the domestic market?
2. What impact does higher unemployment have on sales?
3. How does outsourcing reduce the effects of increased unemployment on companies?
4. How has the high unemployment rate influenced the decision to outsource?

The fundamental motivation by this researcher on outsourcing practices is guided by the "why" of doing business. This motivation is rooted in understanding how economic insecurities, such as job loss, influence managers to implement perceived cost saving measures based on their lived experiences to increase profitability. This researcher's biases had insignificant influence on the results of this study since its purpose was only to understand the "why." This researcher's interest in the topic is purely for academic purposes, creating new knowledge, reaffirming existing literature, or updating previously concluded findings on the topic.

## **Research Methods and Design**

A qualitative research method, using a multiple case study design was used to explore SMEs' managers lived experiences on the impact of job losses on outsourcing practices. Questions asking why and how or requiring an in-depth description of a social phenomenon are traditionally researched using case studies (Yin, 2009). Accordingly, the design of the present study was grounded in an explanatory approach that presumes participants will provide meaning to their practices and experiences through interfacing with others (Garcia & Gluesing, 2013). The policy-making process connected to outsourcing parts or all of production is diverse and dynamic. Therefore, the multiple case study design gathered information regarding the senior managers' experiences of the impact of job losses on their decision to outsource. This researcher further incorporated Maxwell's (2005) design model. Maxwell's design has five components, which he labeled interactive or interconnected and flexible. The components are (a) goals (the why of the study), (b) conceptual framework (what does the researcher believe is going on), (c) research questions, (d) methods (relationships, participants, setting, data collection and analysis), and (e) validity. According to Moustakas (1994), the data of experiences offer an exclusive understanding of a phenomenon by providing natural and accurate elucidation of the experiences. Furthermore, multiple case study designs are proposed to produce adequate information about individuals' practices and experiences without misrepresenting the original meaning of the participants being studied (McCaslin & Scott, 2003; Moustakas, 1994; Patton, 2002). Most important, qualitative studies have effectively

explored individual's lived experiences (Achrol & Kotler, 2012; Giles et al., 2012; Jap, 2013; Pereire, 2012).

## **Participants**

The target population for the present study originated from 28 companies from the Furniture, Bedding, and Wooden Industries located in the 14 parishes of Jamaica (JMA, 2014). Approval was granted from the researcher's university and from each company to engage its senior manager to participate in the present study. The selection of each company was based on its practicing outsourcing for parts or all its production. Many qualitative researchers have used two to ten participants to explore various perceptions of outsourcing (Arbjorn & Luthje, 2012; Gulla & Gupta, 2012; Pinho de Almeida & Moutinho, 2013; Swift, 2011) and economic insecurities (Fanghanel, 2014; Harris et al., 2013; Williams & Snow, 2012), and since saturation takes place after no new perception can be generated, this multiple case study sought to interview as many persons from the population until no new data was generated (Moustakas, 1994). The sample was attuned based on the fullness of the data, the capability to extract themes, and the capacity to achieve saturation (Patton, 2002; Williams & Snow, 2012).

Each participant was given a letter of invitation to take part in the interview; this letter introduced the research, the research topic, and the rationale for the research. Furthermore, the participants in this research were selected based on those who have experienced the impact of economic insecurities on their business and are actively engaged in outsourcing.

## **Data Collection, Processing, and Analysis**

The critical objective of data analysis in the multiple case study design is to condense the data to categorize into identifiable themes to gain perceptiveness of the occurrence and report the findings (Gallagher & Francesconi, 2012). Since this method often results in a large volume of data (Dereshiwsky, 1999), the data reduction or distillation system of qualitative data analysis was used to analyze the data (Marshall & Rossman, 2006). By using the multiple case study design, this researcher was able to reduce and breakdown the explicit themes and statements for all probable meanings (Cooper et al., 2012). The researcher further arranged occurrences into extensive categories with subthemes. This was necessary since data compilation in qualitative research results in a large amount of transcription. This researcher read through the transcriptions to understand the data before beginning the process of analyzing the data (Gallagher & Francesconi, 2012). Subsequently, the data was classified or categorized into major themes. The findings were then portrayed through either visual or narrative display.

