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Captive offshoring services for SMEs in Poland: The role of mutual trust and cultural aspects

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Abstract:

The study examines one of the governance models of offshoring and empirically tests relationships and differences in culture between employees within one company, from two different countries. The study outlines the current position of Poland as an example of destination for entrepreneurs deciding to offshore their services. This research joins case study method, together with surveys and personal observation. The qualitative method aims to investigate relations within the company and examine frequencies of employees' behaviours. Quantitative research method is used to identify the frequencies of qualitative results. The study proved that building common goals and positive relations facilitates working relations. Regular communication and maintaining trust between the countries is a crucial factor for the effective offshoring process. The originality of this work lies in focusing on cultural aspects of offshoring such as cultural distance and cross-culture communication. Further research into the issue of mutual trust in the context of offshoring processes is recommended.

Keywords: offshoring; communication; culture; Poland

JEL codes: M14, M51, D83, J21, L84

1. INTRODUCTION

Outsourcing is acknowledged by many managers as the best solution for reduction of costs. This happens because some of the business activities are moved to a subsidiary or an independent service provider in a chosen destination. With the crucial development of the economy, the global market forces companies to focus on their own business. General outsourcing and offshore outsourcing help to improve production efficiency, lower operational costs and following all these operations, increase profits. According to Oshri, Kotlarsky and Willcocks (2009, p. 8), global sourcing might offer various advantages which are associated with the benefits of outsourcing in general. Any firm may obtain significant cost advantages through the creation of economies of scale, access to the unique expertise of a third party,

and the reduction or stabilization of additional costs. Furthermore, a company may gain benefits from outsourcing by concentrating on essential activities, on organizational specializations, or focusing on achieving key strategic objectives. No doubt, offshoring has become a valid business tool to be successful. How small and medium-sized enterprises (SMEs) should use offshore outsourcing effectively is a question that these companies need to consider and carefully establish necessary strategy.

The study outlines the current position of Poland as an effective destination for entrepreneurs deciding to offshore their services. The authors describe benefits of captive offshoring to Poland for small and medium-sized companies based on the example of one of British locum agencies¹. The agency began offshoring operations to Poland in November 2010. Although lower costs in the beginning were key factors that attracted the company to offshore, other advantages such as skilled young workers and foreign government policy also played roles.

The aim of the study is to examine one of the governance models of offshoring and empirically test relationships between employees within one company, from two different countries presenting advantages and disadvantages of offshoring and investigate cultural differences and similarities. To be able to do that, authors provide an overview of development of offshore outsourcing activities within the medium-sized enterprise. By use of personal observation and surveys with the company's founders, its workers in the country and those who work offshore, the study discovers how to build relationship and succeed in captive offshoring.

The paper is divided into three main parts: theoretical study, research and discussion. The theoretical background gives sufficient frameworks of outsourcing, offshoring and describes the notions, explaining the importance of location choice and outlines the cultural specifics. The authors describe positive effects for the outsourcing in two different countries. The second part conducts research methods. The latter section reveals consequently the findings of the research. The paper ends with conclusions for practice and research alike.

2. LITERATURE REVIEW

2.1. CONCEPTS OF OUTSOURCING

Nowadays, almost any service can be outsourced. Types of outsourced processes differ between call centres, technical or IT support, third-party logistics, food services, distribution services, aircraft maintenance, back-office help etc. Outsourcing, mostly associated with activities outside companies, also creates its own sub-companies that work for the parent agency and carry out selected tasks to support its

¹ 'Locum' is a medical professional that temporary holds a position at a hospital, clinic or private practice. The term locum tenens is a Latin word and is translated as 'stand-in' or 'substitute'. The NHS in United Kingdom has approximately 3,500 locum doctors working in trusts and hospitals every day. There is also about 15,500 locum general practitioners (National Association of Sessional GPs, 2008). Statistics differ on how many physicians are locum tenens. In most hospitals, there is approximately 50-80% doctors who work on a temporary agreements. Majority of locum doctors are contracted through locum agencies.

own company's actions. Definitions of outsourcing changed and evolved within time, technology progress and globalization. Various academics and practitioners claim that outsourcing is a form of external sourcing, or vertical disintegration. Some say there are two forms, outsourcing and purchasing, others that there are three forms, including outsourcing, purchasing, and subcontracting. Finally, it was commented that it is not very useful to treat various outsourced processes, including BPO, maintenance, IT, manufacturing, operations, repair, and R&D outsourcing as the same form (Mol, 2014, p. 7). Handfield (2006) explains the differences between the perceptions and understanding of the notion in the past and in recent times. He claims that until 1989 outsourcing has not been officially defined a business strategy. He also underlies that majority of companies were not completely self-sufficient as they outsourced activities that they were not competent of. In the 1990s managers started focusing more on cost-saving benefits. This caused that companies were outsourcing functions they needed, but they were not entirely related to the business. Entrepreneurs started to sign contracts with appearing companies which provide business services on the market. Through this process they wanted to deliver various services, ranging from data processing accounting, human resources, to security and maintenance. According to Handfield (2006) the current stage in the evolution of outsourcing is the development of strategic partnerships.

