

Top Obstacles when Offshoring or Outsourcing*

- Manufacturers

Obstacles	% of Firms
Distance to producers	55.5
Identifying providers	54.9
Language or cultural	45.1
Tariffs	43.9
Foreign legal or admin	41.3
Lack of mgmt expertise	37.4
Cnd Legal or Admin.	33.4
Distance to customers	32.7
Concerns of employees	32.0
Lack of financing	30.5
Tax	25.0
International standards	24.5
Social Values	20.4
IP	8.3

* Those indicating medium or high motivation.

Data: Statistics Canada – SIBS Survey.

third. Both groups indicated that lack of available labour, and taxes or other financial incentives were not particularly important factors. These results show that, and as one might expect, the most important factor driving firms to outsource is indeed costs. This also supports the view that it is predominantly pull factors that drive offshoring and outsourcing: the emergence of large supplies of low-cost labour, as well as large and growing markets are driving offshoring and outsourcing, rather than push factors that make Canada an unappealing location from which to do business. Again, this would be consistent with the earlier findings that these movements are part of a circular flow and not a one-way exodus.

Roughly one fifth of firms surveyed indicated that they encountered obstacles when conducting offshoring or outsourcing. Interestingly, the proportion was about the same for small firms compared to the average.

For respondents overall, foreign legal or administrative obstacles were identified as being most significant, followed by language or cultural barriers and distance to producers. For manufacturers (shown) the priorities were somewhat different. Distance to producers was identified as the most important barrier followed by difficulties in identifying potential or suitable suppliers and language or cultural barriers.¹⁸ For both manufacturers and non-manufacturers alike, identifying suppliers and dealing with language and cultural issues and foreign legal or administrative issues were identified as being significant, which supports the role of the Canadian trade commissioner service (TCS) in overcoming these obstacles. Tariffs also rank among the top obstacles for manufacturing firms, suggesting the need for continued tariff reductions. Interestingly, concerns about offshoring and outsourcing conflicting with social values, concerns of employees and IP

¹⁸ Importance of obstacles are based on combining high and medium responses. There are some instances, however, where a response was marked high for a significant share of respondents without a correspondingly large medium share which lowers the overall score for that response. Specifically, for all industries, Canadian legal or administrative barriers would be ranked first based on high responses alone, while tariffs would have been ranked second for manufacturers. This may indicate that while these obstacles were not as widespread, for the firms that faced them, they were extremely important.