This research adopted Moustakas' (1994) position that requires the researcher's experience to be set aside so that the phenomenon can be viewed with a new outlook. Bracketing, which is the researcher's responsibility to conduct self-examination before conducting the interviews, was used to ensure that the researcher remains open and receptive to the participants' experiences (Moustakas, 1994). All participants received an introductory letter that described the present study, provided with contact details for the researcher, disclosures that allowed them to opt out at any time, and their right to obtain the results of the research. The in-depth, open-ended, audio recorded interviews were collected over a three-week period. The interview questions were logically ordered, starting with less sensitive questions and then build-up to more sensitive questions (see Appendix A). This was done to develop trust and confidence between the researcher and the participants. The interviews were scheduled for 60-90 minutes and continued until saturation was achieved, which was verified by the participants introducing no new perception on the topic (Moustakas, 1994). Each participant was assigned a code that included the date the interview was conducted and a



number ranging from 1 to 12. The interviews were independently stored on separate storage devices such as compact disks and memory cards. The environment for the interview was tranquil as possible to eliminate environmental distractions.

The researcher ensured that a comprehensive review of the interviews was written within two hours; this included the participants' code, venue of the interview and its duration. The recordings were transcribed using NVivo 9.0. Subsequently, the researcher replayed the recording while reading over the notes to ensure they corresponded, filled in missing data, and corrected any errors. When the themes emerged, the researcher clustered the data based on their respective themes. The themes were further highlighted to establish meaningful description of the practices and experiences of the SME managers on the impact of economic insecurities on outsourcing practices. The researcher evaluated and discussed the data with the participants via telephone conversations or e-mail. The completed examination incorporated a thorough analysis and assessment of the participants' experiences (Moustakas, 1994).

### **Assumptions**

When designing a study, there are several methodological assumptions, limitations, and delimitations that should be considered. The central assumption of this research was that managers of SME manufacturers would take part in the present study and provide reliable and honest descriptions of their lived experiences to assist economists, government officials, and other economic planners in understanding of the influences of economic insecurities on both microeconomic and macroeconomic stability, thus contributing to better economic policies. Another assumption of the present study was that participants would respond openly and truthfully during the interview and provide information based on their lived experiences and not their personal belief. Some of the data gathered may be skewed as some of the participants might withhold critical information that they believe may reveal their business strategies to competitors (Patton, 2002). To reduce this risk, this researcher will reaffirm the participants' confidentiality during the interview (Stiles & Petrila, 2011; Zikmund et al., 2010).

Additionally, the participants were reassured that all identifiable data were kept securely by the researcher and destroyed on completion of the research (Zikmund et al., 2010). This researcher further assumed that information presented to the participants met their expectations, thus improving their willingness to participate. Since it is difficult to calculate whether the participants received sufficient information (Moustakas, 1994), this researcher provided each participant with a detailed informed consent form which clearly outlined the benefits and potential risks of participating in this research and provided an option for them to accept or reject participation (Stiles & Petrila, 2011). Furthermore, participants were provided with multiple contact details for this researcher so that they may clarify any matter related to this research (Stiles & Petrila, 2011). Another assumption was that the interviews would have been conducted face-to-face in a non-threatening environment and that the peer-reviewed literature presented represents accurate supporting information.