One of the most recent and commonly used forms of outsourcing is offshoring. Encyclopaedia Britannica defines the concept as offshoring as the practice of outsourcing operations overseas, usually by companies from industrialized countries to less-developed countries, with the intention of reducing the cost of doing business. Among the main reasons for locating services outside a corporation's home country are lower taxes, lower labour costs, less strict labour regulations, more lenient environmental regulations, and proximity to raw materials' (Encyclopaedia Britannica). Oshri *et al.* (2011) explains that offshore-outsourcing implies contracting with a third party (vendor) based at an offshore location (...) to accomplish some work for a specified length of time, cost, and level of service. Fariñas *et al.* (2014, p. 1815) agree with those definitions, claiming that the term 'offshoring' refers to firms that subcontract to suppliers that are located in a foreign market'. GAO Report to Congressional Committees from United States Government Accountability Office (2006) explains that offshoring intensive manufacturing operations began in the 1960s, followed in the 1970s and 1980s by increasingly complex operations, including design work and some research and development (R&D) and wafer fabrication. Offshoring became very important in international development in the middle of twentieth century. Companies focused their outsourcing activities at first on low-skilled or unskilled manufacturing jobs and simple assembly tasks. In the beginning of the twenty-first century, the exported jobs increasingly included skilled employees. The term offshoring splits into in-offshore house sourcing and offshore outsourcing (Table 1). First one is a production of goods or services sent to foreign countries within the same group of firms. The second one concerns specific transfer of the production of goods or services outside the home country not to the connected company.

It is important to pay attention to different ‘shores’ that might be involved in relocation of business services. Offshoring, on-shoring and nearshoring are derivatives from the word outsourcing. From a point of view of the location, companies can change place of activities from distant countries or only “nearshore” (Slepniov, Brazinskas & Wæhrens, 2013, p. 6). Nearshoring is outsourcing to foreign subsidiary but in a nearby country. On-shoring is the process of bringing home facilities currently located in foreign countries. It can minimize communication problems and improve the product development.

Table 1. Offshore outsourcing

Location	Internal production (in-house)	External production (outsourcing)
Within the country (domestic)	Production within the enterprise and the country (domestic in-house)	Production outside the enterprise but within the country (domestic outsourcing)
Abroad (offshoring or cross-border)	Production within the group to which the enterprise belongs but abroad (by its own affiliates) (offshore in-house sourcing in the sense of relocation abroad)	Production outside the enterprise (or the group) and outside the country by non-affiliated firms. This involves foreign subcontracting (offshore outsourcing or subcontracting)

Source: Hatzichronoglou (2007).

These models differ across involved effort, level of interaction, cultural differences and various time-zones. Some offshore outsourcing activities might be done entirely on the offshore location, but others on onsite location. In the offside offshoring, the company providing services will have its office close to its client’s location and offshore outsourcing facilities at some other geographical region. Offsite outsourcing organization is used to act as a middleman in communication between the client and the offshoring enterprise.

2.2. REASONS FOR OFFSHORING SERVICES AND THE CHOICE OF LOCATION

Offshoring becomes more and more popular thanks to the progress of technology and globalization. Multicultural political environment caused growth of international business operations. World exports grew from \$60 billion in 1950 to \$19.01 trillion in 2014 (World Bank, 2014). Lower labour cost is the initial key factor that attracts firms to offshore to other locations. Outsourcing activities abroad allows for exploitation of economies of scale. It also provides better and more flexible access to specific resources (Nielsen & Nielsen, 2008). Offshoring can also work other way round as not only residents of poorer countries may be happy for such solutions, it can also bring benefits for the inhabitants of the developed countries. Authors of *Applied Economics* (Fariñas *et. al.*, 2014) write about estimated effects of offshoring on productivity in US manufacturing industries. It was found that service offshoring has a valuable positive effect on productivity, accounting

for around 10% of labour productivity growth between 1992 and 2000. Offshore outsourcing inputs have a good influence on productivity but the range is smaller. On the basis of examination of establishment-level data for UK manufacturing industries, it was found that the establishment's outsourcing intensity is positively related to its productivity growth (Fariñas *et. al.*, 2014).

Outsourcing services is quite advanced in the United Kingdom when it comes to small and medium-sized enterprises (SMEs), in comparison to other European countries. Locum agencies are generally SMEs. Agencies decide to outsource projects with which they have some difficulties. It may be lack of specific skills or shortage of time. M. Edge, KPMG UK Head of Markets, said: "Our own research shows that UK businesses are increasingly optimistic about their prospects. In moving forward, businesses need the right people with the right skills. Increasingly, they are looking overseas to address this skills gap recruiting people to the UK or deciding to offshore both work and job" (KPMG, 2009). There is a lack of skilled workers across UK so the companies are forced to search for workers in European Union or further. The survey regarding labour market conducted by KPMG, shows that over 21% of 600 companies recruited migrant employees (Woods, 2010). When the problems are specified and a company is sure that it wants to use help from a foreign country, the other problem arises: to choose appropriate country with inhabitants that would help to develop the business (Outsource Magazine, 2010). According to the research conducted at the University of Nottingham, UK companies prefer to offshore to rather large countries which are relatively wealthy and close to the UK. Other important fact was the ability to speak English on a high level of fluency and understanding. The survey also reveals that UK firms value a relative abundance of human capital, good information technology and a market-friendly environment (Greenaway, 2007).

