A COMPARABLE CHECKLIST FOR SWEDISH SMEs BPO TO CHINA – HOW TO TAME THE CHINESE DRAGON

Bachelor's thesis in Informatics

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Abstract

The purpose of this research was to examine the Swedish SMEs outsourcing behavior and the Chinese outsourcing vendors’ service offering to compose a comparable checklist. The comparable checklist is used to match the needs from the Swedish side with the offerings from the Chinese side. Due to the recent increase of adopting the concept of Business Process Outsourcing (BPO), a focus towards this concept was chosen. With this, a comparable checklist was composed that can be used by Swedish SMEs to secure their offshore investment in China.

The research was conducted through a mixed method methodology, with a self-administered questionnaire conducted towards Swedish enterprises and semi-structured interviews with Chinese outsourcing vendors. The Swedish enterprises were mainly small enterprises, involved in the service industry. The Chinese outsourcing vendors were mainly involved with BPO and related IT-solutions. The gathered empirical data was analyzed using a comparative design, this to validate the theoretical findings.

The research resulted in findings about the Swedish SMEs outsourcing behavior; to what extent they are interested in outsourcing a business process and what their perspective is on the BPO concept. It also resulted in receiving the Chinese outsourcing vendors’ perspective on how they target the Western market in order to achieve a successful outsourcing relationship which in turn resulted in the final composed comparable checklist.

Keywords: Offshore outsourcing, BPO, SME, Sweden, China
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1 Adapting to a Market in Change – An Introduction

This chapter will give knowledge about the chosen research area and its current state. The problem area and research question will be defined, as well for the purpose, the intended audience and limitations. In addition, a research outline will be provided.

1.1 Background

A recent study made by Ernst & Young (2013) showed that Sweden was one of the most pessimistic countries in Europe about the potential in outsourcing. In addition, Sweden was the least adoptive to nearshore and offshore delivery models. The outsourcing industry in Sweden has not adapted to a low cost culture.

Outsourcing a part of the enterprise has been applied as a strategy for many decades resulting in benefits such as lower costs and accessing skills that are not available in-house. By outsourcing a business process, the organization could gain the time and money needed for their core processes instead that would have required staff and knowledge, which is not essential to the core. Offshore outsourcing here refers to when an enterprise decides to relocate a business process whereas the destination is not within or a neighboring country (Siepmann 2013).

According to the study, Swedish enterprises are also looking for expertise and specific knowledge when deciding to outsource. Cost reduction is becoming less important when factors such as efficiency improvements and access to expertise, specific knowledge and tools are being considered. The risks that Swedish enterprises were most concerned about was the loss of knowledge, the feel of dependency on the vendor and with that loss of control (Ernst & Young 2013). However, the study does not have respondents representing Small and Medium-sized Enterprises (SMEs) and the smallest respondent category consisted of 201-1000 employees.

With globalization, SMEs now have a bigger potential for becoming an important actor in the global market, which was previously harder to accomplish. However, with globalization and also development of technology the potential has been growing for SMEs (Hovlin 2009). The new technologies and standardization of technology has given customers the choice of more suppliers than before, not making the customer tied down to any particular supplier (Burnett 2009).

Today, China is one of the leading countries in infrastructure development, higher education and soon expected to become the world’s largest economy. The fast development of China has been possible with globalization, leading to investments and governmental funding in the key areas, such as infrastructure and education (Hu, Yan & Wei 2014). The fast development of China has hardly gone unnoticed. Hirschheim, Dibbern & Heinzl (2009) and Siepmann (2013) argue that with lower labor costs compared to Western countries and the largest workforce in the world, 780 million people in 2012, China is becoming a more popular location for outsourcing.
Moreover, it is important to identify the two major types of outsourcing, namely Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO), where ITO refers to the outsourcing vendor providing IT systems and BPO means that a business function is outsourced (Siepmann 2013). Out of the two, the BPO framework has become better defined than the ITO framework and has gained more popularity, resulting in many successful projects. It is also considered being the fastest growing outsourcing trend according to Burnett (2009).

1.2 Research overview

In the last couple of years, there has been a movement shift in Sweden from ITO to a larger scale of BPO (Cooke 2007). The BPO method delivers an output to the customer through a process perspective that crosses through several departments of an organization. Outsourcing the production or a data center are operations which are very centralized (Corbett 2004).

BPO vendors first aimed at attracting large enterprises as they matched the size of the contracts needed to achieve economies of scale and to make the investment profitable. The business model has changed over time and made it more attractive for outsourcing vendors and SMEs to establish a relationship. Today, SMEs can obtain the same benefits as the larger enterprises such as cost reduction, competitive advantage in knowledge and being able to focus on their core services (Van den Berg 2009). Recent numbers support this fact, showing that the emphasis on cost reduction has been lowered and the importance of focusing on the core business is instead growing (Nordic Whitelane 2014).

Graf and Mudambi (2005) identified several factors that are needed to take in consideration when choosing an outsourcing location for BPO. Their study showed that after outsourcing was made to a location, the feedback of service quality and customer satisfaction was low and in some cases costs were increasing instead of decreasing. However, some enterprises decided to remain at their outsourcing location due to the lower cost of outsourcing compared with having and maintaining the process in-house. Enterprises also tended to set aside the geographic distance since they believed that Internet connects everyone. The risk is that language skills and cultural differences will affect the quality instead. Therefore, Graf & Mudambi (2005) argues that the decision of choosing a suitable outsourcing location is crucial for BPO and more factors than cost-cutting benefits need to be taken in consideration.

The process for SMEs to outsource can be more complex than for a larger organization since SMEs usually hold less capital to invest in the process and the planning for the process might be time-consuming for the management. However, there are several drivers for outsourcing which are beneficial to SMEs, the self-evident ones are cost reduction and freeing up time for management in the long run. In addition, there is access to high quality processes, technology and tools which would not be possible internally due to training of the staff and high costs. Other driving factors for outsourcing are improving performance in-house, access to expertise skills on-demand and being able to scale more efficiently (Vagadia 2012).

For SMEs, outsourcing has been proven to enable the focus on their core competences and the use of otherwise scarce resources that could be concentrated to customers more efficiently (Di Gregorio, Musteen & Thomas 2009). The future of BPO is predicted to involve more knowledge management and is mostly characterized in relationships as human capital, structural capital and customer capital (Corbett 2004).
From a Swedish perspective it could be more interesting analyzing SMEs instead of large enterprises, mainly due to that previous research has focused on the latter group. Also in comparison, the amount of large enterprises in Sweden only contributes to 0,1 percent of the total number of enterprises (Statistiska Centralbyrån 2013). Moreover, a major part of the enterprises in Sweden consists of SMEs and also there is a part that remains with one-man enterprises. However, the category is not of interest due to its small significance in context of number of employees, as the number is zero.

Table 1.1: SMEs categorization by number of employees, turnover and total assets (adapted from Europeiska Kommissionen 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>Employees</th>
<th>Turnover</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprise</td>
<td>1-9</td>
<td>≤ € 2 millions</td>
<td>≤ € 2 millions</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>10-49</td>
<td>≤ € 10 millions</td>
<td>≤ € 10 millions</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>50-249</td>
<td>≤ € 50 millions</td>
<td>≤ € 43 millions</td>
</tr>
</tbody>
</table>

SME is the abbreviation for small and medium-sized enterprises and is defined in the legislation of the European Union (EU). The number of employees and turnover or total assets decides in which category the enterprise is placed. To be categorized in the definition of a SME the enterprise must have the number of employee to a minimum of 1 and not exceed 49. The turnover must be in the span of 2 to 50 million euro or the total assets within the range of 2 to 43 million euro (Europeiska Kommissionen 2014).

A recent multiple case study by Moe, Šmite, Hanssen and Barney (2013) examined Scandinavian SMEs in the industry of software development. A problem was identified about the SMEs interest not being prioritized in context to large enterprises. Therefore, leading to the termination of their offshore outsourcing relationship. The study also concluded that the type of outsourcing contract agreed upon was of direct connection to the termination of the outsourcing relationship, not the chosen outsourcing strategy. The outsourcing vendors had problems with delivering high-quality software as there were insufficient levels of intellectual capital (Moe, Šmite, Hanssen & Barney 2013).

Today, Indian IT-vendors are considered dominating the outsourcing market (Burnett 2009; Kendrick 2009). However, recent studies identify China as an upcoming country (Kennedy & Clark 2006; Qu & Brocklehurst 2003; Schwaag Serger & Widman 2005), with Indian IT-vendors agreeing and identifying China as their biggest competitor. Some of the factors for characterizing China as a competitor include the increasing quality, cost-beneficial factors, China’s large labour pool and lower salaries (Kobayashi-Hillary 2005) and with these factors they are the only ones being able to compete with India (Gartner 2014). In recent years, China’s growth has caused some tension with India since China has been taking over more and more of the market, resulting in a decrease in India’s segments’ revenue (Siepmann 2013). China also receives the highest Foreign Direct Investment (FDI) in the world and is considered one of the most favored destinations for FDI (Gungwu & Wong 2006; Wang & Zheng 2012; Wu 2013; Yao 2006; Yusuf & Nabeshima 2006).

According to Hu, Yan and Wei (2014), China has the largest, and one of the most modern infrastructure in the world. In comparison, India’s infrastructure is today insufficient in many parts of the country according to Brown and Wilson (2005) and Kobayashi-Hillary (2005). Even though the level of English language skill is superior in India, they have trouble finding appropriate employees, leading to higher training costs of the staff for the BPO vendors (Rajeev & Vani 2009).
Therefore, it gives China an advantage with their movement towards the BPO industry, since they have the world’s largest workforce (Siepmann 2013). Computer science and software graduates in China are increasing in amount, being 100,000 in 2003 and tripled by 2006 (Eltschinger 2008). In 2007, an estimate of 430,000 students were registered and more than 1,000,000 studying in specialty programs related to computer science and technology (Zhang & Lo 2010).