### **Limitations**

The limitation of this research lies in the portion of the design since it placed restrictions on the results of the study. These restrictions influenced the strategy of the design and ultimately the validity (Chan et al., 2010). Another limitation was in the selective sampling methodology that was used to determine the participants since this method is likely to select SMEs from similar industry. This limitation did not affect the credibility of this research as it only focused on manufacturers from FBW industries. Focusing on FBWI was another limitation of this study as the results are specific to these industries. Outsourcing practices have

been attributed to MNCs (Soils et al., 2013); hence, focusing on SMEs limited the focus of the research. Furthermore, researchers have postulated that SMEs are less likely to outsource (Gorg & Hanley, 2004; Mohiuddin & Su, 2010; Mohiuddin & Su, 2013); this research was limited to SMEs. The limitations of this research also included generalization of the findings limited to the participants, untrue disclosures from the participants, and external environmental factors influencing the results.

Researcher bias is deemed as one of the fundamental threats to reliability and validity in qualitative research (Patton, 2002; Smith et al., 2009). This researcher's reflexivity during data collection could have been a risk (Patton, 2002). This potential bias could have limited the textual and structural description of the information that was gathered (Patton, 2002). This limitation was eliminated by affording the utmost respect to each participant, which reassured the confidence of the participants (Dundon & Ryan, 2010).

### **Delimitations**

Studies have shown that there is an increasing dependence on outsourcing from industrial and developed countries (Oversby et al., 2013; Soils et al., 2013). The present study was limited to manufacturers in a developing country. Although several studies have focused on outsourcing (Durvasula & Lysonski, 2009; Iqbal & Aasim, 2012; Jensen & Pedersen, 2012; Mohiuddin & Su, 2010), the influence of economic insecurities has not received any significant attention (Jain & Ramachanran, 2011). As a result of the limited exploration of this phenomenon, a qualitative design provided greater insights into the participants lived experience (Creswell, 2009). To overcome validity issues that may affect the credibility of the research, Creswell's (2009) three recommendations were utilized to facilitate a credible and valid research: (a) utilizing clear descriptions of the practices and experiences of the participants, (b) member checking, and (c) utilizing peer-reviewers. The researcher used semi-structured interview questions to encourage free-flowing communication between the participants and the researcher, which led to a complete description of their experiences. A pilot test was conducted with the interview questions. This pilot test was done by soliciting the assistance of experts to examine the interview questions for dependability and credibility. Findings from the pilot test were used to improve the ability of the questions to capture the fundamental concepts that were explored. Additionally, the responses from the participants in the pilot test were used to enhance the interview guide prior to conducting the research.

According to Creswell (2009), triangulation is the procedures that find convergence between several sources of information. The present study triangulates the commonalities among the participants' responses. As the data began to emerge, themes were identified and used to guide the triangulation. Each participant was asked to review the transcript and give their opinion on the accuracy of the data that is presented. A peer reviewer was used to review the interview questions, the data analysis, coding, and the interpretations. This peer reviewer was required to critique the researcher's interpretations of the triangulated themes that were established; the criticism forced the researcher to validate the interpretations thus improving the accuracy. In addition, the peer reviewer was required to endorse a non-disclosure agreement. The peer reviewer did not have access to any data that could identify the participants. Although this is small exploratory research and is not aligned for generalization, it offers a unique opportunity to understand the practices and experiences of SME managers from a developing country on the impact of economic insecurities on their decision to outsource, which has not received significant attention in the literature.

## **Ethical Assurances**

Several ethical challenges are associated with the exploratory nature of qualitative research. To improve the quality of the data collection and analysis, the researcher employed several preventive measures. This study commenced after approval from granted from the Northcentral University Institutional Review Board. The participants were selected and interviewed by utilizing methodologies that have validated and recommended by knowledgeable qualitative researchers such as Moustakas (1994). Each participant was formally informed of the possible risks and the measures that were taken to protect them, along with the benefits of their involvement in the research. All participants were required to give consent for the recording of the interviews. Subsequently, all communications were conducted face- to-face.