Offshoring gives agencies the possibility to use skills and experience of skilled workforce. Other than experience are also such important characteristics as willingness to work in international environment and interests in foreign culture which can result in friendly work environment and following this, greater will for work. Scholars from University of Institute of Economics of the Hungarian Academy of Sciences and University of Hertfordshire conducted a research among countries from Visegrád Four: Czech Republic, Hungary, Poland and Slovakia regarding offshoring and outsourcing business services. They carried out 30 interviews with senior managers in business service foreign investment and found out that cost of educated and skilled professionals and their flexibility was acknowledged by all of the questioned companies as one of the most influential factors in their decision to start investments in the Visegrád Four. Very important factors available in these countries for foreign investors are also qualified graduates with a wide range of language abilities and excellent communication and interpersonal skills. 50% of the respondents also valued such factors as location, quality of infrastructure and political and business environment which is viewed as favourable in these countries (Sass & Fifekova, 2011). All the above-mentioned factors have a significant influence on the costs for the companies deciding to offshore.

Poland, as one of the CEE countries is most gladly chosen offshore destination. The World Bank's *Doing Business* report placed Poland on 44th place out of 189 countries ranked for how easy it is to do business in 2014 and in 2015 Poland jumped up to 32nd place (*Doing Business 2015, 2014*). What is more, Poland is ranked 17th out of 28 EU member states. Poland has much to do if it wants to be compared with the best places to do business in (Dembiński, 2013). According to Polish Agency of Information and Foreign Investments (PAIIZ, 2015): "Among ca. 20 cities in the CEE Region internationally recognized as potential offshoring locations almost 50% are located in Poland with 3 leading cities of Warsaw, Kraków and Wrocław". Poland is the biggest territory in the Central and Eastern Europe Region with as much as 16 large cities where outsourcing industry is growing since 1995 (Doktor, 2013). Poland is a country in the centre of Europe and produces about 400 000 university graduates each year which gives opportunities for its development and foreign companies are really keen to invest to start business in such countries. Poland has an advanced management culture that has improved enormously over the last two decades. Annual survey published in a 'World Investment Report' shows that Poland has achieved sixth place in the world and was acknowledged as most attractive FDI host countries which are perceived by multinational corporations. According to the United Nations Conference on Trade and Development (2013), Poland has become the most attractive foreign direct investment coun-

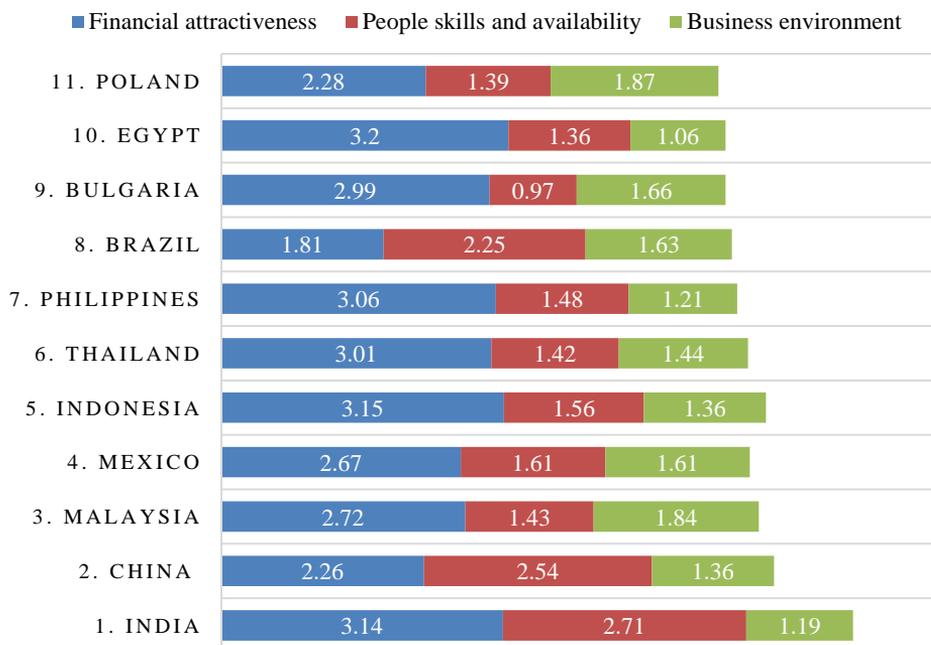


Figure 1. Country ranking
Source: A.T. Kearney (2014).

try in the European Union. According to survey conducted by A.T. Kearney (2014), Poland (Figure 1) is placed on the 11th place, straight after top ten which proves country's great potential, offering highly skilled players and mature industry.