The potential for the Chinese outsourcing industry has increased due to recent investments from the Chinese government, making it possible to compete with India. The investments started with improving policies and have now resulted in financial support for the ITO and BPO vendors by providing subsidies, dispensation from taxes and protection of the Intellectual Property Rights (IPR) (Siepmann 2013).

The Chinese legal system can have some complex aspects to it, making it a concern for many enterprises. Some rights such as the IPR are crucial to protect important data. Therefore, the Chinese government is constantly in the motion of improving the regulation and legislation (Wright 2009). Sensitive information from outsourcing enterprises is exposed when vendors are performing back-office process tasks which in turn can result in risks and concern for the enterprise in context to security (Duening & Click 2005). This can be related back to the study stating that Swedish enterprises feel dependent on the vendor and experience a lack of control with the knowledge being lost (Ernst & Young 2013). The fear of being dependent on the vendor and losing control in context to security can be linked with the unstable Chinese legal system. This creates hesitation from enterprises seeking to offshore outsource their business processes (Qu & Brocklehurst 2003).

Although there are some risks identified when outsourcing to China, the destination is still attractive and there is great potential and benefits to acquire for enterprises interested in outsourcing (Kennedy & Clark 2006). Consequently, since the Chinese infrastructure development is being supported by the government and IPR are constantly improving. For the enterprises looking to outsource to China, this has had a great impact on the outsourcing decision (Eltschinger 2008).

Since the process for deciding on BPO is complex (Yang, Kim, Nam & Min 2007), more research is needed in this area to support managers in taking the decision to outsource (Graf & Mudambi 2005; Yang et al. 2007). As shown in the overview above, previous research tends to focus on dominating countries, such as India (Siepmann 2013).

1.3 Problem statement

The research overview as presented above, investigating Swedish enterprises’ outsourcing behavior, has only been found to be corresponding to larger enterprises (Ernst & Young 2013). In terms of planning to outsource a business process, Swedish SMEs hold less capital and amount of time for the process (Vagadia 2012). Outsourcing of a business process has also been proven to enable SMEs ability to focus on core competences with otherwise scarce resources (Di Gregorio, Musteen & Thomas 2009). Therefore, a lot could be gained for SMEs by outsourcing a business process. However, in comparison to large enterprises, SMEs are more fragile in the process of outsourcing.
If a Swedish SME decides to outsource to China, there are issues that can occur in different areas. For instance, the legal system is said to be complex and there is a lack of structure for IPR. In addition, cultural aspects and the language barrier is also something that needs to be taken into consideration (Schwaag Serger & Widman 2005). However, as shown above little research has been made on the actual relationship enterprises have to China.

Hätönen and Eriksson (2009) argues that previous research and studies made on outsourcing usually bring up limited context such as “what”, “how” and “where”, referring to what process an enterprise should or could outsource, how to do it, and where the outsourcing location should be. However, the relationship between the two actors (i.e enterprise and outsourcing vendor) is not evaluated in depth according to how factors of what, how and where are achieved. In accordance with Hätönen and Eriksson (2009), this study believes that there is a field of interest in broadening the research with SMEs and the internationalization of outsourcing. Moreover, there is little or non-existent information about the outsourcing behavior of Swedish SMEs. Namely, the understanding of outsourcing behavior in terms of reasons and risks seems to be practically non-existing. Therefore, a problem could occur with the incomplete service offering from the Chinese outsourcing vendors, whereas a potential BPO investment does not have the pre-conditions to be secured.

Consequently, highlighting two underlying problems. Firstly, the knowledge of Swedish SMEs outsourcing behavior is insufficient. Secondly, the understanding on what Chinese outsourcing vendors’ service offering is has not been comprehended. Moreover, it brings forth the main problem elaborated above, an outsourcing relationship does not possess the pre-conditions needed to secure a potential BPO investment for Swedish SMEs in China.

1.4 Research question

Therefore, from the two declared problems presented above this research strives to produce a comparable checklist that could include the necessary factors for Swedish SMEs when considering a BPO investment in China. To solve the problem, which is insufficient knowledge about the two mechanisms to achieve a secured BPO investment, this research will contribute to how a BPO investment between Sweden and China can be enhanced through a comparable checklist. The comparable checklist will be composed from empirical findings and further answered with the purpose to compare how Swedish outsourcing behavior is composed in the context of Chinese outsourcing vendors.

This research problem has perspectives that need to be taken into consideration, namely, Swedish SMEs, BPO and Chinese outsourcing vendors. Subsequently, our main question was:

How could a potential business process outsourcing investment, in China, be secured through the help of a comparable checklist for Swedish small and medium-sized enterprises?

In order to answer the main question, two sub-questions need to be answered concerning the Swedish SMEs outsourcing behavior and the service offering of Chinese outsourcing vendors needs to be identified:

What examples of Swedish small and medium-sized enterprises outsourcing behavior can be identified?

What examples of Chinese outsourcing vendors’ service offering can be identified?
1.5 Purpose

The aim of this study is to examine the potential relationship between Swedish SMEs and Chinese outsourcing vendors for BPO. The focus will be on Swedish SMEs and Chinese outsourcing vendors due to previous research being limited and the recent trend of BPO. Moreover, China is a fast-growing country and research on their outsourcing industry in relation to BPO is scarce. Whereas the findings will be composed to a comparable checklist that can be used by Swedish SMEs and Chinese outsourcing vendors in order to implement a successful BPO strategy, rather than listing advantages and disadvantages as previous studies have done.

1.6 Intended audience

The intended audience can be divided into three parts as the interest for this study may be shaping up differently. The interest can be dimensioned in three levels.

The first level is for SMEs in Sweden that want or are already outsourcing some business processes towards China. Through the comparable checklist they can get or update their knowledge within the field.

The second level is for researchers who want to contribute to the existing knowledge and provide with new. Therefore, it will be listed before the third level as the possibility of researchers using the contribution is higher.

The third level is for Chinese outsourcing vendors primarily, or for other outsourcing vendors looking to examine the needs of Swedish SMEs in the outsourcing market. As the analysis will result in a comparable checklist there will be influences of both sides.

1.7 Possible limitations

To examine the potential relationship and compose a comparable checklist the research would have been best suited to investigate an already existing outsourcing relationship and in detail examine the offering and behavior mechanisms. However, as no knowledge existed of such a relationship this study used the two different methodological approaches and in that, found limitations that could be used for further research.

Interviews only occurred in Beijing and could not be sampled from different piloted IT-hubs within China. Moreover, there was limitation to research if there is any geographical difference in the Chinese vendors outsourcing service offering. In addition, no control could be made to ensure that the Chinese outsourcing vendors interviewed, offered the full range of BPO services mentioned in the theoretical chapter. The research field of Swedish SMEs outsourcing to China was limited. Therefore, there was insufficient knowledge on how to find outsourcing vendors of most relevance to the study and as a reflection to the intended audience. Subsequently, the study had to make limitations when it comes to selecting appropriate interviewees.
1.8 Research outline

Chapter 1 – Introduction

This chapter presents how the outsourcing industry has changed, both in terms of trend and that SMEs can obtain the same benefits as large enterprises. Moreover, it describes how China has become attractive as an outsourcing destination. In addition, the lack of knowledge is identified for when Swedish SMEs want to outsource their business process to China.

Chapter 2 – Method

This chapter presents the chosen comparative design and how this research proceeded by applying a mixed method methodological approach. Moreover, how a quantitative approach was applied in Sweden for SMEs and a qualitative approach in China for outsourcing vendors is also described. The research process is presented on how the empirical section was conducted.

Chapter 3 – Theoretical framework

This chapter presents the produced theoretical framework where connection is made from offshore outsourcing of business processes to globalization. Therefore, it also provides information about reasons and risks to be put in context to the Chinese outsourcing market.

Chapter 4 – Empirical material

This chapter presents the gathered material from both Swedish SMEs and Chinese outsourcing vendors. In addition, results on different outsourcing behaviors are presented as well as the service offerings from the Chinese outsourcing vendors.

Chapter 5 – Analysis

This chapter presents how the gathered empirical materials have been analyzed. Answers will be provided to the sub-questions to later produce conclusions for the final chapter. Also, the comparable checklist is composed, which includes all the areas that have been analyzed.

Chapter 6 – Final discussion and conclusion

This chapter presents the conclusions from the study. Thereafter, suggestions are given for further research and the trustworthiness of the research is discussed.

Chapter 7 – References and appendixes

This chapter lists the various used references and provides the attached letters of support along with the interview guide used in the semi-structured interviews.
2 Research Methodology

This chapter will have detailed information about what research design, scientific perspective and research strategy was chosen. Also, how the research process was carried out and how the chosen method with the two different instruments was applied. Information about how the research gathered the primary and secondary data as well for the given analysis of that gathering will be provided.

In order to answer the research question, the researchers should create a plan which is conducted by applying a research design. Whereas the course of the study will be entailed by its nature through a well-defined research question (Recker 2013).

To describe the research design which was adopted by the researchers for this study, some concepts have been explained in order to apprehend the purpose and some have generated the outcome, presented later as research approach (see 2.1). In addition, it will entail the methodological choices made by the researchers to provide the research question with a sufficient answer.

2.1 Research approach

Research can in accordance with Recker (2013) be described as exploratory and applied when phenomena are not yet fully understandable, researched and still emerging. In comparison, research can also be described as being confirmatory in nature, where phenomena instead are being tested to already existing theory. Thus, entailing that exploratory research generates theory in comparison to confirmatory research (Bryman & Bell 2011).