The text of the informed consent that was sent to all participants was written with simple terminologies to ensure everyone fully understood the consent details. This consent outlined that participants took part in a research of a voluntary nature and have the right to withdraw at any point. It outlined the procedures that were taken during the research; the potential dangers and the measures that were employed to ensure confidentiality. Furthermore, the participants were notified that the research will be used for dissertation and will publish (Moustakas, 1994). All participants were required to provide both oral and written confirmation to the consent that was reviewed face-to-face prior to conducting the interview. The researcher used codes to reinforce the participants' anonymity. Additionally, passwords were used to secure files, computer, and the original transcripts, recordings, and any identifiable material (Chan et al., 2010). The collected data will be stored for at least five years for extended precaution. Finally, traditional analysis of the content was done without any preconceived theory or coding scheme; however, the participants were asked to validate the data after it was transcribed (Moustakas, 1994).

## **Results**

The data collection process started after the study was approved by Northcentral University Institutional Review Board. Twenty-eight invitations were sent out via emails to SME managers in the furniture, bedding, and wooden industry from a list obtained from the Jamaica Manufacturers Association website. Eight SME managers did not respond to the original invitations or follow-up emails, and their telephone numbers were either disconnected or they were unavailable to receive telephone calls. Three SME managers respectfully declined to participate in the study; two suggested unavailability due to time constrained while two declined to provide a reason. After 13 face-to-face interviews saturation was observed as similar themes kept reoccurring in the participants responses to the interview questions. Each interview was conducted in a public location such as the parish libraries and the civic community centers and lasted approximately 60 minutes. The researcher did not know the 13 participants.

### ***Demographic Characteristics***

The nature of this investigation required specific demographic data about the participants. The qualifying demographics significant to this study was the number of years the participants worked with their companies, their managerial experiences, and the number of years the companies practiced outsourcing. Questions 1-5 of the interview ascertained this demographic data. The results suggested that the participants had an aggregate of 286 years working in the furniture, bedding and wooden industry and an average of 22 years per person.

All the participants worked in a senior management position, which was a requirement for this study. The participants had an average of 18 years managerial experience; 38.50% (5) founded their companies while 61.50% (8) were employed by the companies' directors. The companies practiced outsourcing an average 19 years. The 13 companies practiced outsourcing from four countries: USA (85%), China (62%), Brazil (39%), and India (31%). Except participants 7, 10, and 11, all participants outsourced from at least two countries. Table 1 shows the materials that were imported by the participants.

**Table 1**  
*Materials Outsourced by Participants*

<b>Outsourced Materials</b>	<b>Frequency</b>	<b>Percent</b>
Aluminum	2	15.39
Glass	2	15.39
Vinyl	2	15.39
Hardware	3	23.08
Foam	5	38.46
Fabric	1	7.69
Spring	4	30.77
Hinges	1	7.69
Facing & Fastening Materials	1	7.69
Hardwoods	5	38.46
Unassembled Furniture	1	7.69

*Note.*  $N=13$

### ***Research Question***

What is the perception of SMEs managers lived experiences of consumer job losses on outsourcing practices?

The purpose of this research question was to ascertain the lived experiences of the influence of unemployment on the SMEs managers' decision to outsource. Two significant themes emerged from the participants' responses: affordability and market trend. Seventy-seven percent (10) of the participants identified affordability as a factor that influenced outsourcing. Sixty-two percent (8) suggested that market trend influenced their decision to outsource.

### ***Affordability***

Affordability was identified by 10 participants (77%) as a leading factor that influenced outsourcing. According to the participants, if consumers are not working, they will not spend as much money as they normally do on nonessential items such as those manufactured in the furniture, bedding, and wooden industries. The respondents noted that to alleviate the challenge of competing against reduced employment in the economy, they had to implement strategies to ensure that prices remain as competitive as possible. Participant 4 noted that "One of the reasons we started to outsource was to keep production cost down and so far, this strategy has helped us to stave off the effects of high unemployment." Participants 7 and 8 noted that there was an obvious trend between sales and employment rates. According to the participants, when there is an upward trend in unemployment percentage, sales margin decreases; while when there is a downward trend in unemployment percentage sales improve. Consequently,

Participant 9 said, “we really cannot do too much about the unemployment rate that is the responsibility of the government to attract investments; however, what we can do is produced quality goods at affordable prices, and that is what outsourcing facilities.” Participant 1 and 13 solidified the emergent of this theme when they highlighted the fact that unemployment has always been an issue in Jamaica. According to Participant 13, “Outsourcing allows us to offer the lowest possible prices in the market.”