Poland is considered to be on seventh place of the most hard working economies in the world, way ahead of the OECD average of 1,776 hours (Warsaw Business Journal Group, 2013). The country specializes in various fields, such as: software products, business analytics, human resources, finance/banking and accounting, multilingual contact centres and tele-information network management. Firms that used to outsource some of their business activities to Poland include Google, Shell, IBM, Heineken, HP, Motorola, Procter & Gamble, Citibank, and many others. The number rates to even more than 50 companies from the Fortune 500 list (Gera, 2013) and the number of companies investing in Poland workers is still rising. Additionally, the vacancy rate of office space in Poland in 2015 stood at 12.3% in Warsaw and maintains similar position in other cities in Poland (Młyniec & Polkowski, 2016). It gives opportunities to open new offices for foreign companies. What is more, Poland has not remained indifferent to the globalization and growing international market and helped to draw attention of foreign investors. Not only the economic development of the country attracted companies from abroad but also Polish Information and Foreign Investment Agency introduced varieties of programs to streamline the process.

2.3. CULTURE AND COMMUNICATION

Culture is about human preferences, values, attitudes and behaviours and is connected to human identity. Although learning from diverse cultures and markets that are stimulated differently or exploitation of economies of scale or better and more flexible access to resources from specific countries, it might not be easy for managers to conduct business abroad. The survey conducted by Vantage Partners shows that cultural differences can prevent both parties from achieving the full value of their deal: 64% of respondents say that the impact of cultural differences is greater than 10% of annual contract value, and 33% say the impact is more than 20% (Ertel *et al.*, 2010, p. 4).

Cultural distance reflects a difference in cultural values among countries that should be assessed at the cultural or country level. Psychic distance is based on the individual's perception and should be assessed at the individual level (Sousa & Bradley, 2006). Centre for International Business University of Leeds conducted a research concerning Poland and United Kingdom. The research found that British managers do not think much about Poland. One of the most striking features of the British vision of Poland was their attitude towards the influence of the communist system on the Polish psyche. British executives treated Poland as a very distant country with narrow thinking. The 'communist past' in Poland also affected the British idea about Polish authorities. For British managers Poles are reluctant to take decisions and do not question the decisions of their superiors. What is more,

Polish managers were considered to be very much Western European in terms of their jobs, careers, and a lifestyle.

Hofstede's differences in power distance (Table 2) between the two countries illustrate an influence of the history on culture. High power distance makes gap between superior and his/her subordinates. Ordinary workers that occupy lower positions are afraid of their supervisors. Managers have power which can also have a negative impact on the relations between other companies. High power distance in Poland is still an influence after long-lasting communist system that is why British managers still perceive Poland as a communist country. However, it is crucial for managers to overcome potential obstacles of starting a new business in foreign country. There are two levels of cultural impact on the company: macro and micro and only combination of those two may bring positive effects for the company. It means that not only the culture of the country matters but also own company's organizational culture. Before starting any business with foreign nation, a company has to study all cultural factors that influence inhabitants' behaviours but also implement its own organizational culture to maximally minimize cultural distance.

Table 2. Hofstede dimensions: Poland and UK

Cultural dimensions	Great Britain	Poland
Power distance	Low	Very high
Individualism/Collectivism	Very high individualism	High individualism
Masculinity/Femininity	Rather high masculinity	High Masculinity
Uncertainty avoidance	Rather high	Very high
Long-time orientation	Low	Low

Source: <http://geert-hofstede.com/dimensions.html> (10.01.2016).

Drogendijk and Zander (2010, p. 192) while studying cultural distance came into conclusion that when the foreign environment is 'further away' from our own, there are more cultural differences between them, and it is likely that we have more difficulty understanding the other. It means that the larger the distance, between the countries and the less they have in common, the harder it is to communicate and, following on from that, it is more difficult to conduct business in this country. It is not easy to interpret values and behaviours that shape the society when the two countries do not have much in common. Table 2 shows that except from power distance, other dimensions between UK and Poland are quite similar which gives opportunities for successful business between Poland and UK. Both countries represent masculinity which means that in these societies, gender roles are clearly distinct and there is recognition for a good job and high earnings, advancement and challenge to have personal accomplishments. In Britain it is slightly lower as the country attaches great significance to such aspects of life as good working relationships, cooperation, desirable living area for family, and employment security but Poland is still developing in this direction and tries to catch up with UK. What is more both cultures are highly individualistic, dynamic and future-oriented.