Furthermore, Recker (2013) explains that a research question can be divided into two categories and should be well defined, also a problem should be well motivated. Firstly a question can be defined as referring to “what”, “who” and “where” when a concept with little knowledge exists or needs to be further explained and explored. Secondly a question can be defined as by using “how” and “why” where researchers seek answer for explaining how different mechanisms can be contextualized in terms of a phenomenon. Moreover, the research question can be identified by investigative character if other questions need to be answered in order to address the subject in more detail (Recker 2013).

Researchers can understand a phenomenon better if compared in relation to two different situations, argued by Bryman and Bell (2011), who further point out that researchers can entail the use of logic in terms of comparison if applying a comparative design. One form of this design is cross-cultural research, which can be used to understand and comprehend social reality of a phenomenon in context to national perspectives. In addition, Recker (2013) emphasizes the use of exploratory research; therefore, making it preferable when investigating BPO in context to cultural aspects.

When studying social research, there are according to Robson (2011) two distinct alternatives that can be of choosing. Namely, the quantitative alternative where researchers follow the same path as in natural science which is emphasized by Bryman and Bell (2011) that point out that quantitative research focuses on numbers in terms of data collection and data analysis.
The second alternative is *qualitative* research, where focus is on the interactions between people in social situations (Robson 2011). The qualitative research provides the research with another approach and focuses on the interpretations of words when collecting and analyzing data (Bryman & Bell 2011). With the qualitative alternative the researcher is being used as a key instrument when collecting data, in comparison to the quantitative method, which relies on objective instruments (Recker 2013).

Table 2.1: Presenting fundamental differences between quantitative and qualitative research strategies (from Bryman and Bell 2011)

<table>
<thead>
<tr>
<th>Theory orientation</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Epistemological consideration</td>
<td>Deductive; testing theory</td>
<td>Inductive; generation of theory</td>
</tr>
<tr>
<td>Ontological orientation</td>
<td>Natural science model, in particular positivism</td>
<td>Interpretivism</td>
</tr>
<tr>
<td></td>
<td>Objectivism</td>
<td>Constructionism</td>
</tr>
</tbody>
</table>

When taking on the quantitative alternative, the researcher applies in accordance with Bryman and Bell (2011) a *deductive* theory orientation (see table 2.1). Recker (2013) explains that researchers have a set of general premises that derive from arguments produced from logic throughout the research process. Whereas this logic uses already existing theoretical ideas and concepts, which then are tested. On the other hand, with the qualitative alternative a researcher applies the *inductive* orientation, whereas data are collected, from which theories and concepts can emerge (Robson 2011; Bryman & Bell 2011).

When taking on an inductive direction and qualitative approach, the researcher becomes in accordance with Recker (2013) an interpretivist which is also emphasized by Bryman and Bell (2011), displayed in table 2.1. Moreover, Recker (2013) defines interpretivists as having a social-constructionist view of reality, where reality in context of ontology are bound and shaped by their social context and cannot be isolated from that. In terms of epistemology the view of a researcher is built through subjective interpretations on the data within a socio-historic context. In comparison, the deductive direction with the quantitative approach builds the reality in context of socio-historic context objectively, thus becoming a positivist (Recker 2013). Positivists explain how all the factors in a social setting are related and interdependent and therefore apply confirmation or refutation on hypotheses (Oates 2006). In addition, objectivity is of essence when distance is created between the participant and the researcher (Robson 2011).

Positivists believe that research through objectivity (see table 2.1) is at some level free of bias, whereas the findings are considered to be the single version of “the truth”. In comparison, interpretivists define what to be considered as “real” or “knowledge”, since the researchers construct it. Therefore, leading to the understanding in which there will always be a bias impact on the interpretivistic research (Oates 2006).

If a researcher applies both the quantitative and qualitative alternative the research can be defined as using a *mixed method strategy* (Recker 2013; Bryman & Bell 2011). Where Recker (2013) explains that by using this strategy researchers can both generate and verify theory, thus providing greater diversity and in that way combining the strengths of the two alternatives. However, Robson (2011) argues that when mixing qualitative and quantitative alternatives, it creates “incompatibility thesis” since their association with paradigms are distinct and incompatible with each other.
When using the mixed method strategy several aspects can be interpreted, presented as: weighing, timing, mixing and placing. Whereas “weighing” refers to if the researcher decides to give one of the alternatives greater value, “timing” determines whether the alternatives take place sequentially or concurrent, the “mixing” aspect corresponds to what degree a researcher decides to mix the alternatives and last the factor of “placing”, meaning a decision is made for when the mixing of the methods should occur. Moreover, placing can be explained as when to use the mixed method strategy, in defining the research question, choosing research method, conducting the data collection or data analysis and the interpretation of data (Recker 2013).

With this strategy, triangulation can be applied, as recommended by Recker (2013), where different methods and designs are used to find results’ convergence while examining the same phenomena.

2.2 Research design

The intention was to create a comparable checklist between Swedish SMEs outsourcing behavior and Chinese vendors’ service offering. Therefore, the nature of this research can be explained by being suited for exploratory research, as both phenomenon are not yet fully researched and understood as well for the emerging BPO concept.

Moreover, the nature of the study is enhanced by the main research question, defined as seeking the answer of a relationship between two causal mechanisms. It was defined in accordance with Recker (2013) through a “how” question where it works by being explanatory about the BPO concept. However, in order to answer the main question there was a need to develop two sub-questions concerning “what” (Recker 2013), to focus on the two mechanisms, Swedish SMEs and Chinese outsourcing vendors whereas little knowledge existed, stated by the research overview (see 1.2). The two sub-questions created the knowledge needed to withdraw data to gain more information about the not yet researched mechanisms concerning the BPO concept. Moreover, the main question is of the investigative character explained by Recker (2013) as it uses sub-questions to in a better way answer how a potential investment can be secured through the use of a comparable checklist.

In order to compose the comparable checklist a comparative design was applied, represented by the Swedish SMEs outsourcing behavior and the Chinese outsourcing vendor’s service offering. Moreover, shown that the comparative design was conducted with a direction of cross-cultural research in accordance with Bryman and Bell (2011) of what is needed and offered, enabling the creation of a composed checklist. A better understanding of the BPO concept could be achieved when applying the comparative design to generate findings from the two sub-questions. Therefore, explaining the choice of exploratory research as described by Recker (2013) for conducting research whereas cultural aspects are put in context to the BPO concept is well suited (see 2.1).

The study is partially based on a quantitative nature when collecting data where a questionnaire was used with a deductive orientation to research the outsourcing behavior of Swedish SMEs, as stated in the research questions. Moreover, the same instrument had been used on the presented findings in the research overview and theoretical chapter. It was important to enable the same parameters for data collection in the quantitative nature to analyze the results, since the study applies the use of comparative design and cross-cultural research.
To entail the Chinese outsourcing vendors’ service offering, as presented in the research questions, the study was also based on a qualitative nature with an inductive orientation with the choice of using interviews for the data collection. The study previously presented that exploratory research is a well-suited choice for the research area when researchers have a qualitative nature on the study. Moreover, the researchers wanted to explore the service offerings towards the Swedish market whereas little knowledge existed. In addition, the study had less apprehension on how to conduct a questionnaire of quantitative character on the Chinese market.

By using the two different alternatives presented previously (see 2.1) by Robson (2011) the research design adopted the mixed method strategy whereas an inductive and a deductive approach was taken. Moreover, triangulation could be used, as recommended by Recker (2013) where the quantitative and qualitative alternative examined the same phenomenon, in this study the BPO from Sweden to China. Therefore, a situation was enabled where the main problem could be resolved and a comparable checklist could be produced where the preconditions are presented, enhancing a possible BPO investment from a Swedish SME to China.

However, as the study aimed at examining the potential relationship between Swedish SMEs and Chinese outsourcing vendors for BPO the intention was to compose a comparable checklist to secure that investment. Whereas, the comparable checklist was sought to be composed by non-numerical data and the researchers themselves construct what is to be considered real or knowledge. The researchers then becomes in accordance with Recker (2013) interpretivists, making subjective interpretations, to create new theoretical findings. Therefore, approaches in terms of weighing, timing and placing were applied, explained previously (see 2.1) by Recker (2013). The study gave the interpretivistic paradigm the dominant status as the outcome of the comparable checklist was to compose new theory from empirical findings. Moreover, the two alternatives were conducted both sequentially and concurrent, which will be more described in the process of data collection (see 2.3). In addition, the study executed a mixing of the alternatives in the creation of research questions as well for the use of both methodological alternatives in data collection and analysis. Consequently, pointing out that the mixed methods were applied until the analysis chapter whereas the outcome would generate a comparable checklist.

Thus, reflecting back upon that the study took the inductive orientation when composing the comparable checklist and therefore as presented in 2.1 the study became of bias impact, as the researchers themselves constructed what to be considered the truth or knowledge. Therefore, it can be argued that the study adapted the use of researchers as instrument, as the inductive orientation creates theory from the empirical findings.

2.3 Data collection

To entail the intention of creating new theory from the empirical findings presented above (see 2.2) the researchers had to create questions for the chosen methodological alternatives. However, as the questions were based on the theoretical findings presented in the introduction and theoretical section the study first had to start with reviewing the existing literature within the chosen subject area.
Subsequently, to retrieve possible areas to be included in the questions for the two methodological alternatives the study applied a process where data was collected.

Oates (2006) describes the process of reviewing the literature in two parts. Whereas researchers first explore the literature in order to decide upon a research subject and relevant material to use in context to that subject, which will be discussed now further, where it helps the researcher to get a grip of a normally vast phenomenon and then define the problem area. Moreover, the research process of the study and the path to generated outcome in context to problem statement came naturally by reading up on material connected with offshore outsourcing.