### ***Market Trend***

Sixty-two percent (8) of the participants identified market trend as an emergent theme during the data collection process. The SMEs managers stated that a combination of several factors contributed to their decision to outsource. Participant 6 best exemplified this theme by stating that, “As a supplier of goods, we have always watched the market trend and hedge our production on this.” Furthermore, Participants 7 and 11 explained that they used certain conditions in the market to guide their outsourcing decisions. These conditions, according to Participant 13, reflects insecurities in the economy that increase inflation, unemployment, and reduce spending power. Participant 2 noted that “When unemployment is high, some of our products take a longer time to sell, and so we use that data [unemployment percent] to guide our production.”

### **Discussion**

The purpose of this qualitative multiple case research was to understand the lived experiences of unemployment on the SME managers’ decision to outsource. Two significant themes emerged from the participants: affordability and market trend. Seventy-seven percent (10) of the participants identified affordability as a factor that influenced outsourcing. Sixty-two percent (8) suggested that market trend influenced their decision to outsource.

### **Affordability**

The participants perceived affordability as a chief lived experience that influenced their decision to outsource. According to the participants, when unemployment increases, consumers have less spending power and less disposable income. Subsequently, consumers are not motivated to purchase non-essential items. To motivate spending, the participants suggested that keeping the prices low was a good strategy; however, this was predominantly possible when their input costs remained low. Furthermore, the respondents suggested that outsourcing was critical towards maintaining low prices. Research findings by Haws, Bearden, and Henkov (2012) corroborated these results as it suggested that the levels of disposable income traditionally determine how much individuals purchase goods or services. Additionally, Giulietti, Guzi, Kahanec, and Zimmermann (2013) concluded that reduced disposal income means that individuals would have less spending power and Popescu, Ciurlau, and Alin (2013) suggested that lack of income can force families to repudiate spending due to uncertainty in the economy. While these findings solidify with the TCE theory that suggested that rational decision making is used to develop and maintain competitiveness, it advances the view that manufacturers should only outsource if there is not a reliance on specific assets, there is a low degree of uncertainty, and the outsourced functions are infrequently done (Mahnke et al., 2005). This advancement is evident as SMEs from developing countries heavily rely on outsourcing to maintain production.

## **Market Trend**

The participants suggested that market trend was a perceived lived experience that influenced their decision to outsource. According to the participants, historical and current developments including market insecurity such as inflation, unemployment, and reduce spending power influenced their decision to outsource. These findings are consistent with results obtained by Lane and Shambaugh (2010) that suggested that currency valuation and stability was important towards growth and development. Likewise, Omojinite and Oriavwote (2012), findings indicated that the rate of unemployment helps to define the level of economic insecurity that exists in a country. Additionally, the growth and profitability of a company is depended on many internal and external issues (Bhalla, 2008); these factors include currency valuation (Bleaney & Castilleja, 2009); purchasing power parity (Tkalec & Vizek, 2011); and monetary and exchange rate policies (Fetai & Zeqiri, 2010). De Vita and Kyaw (2011) reported that these macroeconomic issues can influence the domestic price index and ultimately foreign direct investments. The results of this study supported those findings and ultimately strengthens the body of literature available on the perception of SMEs managers lived experiences of economic insecurities on outsourcing practices.