International Business scholars studied a concept of psychic distance, which is explained as the degree of uncertainty of a foreign market a firm considers entering. It covers not only the cultural differences between regions but also differences in languages, business practices and environment, political and legal systems, human capital, infrastructure, and economic development (Garcia-Prieto & Point, 2009, p. 3). However, the cultural barrier has been underlined as a main challenge for offshore services. According to Persson (2013), in development of globalisation, face-to-face meetings, temporal locations and frequent visits in the other countries are best practices with such benefits as for example trust and effective teamwork. However, when the distance is large between the two countries, the workers function relying on technology-mediated communication and this form of contact may fail.

Cross-culture communication is not only country cultural dimensions, influenced by the history and passing time but also all the other factors of human life, such as language, manners, religion or a world view. Thus, for example differences in languages can be a huge barrier in the cross-culture communication. Communication and translation of foreign languages requires more than the transfer of meaning from one context to another. Change of language may sometimes change our way of thinking as we have to adjust to the language conditions. Certain language is linked to specific culture and with specific associations which may be alien to our own mother language. This refers to the claim that foreign languages may be used differently by the foreigners which may lead to miscommunication and certain obstacles while conducting international business. Communication comes from Latin word “communicare” and means “to make common” so it is a process of transferring meanings (Halliyavar, 2013). According to authors of the book *Effective Internal Communication*, each organization has its own culture and when two of them try to merge, the importance of those cultures comes to the force. They define culture as the patterns of behaviour and attitudes exhibited by employees and management (Smith & Mounter, 2005, p. 3). In a 2010 Vantage Partners conducted a survey in which they revealed that the majority (57%) of respondents claimed that cultural differences influence their capability to manage relations. They also said that communication between people is somehow difficult between different nations. (Ertel, Enlow & Bubman, 2010). Communication can constitute huge problem when workers communicate only through technological devices. What is more, when employees are in different offices and come from different cultures, the process of communication becomes more complicated. According to Jakobson (1960), both addresser and the receiver can be Polish or British workers, depending who wants to address a message. There is always certain message, code, and context applied, however, the communication takes place between two cultures, so there are certain noises between sender and a receiver. First of all, the communication is carried on by the phone, so there are technical issues and noises that are not dependent on the sender, neither on the receiver. It is called physical noise and it is external to the speaker and listener. There is also a psychological noise occurring in communication which is mental interference that prevents from

listening. It can occur when a person has some problems or when there is too much work and it is difficult to focus. Additionally, there noises connected with the behaviour might occur, cultural background and language barrier of interlocutors and these are the most important factors in the business communication for the offshoring companies. It is called semantic noise as it occurs when there is no shared meaning in a communication. Semantic barriers are related to individual understanding of words and their meaning. They arise from differences of words or other symbols (Satyanarayan, 2008, p. 16).

In response to the view of differences as an obstacle, an alternative view has emerged where the differences are presented as a business opportunity for companies to develop a competitive advantage. The European Business Test Panel (EBTP) identifies some economic benefits of cultural differences. They mentioned ethical and legal reasons that lead companies to adopt diversity policies. 42% of respondents claimed that conducting business offshore helps resolving labour shortages, 38% of those polled considered enhancing company's image, and enhancing creativity and innovation was an advantage for 26% of the respondents (Garcia-Prieto & Point, 2009, p. 7).

As a solution for the problems connected with cross-cultural dangers can be the concept of cultural intelligence which explains features of each person, regardless of the nationality. Cross-cultural relationships have to be managed at individual level, depending on the country so managers have to learn how to deal with differences between cultures and teach their company's workers how to adapt to the new culture. Following this, cultural intelligence has emerged to explain and help to facilitate the cooperation between various cultures. The concept can be defined as a person's capacity to adapt effectively to new cultural settings or contexts based on multiple facets including cognitive, motivational, and behavioural features (Gregory, Prifling & Beck, 2008). A person with high cultural intelligence can find and describe universal or belonging to specific group or specific culture features shortly after observation. The concept divides into three main dimensions: cognitive, motivational, and behavioural. The first one is the self, a person's mental representation of his or her own personality, social identity, and social roles. Motivational means that a person is capable to attain a determined level of his/her performance. The last one is a range of specific skills that person has to possess while deciding to cooperate with other cultures. All of the above has to be accomplished due to the success at every stage of the cooperation.

3. MATERIALS AND METHODS

To explore the role of mutual trust and cultural similarities and differences in the captive offshoring process, the research has been conducted with Holt Doctors Ltd., medium-size company, one of the leading British suppliers of locum doctors to NHS clients. The company has its main office in Great Britain and all of its operations are being done within the country. Back office services are being outsourced to Poland and conducted by its captive centre. The division in Poland constitutes

a part of the company and provides support to recruiters and administration staff, assisting to complete the full registration process and to reach compliant status.