When conducting a study, researchers should not use textbooks, as they are too practical. According to Oates (2006) they should rather look for list of references in these textbooks to find “monographs” which are directed towards an academic audience over a practical one. These books can give greater presence to a chosen concept as scientific articles and journals are limited in depth due to limitation in number of words. Amongst conference papers, market research reports can be included; however, market research reports are very difficult to obtain through library services and could therefore be expensive to come by. Moreover, these reports are often of high quality; however, researchers should consider these reports with caution, as they often are produced by consultancy groups and have not been reviewed objectively by researchers. Newspapers and magazines can be valuable for researchers to retrieve up-to-date information. However, they should be reviewed before usage, as bias affection is a common element due to political factors (Oates 2006).

The sources used for the secondary data were collected through the University of Borås library service SUMMON and on Google Scholar. Through these services the researchers were provided with scientific articles, journals articles and conference papers from the academic science world. From these articles, in accordance with Oates (2006) above, monographs were retrieved to get a deeper understanding about theoretical concepts, enhancing the theoretical foundation. The eBooks were foremost collected through the services of eBrary and Safari Books provided from SUMMON.

The study started by searching on the Internet for scientific articles with keywords like “IT-outsourcing” and “IT-outsourcing China”. However, not much could be found and a decision was made to change the perspective and instead read up on literature containing the IT-outsourcing concept, above explained as searching for monographs. Moreover, to soon realize that with full concentration on ITO the more general outsourcing concept was not fully comprehended and the shift of the outsourcing trend towards BPO was first missed. It was entailed by the newspaper article written by Cooke (2007) that stated how BPO has become a more popular type of outsourcing strategy for Swedish enterprises. However, as presented above, Oates (2006) mentions that caution should be considered, as bias affection is likely to occur. Subsequently, the article was provided from Computer Sweden, which is an IT-trade magazine, hence giving little consideration to the bias affection, as it by the researchers is considered low.

Hence, with the shift from traditional to transformational outsourcing retrieved by using the monograph approach the field of research could be narrowed down with a focus on the BPO concept. In addition, the study from Ernst & Young (2013) on Swedish enterprises’ outsourcing behavior was read; however, it was found to only correspond to large enterprises.
Moreover, as presented above by Oates (2006), consultancy studies should be carefully interpreted. The study was foremost used to apprehend the Swedish large enterprises’ outsourcing behavior and work as a guidance tool to create the format of the self-administered questionnaire, presented below (see table 2.2). Therefore, a direction could be executed towards Swedish SMEs and when reviewing the BPO market the research entailed that China as an outsourcing destination was on the rise and little knowledge existed of its service offering from the outsourcing vendors. The choice of choosing to conduct one part of the research in China and the other in Sweden combined, resulted in the end of a comparable checklist.

The second part that Oates (2006) describes for when reviewing literature is the one that begins when the research subject is chosen and follows out throughout the research process, meaning that secondary data could be used and entered whenever in the time span of the research. Whereas the second part mostly corresponded to building up the theoretical framework. Moreover, the study applied an iterative process with chapters one and three, explaining and describing the concepts presented in the introduction more thoroughly to create a theoretical framework. The theoretical chapter was based on findings presented in the research overview (see 1.2), which enabled an overcome of the shortage that the scientific and journal articles bring in limitation in context to words, explained above by Oates (2006). Therefore, the way that the secondary data was collected was used to create both the research question and provide with theory to develop opportunities for an enhanced data collection for the primary data in order to answer the research question. Therefore, the study had to take the design of both a quantitative and qualitative alternative.

2.3.1 Self-administered questionnaire

For the quantitative alternative a deductive orientation was used whereas the focus in data collection and analysis was numerical data, as previously explained (see 2.1). Within the quantitative alternative many instruments can be used. However, the same instrument had to be applied in order to respond to the sub-question created for Swedish SMEs and to enable a comparative analysis with found theoretical data which corresponds with large enterprises.

Whereas a questionnaire is a set of questions that are assembled in a pre-determined order, where the respondents provide with answers on the question, generating data that can be analyzed and interpreted (Oates 2006). A questionnaire can take several directions, whereas the self-completion way dictates that the respondents fill in the answers themselves. The design of the questionnaire often corresponds by using the Internet as an instrument, enabling large samples to be sent out with relatively little work effort (Robson 2011). With these presented arguments the self-completion strategy of the questionnaire was chosen.

Oates (2006) defines the chosen strategy by using a self-administered questionnaire where the researcher is not being present. Thus this research achieves a lower degree of the researcher as a key instrument. However, using a researcher approach would have enabled a more bias direction to the respondents’ answer. Oates (2006) argues that by using the self-administered questionnaire the researcher ensures that all the respondents have the same pre-set criteria to complete the questionnaire. Therefore, the same pre-conditions were applied to the empirical findings, presented earlier in context to large enterprises (see 1.1).
With no previous experience with conducting self-administered questionnaires this study had no proven way of searching for email records to enable contact with Swedish SMEs. Subsequently, when searching on the Internet a competition was found, held by the Swedish financial paper Dagens Industri, which gives accreditation each year to successful enterprises. To get the accreditation an enterprise must fulfill a set of criteria, amongst them have a turnover of at least 10 million SEK, a minimum of 10 employees and have at least doubled the revenue from the previous financial year (Dagens Industri 2014). Therefore, extraction could easily be made to find possible respondents with a specific type of criteria. Moreover, the choice could be defined as using *purposive sampling* in accordance with Recker (2013) where the study aimed at finding respondents that possessed properties of interest. Whereas the study used the purposive criteria’s of being categorized as a SME by stated definition in the research overview (see 1.2).

Two lists from the years of 2010 and 2012 were retrieved, whereas the other lists could not be located without a subscription of Dagens Industri. Below in figure 2.1 the two lists are compiled by number of enterprises on each list, the number that was not reachable and the number contacted. The third column gives a total of every alternative (Dagens Industri 2010; Dagens Industri 2012).

![Figure 2.1: Presenting the incidence response from contacted questionnaire respondents](image)

These two lists gave a combined number of 1028 enterprises, listed by name, type of industry, number of employees, total revenue and growth in percentage (Dagens Industri 2010; Dagens Industri 2012). However, these lists had to be checked manually for email addresses as no contact option was displayed. A link to the web form for the questionnaire was distributed by email to the reachable enterprises after a manual search of information to contact these, thus giving a loss of around 19.6 % of the possible respondents. Before contact was made the large enterprises were singled out, as they did not fit into the definition of SMEs. However, the questionnaire was designed to fit all types of enterprises so that truthful information could be collected and since enterprises on the list may have recently crossed the definition to be regarded as a SME. In the end a total of 60 enterprises answered the questionnaire giving a response rate of around 7.25 %.

Two directions were chosen in the self-administered questionnaire where an enterprise may or may not be outsourcing when responding to the questionnaire. The information was needed due to the lack of information about Swedish SMEs in the outsourcing market, which was the cause for exploratory research.
Emphasis was made on constructing the questionnaire to enhance the possibility of retrieving answers on the questions asked. Consequently, the questions were constructed to contain less than 20 words, although still, making them understandable for the respondent, this in accordance with Oates (2006). To make all the questions relevant the questions were divided into four parts; firstly to ensure that the enterprise falls under the definition of SME, secondly how the outsourcing situation was in the enterprise today, thirdly what type of outsourcing that could be of interest and last the risks, reasons and factors for when choosing an outsourcing destination.

To single out answers from the respondents it was equally important to create unambiguous questions, in order to generate good answers for the analytical part (Oates 2006). Recker (2013) argues that creating ambiguous and imprecise questions can cause a lower degree of reliability. When using a structure of the general question it was easy to be objective and not create leading questions (Oates 2006), whereas the study had a clear problem statement and generated specific sub-questions to answer the main question.

Moreover, if the number of questions is perceived as high the response rate will be lower (Bryman & Bell 2011). Robson (2011) foretells that there could be high rates of non-responses and non-completion if the questionnaire is not kept short. The number of questions was kept to 18 and as previously mentioned, short in format.

<table>
<thead>
<tr>
<th>Question</th>
<th>Type of Question</th>
<th>Type of Data</th>
<th>Type of Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the enterprise</td>
<td>Open</td>
<td>Factual</td>
<td>Open</td>
</tr>
<tr>
<td>Number of employees</td>
<td>Closed</td>
<td>Factual</td>
<td>Single choice (Quantity)</td>
</tr>
<tr>
<td>Yearly revenue or total assets</td>
<td>Closed</td>
<td>Factual</td>
<td>Single choice (Quantity)</td>
</tr>
<tr>
<td>What type of business is your enterprise active in?</td>
<td>Half-closed</td>
<td>Factual</td>
<td>Single choice</td>
</tr>
<tr>
<td>Do you outsource today?</td>
<td>Closed</td>
<td>Factual</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Do you think that knowledge is available within the enterprise to start an outsourcing process?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Likert scale</td>
</tr>
<tr>
<td>How likely are you today to outsource a business process?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Scale</td>
</tr>
<tr>
<td>Do you think that outsourcing of one or more business processes had been favorable for the enterprise?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Likert scale</td>
</tr>
<tr>
<td>What type of outsourcing could be of interest?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Single choice</td>
</tr>
<tr>
<td>Which processes would then be of interest to outsource?</td>
<td>Half-closed</td>
<td>Opinion</td>
<td>Multiple choice</td>
</tr>
<tr>
<td>What part of the organization would have been affected by the outsourced process?</td>
<td>Closed</td>
<td>Factual</td>
<td>Single choice</td>
</tr>
<tr>
<td>What type of solution would be conceivable for the outsourced business process?</td>
<td>Half-closed</td>
<td>Opinion</td>
<td>Multiple choice</td>
</tr>
<tr>
<td>Do you believe that outsourcing is needed in order to change the business?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Likert scale</td>
</tr>
<tr>
<td>Do you think that business process outsourcing may be more important for your enterprise in the future?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Likert scale</td>
</tr>
<tr>
<td>How important do you consider the following reasons to be when outsourcing?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Scale</td>
</tr>
<tr>
<td>How important do you consider the following risks should be when outsourcing?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Scale</td>
</tr>
<tr>
<td>Which destinations would have been of interest?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Multiple choice</td>
</tr>
<tr>
<td>How important do you consider the following factors when choosing outsourcing destination?</td>
<td>Closed</td>
<td>Opinion</td>
<td>Scale</td>
</tr>
</tbody>
</table>

As presented above (in table 2.2) the questionnaire mostly contained closed questions. The only open question was the first, where the respondents were asked to give the enterprise name to single out any possible duplicates.
Otherwise some questions could be defined as half-closed, as the alternative of “other” was added to the question so that the respondents could answer of free will if the presented alternatives were not of satisfaction.