## **Recommendations**

The review and explanation of the research findings contributed to the following recommendations that may be used by SMEs, especially those in the manufacturing industry to improve productivity, reduce production cost, advance efficiencies, and support profitability. Many SMEs in developing countries have not implemented outsourcing practices due to prior research findings that suggested that SMEs attain limited competitive advantages through outsourcing (Abdul-Halim et al., 2012; Iqbal & Aasim, 2012; Vitasek & Manrodt, 2012). Furthermore, Kamyabi and Devi (2011) pointed out that studies examining reasons SME managers choose to incorporate outsourcing strategies were virtually nonexistent. This gap in the existing literature has been reduced by this study through empirical data regarding SME managers' lived experiences of economic insecurities on outsourcing practices. Consequently, the following recommendations are a meaningful representation of the present study.

Increase unemployment was suggested by 77% of the participants as one of the leading economic factors that affected their business and contributed to outsourcing practices. To reduce the effect of unemployment on SMEs in the FBWI, these researchers recommend that manufacturers utilize medium to long term employment forecast to guide their production quotas. The participants noted that increase in employment has a positive effect on consumer spending, consequently, gauging production to employment forecast would reduce over or under manufacturing of their goods. Additionally, market trend such as inflation and spending power was viewed by 62% if the participants as another factor that influenced their businesses. It is recommended that the SMEs maximize long hedge purchasing from their outsourcing partners to reduce the effect of the devaluing currency; furthermore, quoting their goods in the USD, which is the primary outsourcing currency, would help to alleviate the effects of the devaluing Jamaica dollar. This measure would provide pricing stability for the manufacturers and ultimately the consumers.

## **Recommendations for Future Research**

The findings of this study were generated from the responses provided by the participants exploring selected economic insecurities. Due to the diversity of this research, the insecurities measured were equally weighted. Consequently, it would have been extremely

difficult to isolate a particular insecurity that had a greater influence on the SME managers. Therefore, additional research directed at SME managers' lived experiences of a specific economic insecurity on their outsourcing practices would generate more in-depth data into that phenomenon. Furthermore, this research population was limited as it only focused on SME managers from the furniture, bedding, and wooden industries. Consequently, the results obtained cannot be generalized beyond those specific industries. Replicating this study in various manufacturing industries could create a larger body of knowledge for comparisons. Also, this research utilized a multiple case study design that had some limitations on the interpretation of the results. Future research investigating the same phenomena could adopt different methodologies and designs. Replicating this present study in other industries would foster a greater generalization of the results obtained.

### Conclusions

The purpose of this qualitative study was to explore the impact of economic insecurities on SME managers' decision to outsource. The specific problem addressed was that the domestic economic continued to offer limited support to SMEs despite research findings suggesting that they gained limited advantages from outsourcing. This qualitative multiple case design underscored two themes from the investigation: affordability and market trend.

The wealth of knowledge that emerged from this study regarding outsourcing practices has the potential to guide macroeconomic planners when development policies to support growth in the domestic market. Additionally, manufacturers from developing countries can use the findings and recommendations presented to develop and implement a successful outsourcing policy. While the findings of this research could be used without further studies, comparing the findings of future research could clarify the influence of economic insecurities on outsourcing practices. Additionally, researchers may consider investigating the influence of the individual factors explored in this study on outsourcing.

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## Appendix A

### Semi Structured Interview Guide

The following questions were used to collect basic demographic data from the participant about themselves and their companies.

1. How long have you been working with this company?
2. How many years have you worked in a managerial position with this company?
3. How many years have this company practiced outsourcing?
4. What are the main items that this company outsourcing?
5. Where do you conduct your outsourcing?

The following questions were used to collect data for the research topic: How do SMEs managers lived experiences of job losses influences their outsourcing practices?

6. How do you plan for increase unemployment in the domestic market?
7. Describe how higher unemployment influences your company's sales?
8. How does outsourcing reduced the effects of increase unemployment on your company?
9. Has the high unemployment rate influenced your decision to outsource? Why/Why not?
10. What additional information can you share about factors that have influenced your decision to outsource?

### **Author Note**

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