All of the agency's employees (both from UK and Poland) took part in the study. Invitations were sent to all company's workers. 68 (the total number of people working in the company – including the management board – 20 from Poland, 48 from UK) people received the invitation in total but 57 agreed to take part in the research. The majority of the respondents were women. The respondents occupy different positions within the company, from the lowest position to the directors. The age of the company workers differ from 20 to 60-years old. The average age of all the company workers is 36. The employees from Poland are younger than all the employees working in UK, thus the average age in Poland is 31 and the average age in UK is 37,5. Within the company, each of the workers corresponds to each other, each division is connected with the other one, including employees in Poland. Thus, the authors decided to send questions to all company's workers, to have a wide view on how the offshore outsourcing is perceived by each of the company member. Also, the response rate was taken into consideration, before deciding who should answer the questions.

This research joins single case study method, together with personal observation and surveys. The case study method could help investigate “contemporary phenomenon in its real-life context, especially, when the boundaries between phenomenon and context are not clearly evident” (Yin, 1981, p. 18). The method allows to conduct an in-depth understanding of cross-culture relations (Hurmerinta & Nummela, 2011). Observation of certain behaviours of the company workers allows to draw conclusions regarding their attitude towards the co-workers from the foreign country and allows the authors to confront the reactions with the answers. Thanks to the authors' close relations to the company workers, they are able to conduct deeper interviews if explanation of their answers is needed.

The survey data is collected via online questionnaire. It consisted of open-ended and multi-choice questions and was arranged in a five-point Likert scale. Quantitative research method is used to identify the frequencies of qualitative results. Some scholars claim that quantitative and qualitative approaches in combination provide better understanding of research problems than either approach alone. S. Lieberman said in his 1991 presidential address to the American Sociological Association: “The qualitative/quantitative distinction is itself somewhat arbitrary....What we really need is an effort to integrate both these methods, to take advantage of both procedures and combine their outcomes ... Thinking this through would be far more useful than method bashing. If we are truthseekers, then there should not be a qualitative truth and a quantitative truth” (Axinn & Pearce, 2009, p. 15).

The general purpose of the research is to identify the key factors of a successful captive offshore outsourcing and check if mutual trust influences the whole process. All of the questions are provided in English, both for British and Polish respondents. Open-ended questions allow the researchers to deeply analyse respond-

ents' attitudes. It allows the interviewers to be highly responsive to individual differences and situational changes. Open-ended questions also helped the interviewers to avoid accidentally imposing any of his or her own preconceptions and furthermore, the validity of data was protected. To facilitate the analysis of the interviews, the authors used standardized questions for all the respondents.

4. RESULTS AND DISCUSSION

4.1. BRITISH AND POLISH VIEWPOINT

Individual views on communication and managing relationship is presented below. The study shows how UK mother company and the subsidiary office in Poland manage relationships with each other, what they consider important in managing their outsourcing relationships, what cultural differences they noticed and how they influence their perception on the offshore outsourcing relations.

Maintaining constant communication with the workers from Poland is frequently identified in the relationship management by the British workers. The workers from the subsidiary have more difficult task as they are not only in different location but also are historically and culturally different. They do not see what happens in the main office, thus they have to be focused all the time and put more effort on caring about the good relations. The respondents answered that honesty is one of the main assets that helps in effective communication. What is more, those polled write that understanding of the requests and information given is a key to work effectively. Politeness is also acknowledged as important factor. Without it, employees could have misunderstood their intentions.

When it comes to the relationship management, British acknowledged that the most important factor is that both sides understand what the other side means when communicating. They answered that all of the employees need to know what is the goal of the company and they have to be informed constantly about everything that happens in the company in UK, thus the incessant communication is required. Feedbacking and mutual help occurred to be also valid factor in building the relationships for both countries' participants not only from the vendor's perspective but also from the mother's company point of view. Polish employees also pointed that travels and meetings in their country are valid in the whole communication process. They believe that management visits to their country give directors an opportunity to understand resources and processes at the subsidiary's site. Others pointed language as the critical factor in managing the relationship. Many of the British respondents also underlined that the differences in accents and use of phrasal verbs might be a problem for Polish co-workers.

Honesty is acknowledged as most valid in maintaining trust for both, mother and daughter company. Most of the British workers answered that being honest to each other, solving problems, asking for help and keeping in touch can help maintaining the trust to each other. Managing directors also reported that Polish workers' commitment helped them to keep trusting the employees abroad. The results

show that it is equally important both for the main office as well as for the subsidiary to instil a sense of trust between each other. According to the questionnaire, trust results from frequent and relevant information exchange and building positive relationships between all the company workers. More effective communication between the members results in higher level of trust and consequently, the work becomes more effective.