Questions can be categorized in type of data, divided by factual and opinion (Oates 2006), where the factual questions entailed information about the enterprise. In comparison, the questions with the characteristics of opinion were used in terms of the respondents outsourcing a business process. The most prominent type of format used was scale questions, either in context to agreement or disagreement or by how important the respondents experienced the questions.

In addition, the category of “neither” was always added on the scale questions to enable the respondents answer without being bias, due to lack of suitable alternatives. Emphasized by Oates (2006) that argues on how the category can help the respondent express what they genuinely feel. However, it may also enable the respondents to choose the category without really expressing their true feelings.

2.3.2 Semi-structured interview

For the qualitative alternative an inductive orientation was used whereas the focus in data collection and analysis is on words, as previously explained (see 2.1). Within the qualitative alternative there are many instruments that can be used. However, in order to answer the sub-question regarding Chinese outsourcing vendors’ service offering where little knowledge existed, theory had to be provided.

Therefore, the instrument of semi-structured interview was chosen, since it was found to be the most suitable option since interviews were conducted with outsourcing vendors, which the researchers have had no previous interaction with before. Moreover, the semi-structured interview helps enable complete strangers to discuss subjects that could be interpreted as sensitive. The semi-structured interviews allowed a conversational meeting with the vendor, which is less intrusive, more open for sensitive subjects and would be used to confirm some areas, which were already known, this according to Recker (2013).

The interviewing process involves some disadvantages that had to be considered, such as reflexivity challenges, risks for inaccuracy, potential artificiality and the interviewee being bias (Recker 2013). However, semi-structured interviews were still the best option given the advantages listed in the previous paragraph.

All the interviews were conducted in English and the interviews that were conducted face-to-face lasted for about one to one and a half hour. The interviews were transcribed later that day to ensure that thoughts that appeared during the session would stay recent.

The data from the semi-structured interviews was collected through two face-to-face interviews and one email interview with outsourcing vendors in China. All three vendors were chosen by the fact that they are in some way involved with BPO or ITO, since they are connected in concept (see 3.1.4). The interviewees were all chosen due to their knowledge on the areas as displayed in the table 2.3 below. Consequently, meaning that the qualitative alternative also used purposive sampling, as the interviewees possessed a set of criteria interesting for the researchers’ collection of data.
Table 2.3: Presentation of outsourcing vendors and the interviewees, chosen by criteria

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Vendor overview</th>
<th>Interviewee specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>ITO-solutions, BPO-solutions, IT infrastructure and IT-consulting</td>
<td>Project Manager, BPO Presale Team</td>
</tr>
<tr>
<td>Y</td>
<td>Technical consulting, Software Engineering and solutions provider</td>
<td>Senior Manager, Business development</td>
</tr>
<tr>
<td>Z</td>
<td>BPO services, ITO-services, data conversions</td>
<td>Retired Director, former Executive Officer</td>
</tr>
</tbody>
</table>

Subsequently, to compose a comparable checklist, the researchers would need to conduct the self-administered questionnaire with the Swedish SMEs, to later test that data against the Chinese vendors outsourcing offering. The research process of the two alternatives was both sequential and concurrent; this by the interview conducted by email was taking place concurrent as the questionnaire and the latter two of the three interviews took place sequentially after the questionnaire had finished. The outcome of the questionnaire was presented in the end of the semi-structured interviews to bring forth a possible scenario of an outsourcing relationship between the two mechanisms where the vendor discusses what is needed and how that can be offered.

An interview guide was produced to use for the interview process. Moreover, it enhances the level of replication as future researchers can use it if needed (Bryman & Bell 2011). The interview guide was divided in eight different parts and ending with a final question, based on the constructed theoretical framework (see figure 3.5). The parts presented were:

- Personal
- IT-outsourcing
- BPO
- China
- Western market
- IT-outsourcing project
- Your team
- Questionnaire
- Final question

Each part consisted of a few questions regarding the area, starting with personal questions about the interviewee and for how long that person worked for the vendor, as an example. The interview went on with questions about the BPO or ITO for the vendor, meaning the service offerings. Next were questions about China and how subsidies and legal issues come in contact with the vendor. Thereafter, the marketing towards the Western market was brought up and how a typical BPO or ITO project looks. Hence, bringing forth the subject on the staff working on these projects and how they are trained. The final part consisted of presenting the questionnaire results and giving the interviewee a chance to shed their perspective on the numbers. To finish up, a final question was asked about their knowledge on the Western market and how a comparable checklist could be of assistance to secure a successful outsourcing relationship.
2.4 Data analysis

Quantitative data is often based on numbers and the main type of data generated from questionnaires. The idea with this analysis is to discover patterns in the collected data and from that draw conclusions (Oates 2006). Data retrieved from the quantitative alternative can be analyzed from simple organizations to complex statistical analysis processes (Robson 2011). Moreover, the study uses the simple analysis for the quantitative alternative and presents the primary data from the questionnaire in pie charts and bar charts, to enable the reader to recognize patterns (Oates 2006). Robson (2011) argues that when simple statistical tests are conducted with limited quantitative data specialist statistical software will not be of essence, as a researcher needs to understand the data being analyzed. The study took the inductive direction with the qualitative approach where the composed checklist consisted of non-numerical data there was no need to analyze the quantitative data in any deeper level.

Robson (2011) further argues that collected data should not be transferred and that researchers should avoid intermediate systems to enable further categorization. The more times data is being transferred between coding systems, the larger risk of error, emphasizing the use of single-transfer coding (Robson 2011). The web form used for the questionnaire pre-defined every dataset for the questions. Therefore, single-transfer coding could be executed to Excel and create the pie and bar charts needed.

The display of this kind of data can be defined as exploratory (Robson 2011), where the researcher is trying to explore the data and interpret what it says. Moreover, confirming the methodological analysis direction taken, as interpretations of the charts were made and patterns were retrieved from the respondents’ answers. In addition, it is emphasized that exploratory approach mainly generates qualitative data as explained by Robson (2011). Through the use of pie and bar charts, the study enabled the reader to interpret and analyze the data. Whereas the distribution in percentage can be presented as a bar chart, if the bars are separated they are defined as histograms. In addition, pie charts provide an alternative way of displaying the distribution of percentage (Robson 2011).

According to Recker (2013), for qualitative alternatives such as semi-structured interviews, the process for data collection and analysis is interwoven. During the analysis of an interview, new thoughts arise and this can result in the interest for doing more research for an emerging concept. During the research process, new concepts were encountered which were of interest for the research area, and having the interviews in a later stage made it possible to make use of these concepts. The self-administered questionnaire was conducted at an early stage so that that the results could be used in the latter part of the semi-structured interviews.

When analyzing data, coding is a technique that can be used to categorize and organize data that has been collected such as words, phrases, paragraphs or entire documents (Recker 2013). The chosen technique fit well with the data retrieved from the semi-structured interviews where questions had already been categorized in different sections, such as “business process outsourcing” and “marketing towards the Western market”. With predefined labels like these, the research had an idea of what areas would arise. After the interviews, more labels were added to the themes, which were discussed during the interviews to identify new concepts and to also organize the existing concepts.
With selective coding, Oates (2006) suggests that a researcher focuses on the core codes. These core codes have usually emerged for the theory under investigation and are considered as vital. Early in the research it was noticed that the key areas were BPO and Swedish SMEs to match with Chinese outsourcing vendors. After the semi-structured interviews, the selection of these key areas was made to ensure that the relevant data was to be further examined.

Carefulness has been taken into consideration when reading and analyzing secondary data in scientific articles published about information regarding China. Roy, Walters and Luk (2001) explain that government sources influences in material often can be of concern when it comes to the reliability of the information. In addition, an active choice was made to use up to date sources when it comes to the field of information technology. In that way, there was recent knowledge about the researched area, as the development and research process was fast.

When finding and reading sources, these have been selected by usefulness to the research, this since Oates (2006) suggests that to obtain, assess and critically evaluate all sources for the research ensures the value and relevance.

Construction of the comparable checklist

Using a mixed method strategy in the data collection and analysis requires that the researchers follow up the identified patterns from the quantitative alternative and analyze them with the qualitative alternative. Thereafter, to make data comparison and correlation between the two alternatives. One important aspect to consider when applying these two alternatives is to strive for triangulation, as the objective is to identify similarities and differences (Recker 2013). Therefore, the compared data was investigated and correlated between mechanisms.