Almost no one from the British members noticed any cultural differences. One person mentioned that there are different ways of working which may indicate as it was acknowledged as a cultural difference. The respondent noticed difference in the way of being polite, saying: "In Poland it is not normal to flower the conversations, i.e. "thank you", etc., at the beginning/end of conversations". No other comment regarding cultural differences was mentioned by the British. However, there were a few comments about economic conditions of the country and local laws which according to the English respondents might occur as an obstacle in the effective relationship. The British culture is considered less formal than the Polish one. Study shows that there are certain differences in the behaviour that are constituted by history, customs and the laws governing the countries which occur as an obstacle. Majority of the respondents answered that only language may be a barrier but did not recognize any additional differences connected with the habits, behaviour and cultural background. Surprisingly, Polish employees noticed many differences in culture and in the work pattern. The respondents acknowledged British as those who do not care so much about the Polish workers. The subsidiary employees believe that making an effort to trying to understand the Polish employees and their situation, would help to build better relations. The reluctance to learn about the foreign country and Polish mentality was recognized as an obstacle in international business. Also, forgetting that English is Poles' second language, caused obstacles in effective communication. Polish think of themselves to be more flexible than their British colleagues. Many of the Polish respondents reported that British workers do not go behind their responsibilities, while the employees from Poland try to do as many tasks as possible. What is more, Polish workers think that all of the employees from UK, not only the managing board expect from them more flexibility than from themselves.

Regular contact, constant communication and good language skills are the most frequent answers in the survey for the British employees. The common aim of the company was also mentioned few times. The employees expected from its vendor more flexibility and work to learn the language better so the communication would be more efficient. The respondents from Poland answered that first of all, control from the management is crucial, especially at the beginning of cooperation. For those polled, it is also valid that both sides have to learn from each other how to behave, what to do and how to perform different tasks. Observing others and asking for help were acknowledged as key factors in achieving the effective communication between the countries.

There are similarities and differences in perceptions of mother-company and its daughter-company on their considerations of achieving and maintaining trust in

offshore outsourcing relationships. Both groups answered that constant communication between the countries is a key to maintain the relationship. Critical factors are also trust and language experience for both sides. What is more, both Polish and British members of the company identified the importance of personal visits, both in the home country as well as at the vendor country. Honesty was also mentioned as one of the critical factors in maintaining trusts for both parties. Majority of all respondents also answered that asking for help might be helpful for the company to manage the relationship. Both sides also considered that working together would facilitate their work and tighten the relations between them. It has been noticed that knowledge and experience exchanges occur only on informal basis and there are no formal meetings between the company workers. However, the company members that successfully implemented the cooperation with the offshore unit, do not feel any need of sharing their experiences. When it comes to the cultural differences, all of the company workers mentioned language and different accents as an obstacle in the effective communication.

The research showed that all of the company workers are satisfied with the cooperation between both countries. Home country employees value the skills of their colleagues abroad. Majority of the respondents claim that the quality of work is maintained on the higher level and reduces costs. Furthermore, the research shows that almost all of the respondents are satisfied with the communication between two countries and that their trust their co-workers. This leads to the conclusion that mutual trust influences firm's offshore in-house sourcing strategy.

4.2. EFFECTIVE COMMUNICATION

Most of the Holt Doctors respondents pointed that communication is the main issue in the offshore outsourcing process. One of those polled suggested: “Whenever you come across a problem or you don’t understand something – speak up. The key is to clarify any misunderstanding as soon as possible”. The process of communication is a complex process.

The process works not only from the side of the employees but also downwards. When an employee receives appropriate downward communication from management, he/she can better understand the message, thus his/her work is more efficient and the person is better motivated. The key point is not to send only orders and requests but also facts about organizational goals, procedures, viewpoints, management decisions, so the employees are involved for all of the company’s undertakings and have a feeling that they constitute a part of the company. One of those polled in the survey writes: “the most important factor in managing relationships is keeping in touch, keeping all parties aware of everything that’s happening”. Furthermore, team members have to be able to identify problems together, analyse alternatives and recommend solutions for the company. Each of the company’s members, no matter if a managing director or a worker on the lowest position have to be able to communicate his/her ideas persuasively to the others.

The environment in which we live or spend a lot of time, constitutes our way of thinking and imposes specific meanings on the words we communicate with. One of the Holt Doctors respondents wrote that the difficulties in communication is: “not being in the same office, it would be a lot easier to work together if we were, it would be better if we could see how each other works and what we do day to day”. It happens that one side does not understand the other, thus meaning of symbols articulated by sender have different meaning in the mind of encoder. What is more, all of the respondents noticed that language and use of different accents and phrases might be an obstacle in effective communication. One of the employees noticed that: “as all others clear communication and being as polite as possible especially via e-mail to avoid any misinterpretation of tone”. Again, the symbols are used differently and the meaning of words is constituted by the culture. Workers communicating to each other from two different countries have to pay special attention to what they say and how they express themselves as even single word used inappropriately can be misunderstood.

Communication is not only verbal. When it comes to the business, half of the communication process occurs through emails or texts. As there is no other form of day-to-day communication than phone calls and emails, employees have to also pay special attention to what they write. This form is even harder as the sender and a receiver cannot hear the tone of the addresser and it is more difficult to express feeling through writing. One of the respondents wrote: “clear communication and being as polite as possible especially via e-mail to avoid any misinterpretation of tone” are the most important factors in the communication. Business messages, both formal and informal are an integral part of all the communication process. All of the ideas in written communication have to be arranged logically and diplomatically, in order to satisfy the encoder motivational, practical and informational needs.