The methodological choices created the design in which the checklist was composed, whereas the study applied the procedure explained above by Recker (2013). Findings from the self-administered questionnaire (see 4.1) were compared with answers given in the semi-structured interviews (see 4.2). Moreover, the similarities and differences found were compared and correlated in accordance with theory. Firstly, findings from the quantitative alternative: characteristics of the outsourcing behavior, adoption of the BPO concept, current outsourcing conditions, and services and characteristics of interest were presented (see 5.1). Secondly, findings from the qualitative interview were presented as: cultural and international connections, quality in terms of services and products, infrastructure and competition (see 5.2).

The empirical findings entailed what differences and similarities that could be analyzed. Categories presented in the above paragraph were derived from the objective interpretations that this study collected. Thereafter, presented in an order that would entail the Swedish SMEs outsourcing behavior and the Chinese outsourcing service offering in which the similarities and differences between the two alternatives appeared. The compared and correlated analytical findings could from there be composed in a comparable checklist. Whereas, Swedish SMEs needs and concerns in context to BPO were composed with the Chinese outsourcing vendors’ service offering as presented by what is offered and how the concerns can be assured. The comparable checklist concludes findings so that Swedish SMEs can secure the BPO investment and both actors can gain a successful outsourcing relationship.
2.5 Method evaluation

Oates (2006) claims that interpretivists are not neutral since their assumptions, beliefs, values and actions during the research will affect the outcome. Researchers must be self-reflective upon their methodological choices and assumptions taken during the research, to be evaluated. In that way, raising the possibility in which findings may be reevaluated. Moreover, emphasized by the fact that the researchers are used as a key instrument and creating the possibility of always having bias affliction on the findings in this study. Enhanced by the fact that an inductive direction was used when composing the comparable checklist (see 2.2).

Therefore, the researchers tried to remain objective when analyzing the empirical data. However, with dominant status on the interpretivistic paradigm the researchers made subjective interpretations to compose the comparable checklist. Moreover, the subjective interpretations should be of less essence as the empirical data with the quantitative alternative emphasizes this study's objectivity; however, at a lower degree than if the quantitative alternative would be used for both the empirical collections. Namely, the self-administered questionnaire and the semi-structured interviews. Subsequently, the study strived for objectivity when analyzing the results (see 5.1-2) to then create subjective interpretations to compose a comparable checklist that could enhance a possible BPO investment for Swedish SMEs to China.

2.5.1 Establishing trustworthiness

According to Oates (2006), interpretivists have a larger need of analyzing data as they represent the constructed words the respondents and interviewees used and answered with. Researchers do not explain a phenomenon as one single truth; however, instead that it could be explained from several perspectives. Therefore, Recker (2013) explains the importance of not revising the reliability and validity instruments by the quantitative method, instead using the measurements which were developed by Lincoln and Guba (1985): dependability, credibility, confirmability and transferability, as a comparable checklist showing non-numerical data was produced.

If the researcher can present dependability it would demonstrate that similar results are achievable and be a consistent measurement instrument towards reliability in quantitative research (Recker 2013). In addition, Oates (2006) explains that a researcher always should document their proceedings with the knowledge that a measurement according to the criteria of dependability could take place. With credibility the concern is whether the interpretations from the qualitative findings can be executed if provided with sufficient material from the researchers (Recker 2013). Whereas, credibility can be achieved through the use of triangulation by keeping notes during the research process on which decision was made (Recker 2013) and also confirming the findings with the participants (Oates 2006). Confirmability refers to the researchers’ objectivity, which can be explained that the qualitative findings can be reviewed by an external individual, for example a participant in the empirical process (Recker 2013). Further, explained by Oates (2006) whereas the external individual can access the analyzed and concluded findings. To achieve transferability the findings should be generalized to assess whether the same characteristics can be used in other fields of research (Recker 2013). Therefore, it is important to entail detailed descriptions about the context of which the research has been conducted within.
However, Oates (2006) explains that generalizability should not be taken into higher consideration when using the interpretative approach.

The study has strived to achieve dependability whereas the methodological process and empirical findings was explained in detail. Moreover, the researchers guides the reader through the study in accordance with the findings to draw the same conclusions and follow in the patterns described. To strive for credibility the researchers shared the summarized findings with the outsourcing vendors to confirm the statements provided and that every interpretation made was referenced to the comparative finding in the empirical or theoretical chapter. To emphasize that the findings could be trusted upon and be credible for the reader when reflecting on the conclusions made. In addition, conducted through the use by letter of support, provided by the supervisor, so that both the respondents and the interviewees provided credible answers, thus entailing the importance of the study being conducted. The collection of data (see 2.3) explains how the researchers used secondary data to entail credible findings to support a reliable foundation for the empirical findings. By the previous steps taken by the researchers in terms of dependability and credibility where a detailed research process that was described and findings confirmed by the participants. Thereafter, the measurement of confirmability could be executed as lowering the degree of bias in the research. Transferability was sought for by detailed descriptions of both the methodological approaches used were, in format and performance. With that also the interpretations and results were presented meaning that conclusions could be generalized.
3 How to Adapt in a Dynamic World – Theoretical Viewpoints on SMEs

This chapter consists of the theoretical framework and will guide this study through the analytical section. It is created from the research overview consisting of secondary data. Further explanation of used concepts will be made and special emphasis will be made in context to Swedish SMEs outsourcing possibilities towards Chinese BPO vendors.

To entail interesting findings with the chosen methodological choices, the questionnaire and interviews need to be based on relevant information. Enabled through retrieving viewpoints from Swedish SMEs and Chinese outsourcing vendors, which results in the possibility to compose a comparable checklist. Moreover, to entail interesting findings the study has elaborated the concepts and ideas presented in the research overview (see 1.2), in order to format questions for the respondents and interviewees.

The first section below (see 3.1) is constructed to get an understanding about what offshore outsourcing means in order to understand its relationship to outsourcing behavior. The section also presents and describes the concept of offshore outsourcing and how it is applied by enterprises. Further, the section explains how the market has changed towards BPO when turning from traditional to transformational outsourcing. In addition, the section explains where outsourcing can be conducted, what part of the enterprise that may be affected and the reasons and risks that can appear in accordance to theory.

3.1 Offshore outsourcing

Globalization and standardization of processes has changed the concept of offshore outsourcing and it can now be interpreted to mean several things. The concept used to have connections to enterprises outsourcing their manufacturing processes. However, IT-functions later became related to the concept and now also back-office processes in the form of BPO (Kalakota 2005).

Outsourcing can be defined as an enterprise obtaining services from an external provider and lately it has been related to an enterprise focusing on core competencies and the long-term relationship created with it (Brown & Wilson 2005). Offshoring is about location (Bals 2008; Ågerfalk & Fitzgerald 2008), meaning that the outsourced operation is conducted in a different location than the main operation, while outsourcing involves the governance between the outsourcing enterprise and the vendor performing the activity. The two concepts are related to one another, with the offshoring being location-based and outsourcing can be performed offshore, nearshore and onshore (Ågerfalk & Fitzgerald 2008). Therefore, illuminating the concept offshore outsourcing as a subset of an enterprises’ overall decision to outsource (Kendrick 2009).

However, outsourcing does not have a precise definition in some sense since it is often viewed as a business function involving a contract that has moved from earlier being in-house to an external provider. Therefore, it gives an underlying concept that exchanges services and payments, which creates the view of outsourcing (Siepmann 2013).
The outsourcing market constantly sees innovations and changes. The shift has moved from traditional outsourcing involving information technology towards administrative processes (Brown & Wilson 2005). With all the different views on the outsourcing concept it can be concluded that the different components stay the same but the concept adapts in context to the market. Moreover, it can be concluded, as Corbett (2004) explains how outsourcing is fundamentally a market-driven process, highlighted by factors as the increased number of providers and how the market in haste meets the needs arising.

3.1.1 Which part of an enterprise to be outsourced

If an enterprise chooses to outsource eighty percent or more of the business process it is placed in the category of total outsourcing (Brown & Wilson 2005; Sparrow 2003). Therefore, it can be defined better as involving entire departments or divisions that are being transferred in terms of personnel, facilities, equipment and responsibility (Eltschinger 2008). In contrast, selective outsourcing means that the enterprise outsources less than eighty percent (Brown & Wilson 2005), referred to as outtasking, as it often evolves as a business process activity or task within a department. Subsequently, it helps the enterprise to delimit what kind of outsourcing it is in need of (Eltschinger 2008). An enterprise may experience greater benefits if the business process forms like an entity and thus generating internal synergies. Moreover, the outsourcing process is not being seen as transforming a fixed cost into a variable one, instead as developing the quality of the process itself (Brown & Wilson 2005).

To a greater extent, enterprises choose to adapt the model of offshore insourcing to cope with the complexity of moving business functions offshore. Consequently, by being represented by fully owned subsidiaries in the offshored location (Duening & Click 2005). Nevertheless, to enable success within outsourcing a part of the enterprise, the key is preparation. An enterprise must be aware of the advantages and disadvantages as well for what can be gained and what you can save by this outsourcing decision (Brown & Wilson 2005).

3.1.2 Destination of outsourcing

When addressing the location of the chosen outsourcing level the industry speaks of delivery models. These can appear as offshore, nearshore and onshore. As one part of the outsourcing is the location (Duining & Click 2005). These models will be explained in an order from which it centers from Swedish SMEs in context to geographical location.

Onshore means that both the outsourcing enterprise and vendor are domestically located. Nearshoring has similar characteristics to onshoring; however, the process is outsourced to a neighboring country, for Sweden it can be delimited to the European Union. Offshoring has the same principles as the two other location models of outsourcing since it includes the relocation of a process to a country not domestic or in this study within the EU, whereas China could be placed in the category of offshore. Offshoring is the most synonymous with cost saving as it is put in context with cheap labor (Siepmann 2013). Swedish enterprises outsource mostly within Sweden, represented by that 85 % outsource their ITO onshore, and 89 % outsource their BPO onshore. Where, only 3 % of the Swedish enterprises outsource their BPO through offshore locations (Ernst & Young 2013).
It is important to differentiate the concept of offshore outsourcing as BPO can take the shape of both to an external service provider and remain in-house as the outsourcing enterprise can have an own branch in the country where it is offshored to (Kalakota 2005).

### 3.1.3 From traditional to transformational outsourcing

To explain the concept of BPO one must think outside its definition of moving a business process from the internal organization to an outside service provider, even if it would appear as offshore, nearshore or onshore. Instead what should come to mind is what has created the concept that humans even in crises strive to improve the world we live in. Thereafter, the concept of BPO is reinforced by the improvements in telecommunication infrastructure and that the opportunities to conduct business have changed from the traditional way (Click & Duening 2004). Whereas Brown and Wilson (2005) choose to define the concept of BPO as taking place in a business environment and an enterprise giving away the management of a certain business process, given the fact that it could be performed more efficiently, thus enabling the enterprise to focus on the core competence.

The outsourcing industry is changing vast and the concept with it in context of the market (Corbett 2004), with this BPO came, which enables an enterprise to outsource their business process and not just the technology (Siepmann 2013).

![Figure 3.1: Presenting driving factors (from Duening & Click 2005)](image)

With the changes in factors related to the outsourcing market, presented above in figure 3.1, a shift from the *traditional outsourcing* towards a more transformational outsourcing can be explained. Before, enterprises removed non-core functions to provide one time discharges of capital. Therefore, now changing the enterprise in terms of business focus and creating value for the customer (Brown & Wilson 2005). Consequently, it was made through educational attainment, which provided high quality of talent to a low cost. Enterprises now removed non-core functions to be able to achieve business specialization by focusing on the core competence. Transformational change cannot take its place until a sufficient number of managers and executives have changed their minds (Duening & Click 2005).
Solid broadband infrastructure was crucial (Duening & Click 2005) in order to create a situation for transformational outsourcing which is based on a network of partnerships connected in the global economy (Brown & Wilson 2005). Furthermore, improvements in Internet security through standards and software tools in context of analytic processing have enhanced data integrity. The improvements have enabled lower-cost labor in the same manner as manufacturing ones did. In addition, expenses for data storage are almost infinite for enabling digitization and distribution of documents (Duening & Click 2005).

For enterprises, there was a problem with diversification when managing different businesses and at the same time delivering value to the shareholders. Subsequently, enterprises sold or outsourced the activities which were the least successful and did not support the core competence. In addition, enterprises redefined their business models to create success in the marketplace through transformational outsourcing, where it is used to redefine the business (Eltschinger 2008). For enterprises today that means that they need to transform the organization in order to survive in the economic climate that prevails today. The enterprises that take advantage of this level are not considering outsourcing as a tool for efficiency and focus but instead as the synonym for change (Brown & Wilson 2005). The same similar concept was explained by Sparrow (2003) where an enterprise aims at reducing cost, improve services and empower employees simultaneously.

With time, enterprises learned that divesting businesses was not the most successful outcome. Enterprises evaluated the situation and apprehended whether adjustments and planning of the business strategy or outsourcing was needed. Therefore, contributing to the outsourcing growth of business processes (Eltschinger 2008).

Moreover, it is important to give knowledge of the large application area that BPO actually has and which processes are used today. Example of application areas presented by Ernst & Young (2013) follows below:

- Call center and customer support
- Design and engineering
- Facilities management
- Finance and accounting
- Human Resources services
- Knowledge processes
- Legal services
- Logistics
- Marketing
- Payroll services
- Procurement
- Production and development
- Sales
3.1.4 The way BPO delivers value

The drivers for outsourcing are continually reflected upon as they have to be updated towards the ever-changing market (Eltschinger 2008). The main reason for choosing to outsource a business process is to exclude the process that is not connected to the enterprises’ core competence. The concept of BPO enables enterprises to focus on core competence in a time when globalization and competitive advantage is ever-present (Click & Duening 2004). Moreover, emphasized by that 84% of Swedish enterprises chose to outsource a non-core process (Ernst & Young 2013).

![Diagram showing DEPARTMENTS](image)

Figure 3.2: Demonstration on how BPO works across the organization to deliver value (from Corbett 2004)

Today, one of the concerns that customers have is the outcome which is generated from the business processes. It is about creating a value and the process ends when the value is delivered to the customer. Moreover, it generates the best possible value and the highest level of productivity for the enterprise itself. Therefore, changing the view of BPO being something else than traditional outsourcing with hierarchy organizations to a more process centric and end-to-end view perspective (Corbett 2004).

When BPO was introduced, managers and owners of enterprises avoided the concept as its origin is connected to IT. However, it could now be discarded as researchers explain that BPO should be regarded as a socio-technical innovation. Nevertheless, BPO will always include technical components which are also what happens with current processes that are not outsourced from an enterprise. Therefore, BPO as a socio-technical innovation should be seen as a new possibility for enterprises to achieve a competitive advantage in a continually changing world (Click & Duening 2004).

The foremost reason to outsource for Swedish enterprises is to achieve efficiency improvements, followed by the desire of gaining specific knowledge, expertise and tools. Third on the list of reasons to outsource is improvement of cost reduction which has been mentioned before to be a primary factor, the same with the following reason as with a focus on the core business and the final one is to become more flexible. The behavior also implies that Swedish enterprises outsource ITO today to a much larger extent than BPO. Whereas, more than half of the Swedish enterprises think that their own outsourcing activities will increase in comparison to decrease in the future (Ernst & Young 2013).

With the shift from the traditional perspective of outsourcing regarding cost reduction, BPO is viewed as improving the process, provide better service for the customer and create new ways to source for revenue and growth for the enterprise (Corbett 2004).
3.1.5 The reasons for outsourcing

An important driver for BPO is that the enterprise is constantly trying to re-engineer the processes. The latter concept aims at improving key indicators connected to performance such as cost, quality and service. Enterprises often direct these activities and *efficiency improvements* towards the core services. Hence, the non-core business processes become less effective and productive. Instead an enterprise can gain efficiency by outsourcing the business process to an external vendor (Brown & Wilson 2005). Therefore, since an outsourcing vendor provides the back-office process performance, it gives the enterprise a new efficiency dimension in delivering the service (Eltschinger 2008). Moreover, an enterprise should always strive to develop the organization to survive. In order to do that, the enterprise must first become efficient through outsourcing. Thereafter, enable time to develop a new strategy for the enterprise in the future (Sparrow 2003).

The enterprise seeks *specific knowledge, expertise and tools* because they cannot be accessed within the organization. The outsourcing vendor often makes huge investments in technology, methodologies and personnel thus gaining expertise in specific areas. The fact that the vendor handles many clients can be an advantage as expertise can be a result of that (Brown & Wilson 2005). This technique is especially beneficial for SMEs to use when competing with larger enterprises as these components often gives the opportunities of improved scalability (Duening & Click 2005). In addition, outsourcing a business process gives the advantage of accessing technological changes through quicker implementation and at lowered cost. Moreover, the same scenario can also be achieved by providing more structured methodologies, procedures and documentation (Sparrow 2003).

The concept of cost reduction can be viewed from many aspects as it is widely defined and includes wide functions that could be beneficial. Whereas the decrease of investment in areas that lower the operation costs: research, development, marketing and deployment fit within the definition. There is an indirect *cost reduction* in BPO as defined by non-core processes. This by freeing up capital that instead can be invested in the core business, both saving future capital and making the right investment decision. Large enterprises mostly see BPO and outsourcing in general as a tool for post-merger rationalization (Brown & Wilson 2005). If an enterprise chose to outsource with a tactical reason, cost reduction is then the most important reason. However, if cost is the sole reason for outsourcing the relationship is less likely to succeed (Sparrow 2003).

To be able to *focus on the core business* or core competence of the enterprise one must be familiar with what it is defined by, through addressing it like a process or processes that are taking place in the front office when interacting with the customers. Moreover, extract the core competence and put the processes that could be outsourced in the strategic category, thereby connecting them to the BPO possibilities (Duening & Click 2005). Through the use of BPO the enterprise can focus on the core business by having the outsourcing vendor provide expertise and knowledge and thereby also enhance the performance of the process (Brown & Wilson 2005).
In the end, it is really only the core competence delivered that generates value for the customer, the other processes are not directly linked to that stream. However, an enterprise cannot operate without these functions. In context to the transformational level, focus on core business is interpreted as a paradigm shift. In addition, an enterprise cannot perform BPO if not the managerial level is convinced about the advantages it brings (Duening & Click 2005).

Releasing resources can be discussed in terms of cost reduction. In addition, resources can be redirected in forms of human resources from non-core business processes towards the core, thus focusing on the customer and core competence (Brown & Wilson 2005). Moreover, a higher level of flexibility towards the market is gained by focusing on the core competence (Duening & Click 2005). However, outsourcing for flexibility should not be seen as turning over the managerial responsibility. If the enterprise itself does not recognize the requirements for the business process it should as well not outsource that function (Brown & Wilson 2005).

Also flexibility gives the enterprise more control. In a matter of solving issues there is larger accountability that it will be performed more effectively as with the outsourcing vendor it is defined in the contractual agreements. Whereas in the internal accountability it is the opposite generating a lower level of effectiveness (Sparrow 2003).

3.1.6 How the outsourcing market is perceived by SMEs in term of risks

Today there is no evidence that the size of the enterprise, type of industry or outsourcing is correlated to success and allows for the fact that outsourcing can be performed by anyone with a positive outcome. On the other hand BPO does not come without risks and challenges. Moreover, mid-sized enterprises are considered not to have the in-house knowledge required for making an outsourcing relationship successful (Brown & Wilson 2005).