Next to the many positive aspects of the studied case, the research also showed dissatisfaction with certain issues. First of all, geographical distance was viewed as a boundary in the effective communication. More frequent visits would facilitate the relations between the offices. The ineffective communication due to the long distance and very rare face-to-face meetings result in dissatisfaction of work and generates time waste. Additionally, implementation of the offshoring process might have been done without planning and deep investigation into the country.

Differences in worldview, different cultures and environments impose the meaning on different words. Thus the viewpoint of the employees from the mother-company is slightly different from those of the foreign office subsidiary. Almost everything that is done during the offshore outsourcing process is prepared to achieve the best value. That is why paying attention to the relationship and culture is such important factor. Cultural differences can prevent both parties from achieving the full value of their deal. Holt Doctors respondents noticed this relation. Some of the views are very similar, however, there are slight differences in the understanding of the whole process of communication among the respondents.

The qualitative part of the survey indicates the frequencies of the presented quantitative data. The questionnaire answers give general view on other offshore outsourcing factors that constitute the effectiveness of the company cooperation. The results indicate the similarities between both methods, since again, majority of the respondents claim that the offshore outsourcing process works and it is effective, basing on their experience. The researchers asked if the offshore outsourcing process is cost effective and half of the respondents answered that they agree with the statement. 9% wrote that they totally agree but 3% of those polled disagreed with it. What is interesting, the majority of the respondents from the group that totally agreed that the process is cost effective, were Polish and those who did not express their opinion on the statement were British employees. All of the respondents agreed that qualified employees perform the tasks, thus the quality of the business process increases, and only 4% did not express their opinion. There were certain differences when it comes to the time, effectiveness and flexibility of the workers from the offshoring country. 9% of the British respondents answered that they strongly disagree that the offshored work is carried out more effectively and 8% of them claimed that it does not save time, when the Polish did not answer the question negatively. What is more, over 30% of British respondents wrote that their neither agree nor disagree with the statement that workers who outsource services are more flexible so the quality of work improves when almost all of the Polish respondents agreed with it.

Except from the slight differences between the answers of Polish and British employees, all agree that the offshore outsourcing is effective. Both countries are culturally similar, thus the management board does not have any bigger issues connected with the effective management. The results indicate that a combination of low cost and good quality is critical to motivate clients to outsource. However, the managers have to remember that cost saving cannot become the main motivator for outsourcing.

5. CONCLUSIONS

Offshore SMEs outsourcing is relatively new, and the number of studies looking at the outcome is very limited (Mohiuddin & Su, 2013). Since the business services are being developed, technology and globalisation progress, companies can take advantage of the offshoring processes, by focusing on core competencies and relying on its subsidiaries or external service providers. However, thorough market research of the targeted country is required. First of all, a comprehensive assessments of the offshore subordinates have to be prepared to guarantee fulfilment of company's assumptions. Each stage of company's operations, such as expertise, geographical location, local laws, financial stability, etc. have to be considered. Educated workforce, strategic location, and a strong domestic market are also reasons for choosing the service provider and the paper shows that these have positioned Polish economy as one of the best investment destinations in Europe. The studied case is a good example which confirms the recent researches regarding Poland

which show the country as a leader in back-office activities such as shared-service and contact centres that provided 9% of FDI projects and almost a quarter of jobs created (EY, 2015, p. 18).

According to Khan and Azeem (2014), “national culture”, “communication style” and “difference in mutual understanding”, intercultural challenges have statistically significant differences. With regards to Hofstede dimensions, Great Britain and Poland are culturally similar. Except for power distance, other dimensions between UK and Poland remain approximate which gives opportunities for successful business between Poland and UK. The study shows that slight differences in behaviour are driven by historical past, however, the differences remain at very low level and can be explained by constant and honest communication. Communication is a valid issue in the process of offshoring services. According to Rai and Rai (2008), communication involves ensuring that a message has received the target audience and that the receiver understands and responds as the sender expects. It also involves ensuring that the receiver takes care to receive, understand, interpret and respond to messages that are sent to him/her. Regular communication and maintaining trust between the countries is a crucial factor in the process. The study proves that building common goals and positive relations helps to understand the other side and facilitates working relations. Frequent visits and listening to both sides of the process help building trust and positive relations and this in a consequence influences the quality of services provided to the company’s clients.

The studied example shows that captive offshoring contributes to enhancing firms’ effectiveness, however, the research reveals that there are some obstacles and they should be taken into consideration in offshoring processes. The Holt Doctors agency started their services in 2010. Due to quite short time of conducting offshore operations and managing the office in Poland the proper evaluation of the operations is not entirely measurable. Offshoring is a long term strategy, thus the results are measured and assessed only in a short-term period. As this research does not take into account personal observation from the UK side, an extension to this study is proposed. Finally, similar studies in the sector would be useful, to compare the significant determinants. Further research into the issue of mutual trust in the context of offshoring processes is recommended.

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The contribution of co-authors is equal and can be expressed as 50% each of the authors.