Traditional outsourcing was designed to mainly be valid for large enterprises. However, with change the global business model has enabled SMEs to take part in the process. In the beginning, enterprises saw outsourcing as a big commitment because it has effects on the business model. However, now aware that it can be performed in a smaller scale through BPO. Still, enterprises experience insecurity because of the many risks and if an unsuccessful scenario kicks in it is both costly and time consuming insourcing the process (Eltschinger 2008).

As presented in the research overview (see 1.2), Swedish enterprises’ biggest concerns when outsourcing was the loss of knowledge, the dependency of the outsourcing vendor and through that loss of control. Impact on quality ranked highest which can be put in context of the loss of knowledge. Therefore, creating a situation where risks could be compared to the problems mentioned above. Confirmed, from that only 3 % of the respondents had chosen to outsource their business process offshore. In fact, nearly nine out of ten enterprises had chosen to locate their BPO onshore and only 5 % nearshore (Ernst & Young 2013). From the research about China, it can be explained that outsourcing vendors are more reluctant to marketing their services against the Western market, explained by the huge domestic one (Eltschinger 2008). Therefore, it is important when thinking about the risks in context of outsourcing that they are analyzed in two categories, before and after, in regard to contractual agreement (Sparrow 2003).
The level of dependency on an outsourcing vendor can be very high. Being dependent on an outsourcing vendor without contractual agreements puts an enterprise in great risk of unexpected scenarios, such as bankruptcy and economic recessions which can lead to both higher risk and cost. Risk is higher if the vendor is in the scope of a hostile takeover or by a provider from a competitor enterprise (Sparrow 2003). An enterprise also puts high emphasis of risk on dependency in the aspect of future changes in the outsourcing vendors’ own market with implications such as change in legislation (Corbett 2004).

When outsourcing back-office processes it is important, in context to the markets push for reducing costs and competing within the terms of globalization, that enterprises still assess the importance of knowledge. That is, to be aware of what role knowledge has in context of assimilation, creation and application. In this way assuring what knowledge is kept, provided by the vendor and manage the knowledge (Willcocks, Hindle, Feeny & Lacity 2009), presented as structural, human and customer capital (Willcocks et al. 2009; Corbett 2004).

Therefore, it might be a way as customers search for knowledge to be the most important reason for outsourcing, thus provided by the market. Enterprises should not lay emphasis on signing short contractual agreements with the outsourcing vendor due to that the concepts and technologies changes fast. Instead it is advised to put effort in the contract and ensuring that the vendor has domain knowledge, thereby securing the future of the outsourcing processes (Willcocks et al. 2009).

If an enterprise ensures that the outsourcing vendor provides knowledge in terms of customer-specific domains, process and delivers the service then knowledge transfer could be achieved. Whereas the intellectual property and development in the knowledge transfer process would be protected. The enterprise must themselves understand the knowledge gap in order to fill it, which is the most important aspect (Rottman & Lacity 2009). Therefore, the area can be seen as a strategic risk as it can lead to loss of control over decisions made in the future, namely, loss of knowledge, protection of IPR and risks considering geopolitical and cultural differences (Corbett 2004).

When outsourcing a business process, information must be shared or delivered to the outsourcing vendor. Previously, enterprises had sensitive and vital information under control, meanwhile now, trust must be given to the outsourcing vendor to protect it from unauthorized access and corruption, both intentionally and unintentionally (Siepmann 2013). However, if done right, outsourcing could enhance the control by contracting a top vendor. When tied to measurable outcomes, it gives a larger extent of control than internal management systems previously did (Corbett 2004). In addition, there is an aspect to whether the information now is available around the clock for the enterprise and how it is protected by the laws and regulation in the chosen destination (Siepmann 2013).

It is not certain in what way of communication the outsourcing vendor directs its performed services; therefore, it may appear in direct contact with the enterprises’ customers. Enterprises cannot control the outcome of the interaction of its back-office processes. With loss of control an outsourcing enterprise may not be able to direct the wanted quality. Therefore, SMEs should know what not to outsource, as finding a suitable outsourcing vendor and controlling the quality is both a time consuming and complex process (Brown & Wilson 2005).
Impact on quality reflects upon the outsourcing enterprises’ own clients, as the process being outsourced may be of direct connection to the product or service offered. An enterprise may not control the quality when outsourcing all of the expertise, also not be able to develop the business strategy. In that way, the enterprise gets vulnerable against the hard competition on the market today (Sparrow 2003).

Hidden cost can appear as transactional risks in contractual agreements, through disputes about assets, IPR ownership and payments (Corbett 2004). Moreover, it can be associated with the buyer-vendor relationship. The typical BPO relationship is an ongoing process of four to six years (Duening & Click 2005) or in the period of five to ten (Sparrow 2003); therefore, concluding the timespan of four to ten years. The needs and services will change during the years giving a constant need of contractual agreements, which may result in undue hidden costs. Also, it can produce emerging problems leading to protracted negotiations, thus erasing the possible cost advantage which formed the basis for the outsourcing relationship (Duening & Click 2005). The hidden cost factor may not have been listed by Swedish enterprises as one of the five top risks when outsourcing. However, as previously mentioned in the research overview, SMEs operate with a more restrained budget when planning to outsource a business process. Therefore, hidden cost can be a crucial factor when outsourcing (Vagadia 2012).

The above section presents the concept of BPO and how it has developed to what it is today. The concept is also explained in relation to onshore, nearshore and offshore outsourcing and how they differ. The section below continues with describing China’s connection to the BPO concept and how globalization has made it possible for all actors in the global market. The section also describes how different areas in China have been developing fast, like education, infrastructure, FDI and how this contributed making China an attractive possible outsourcing destination. Also, how the legal system, IPR, standards and culture can have relation to the BPO concept and how these obstacles presented in the research overview can be handled (see 1.2).

3.2 A world in change through globalization

The rapid change in the technological environment is one of the reasons that have supported the possibility to create relationships and connections in the world. With the improvements of telecommunications, the whole world can stay connected and while one process takes places on one side of the planet it has its effects on the other side of the planet. It also reduces the costs in communication significantly, something which SMEs with few resources can benefit from. Through globalization, the SMEs have had the chance to not only flourish in their domestic market, but also internationally (Acs & Preston 1997).

3.2.1 How globalization changed offshore outsourcing

Offshoring is a part of the large development the world has seen through globalization (Bals 2008). Described as one of the factors to level the global playing field and the BRIC (Brazil, Russia, India and China) countries are the most notable countries for this factor (Friedman 2005).
Outsourcing as a force of transformation can be described by figure 3.3, whereas enterprises through globalization shift towards more knowledge driven operations directly affected by investment cycle compressions. Moreover, the focus on core competences changes the direction towards a market with larger impact on competitive advantage. Consequently, enterprises have a growing need of outsourcing non-core business processes (Eltschinger 2008). Therefore, outsourcing shifts the competitive advantage for enterprises to apply from only internal operations to also external (Corbett 2004).

With globalization, enterprises are brought closer and closer together. For SMEs, it can be used as a huge advantage since they can access the benefits of BPO more than ever. Especially to organizations with smaller IT personnel, BPO is attractive (Wu, Olson & Wu 2009). Globalization increases the chance for SMEs to focus on their core business, as it does for large enterprises. Whereas an SME can improve their business significantly through cost efficiency and access to skill in-house. However, SMEs possesses a lower degree of investment possibilities and monetary funds (Siepmann 2013).

### 3.2.2 FDI to China – The key to success

The exceptional rise of China's GDP lies in the root of the governments' "Chinese Mode of Production" which means high-volume and low-cost exports combined with investments in the infrastructure (Van Someren & Van Someren-Wang 2013). The open-door policy that started in 1978 was also something that drove China's market upwards, fueling the foreign direct investments to China and trade initiations. Therefore, China started receiving more and more attention in the global market (Yao 2006).

A key point for China's success has been the high FDI. China has been listed as the most favorable developing country for FDI and number one to receive FDI since 1993 (Kelly 2006; Yusuf & Nabeshima 2006). The aggressive policies from the Chinese government in the years 1978-1980, the open-door policy being one of them, was what significantly affected the FDI's to China (Hale & Long 2012).

The factors behind the rise of FDI to China was examined by Zhang (2006), showing that the huge domestic market of China, low-cost labour, increasing improvement in infrastructure, low-cost raw material and a change in the policy for FDI's were the biggest factors.
The FDI from foreign firms made it possible for Chinese enterprises to increase their outsourcing of manufacturing and offshoring decisions. The investments also partially supported the Regional Innovation Systems program, which enhanced creativity and innovative entrepreneurialism in China (Van Someren & Van Someren-Wang 2013). A few years after the open-door policy was launched, the FDIs to China increased significantly. In the beginning of the opening, the investments only reached $1.17 billion dollars for 992 FDI projects in China. In 2003, the investments were as high as $53.50 billion dollars. Speeding up the investments was the joining in the World Trade Organization (WTO) in the year 2001. Therefore, it was something that fueled the trade and FDIs to China (Yao 2006).

Although the focus of FDI went to other industries at first, the FDIs were later put in the IT sector. The focus of investment from multinationals was also going towards the service industry, BPO being one of the services estimated to increase significantly (Kelly 2006). Current policies motivate FDI reinvestment by refunding the investment if the reinvestment goes towards high-technology or export-oriented areas within five years (OECD 2000).

### 3.2.3 Educational rise in China

The change in the education system in China, from the 1950s until now compared, is the biggest change in scale the world has seen. Statistics from 2014 show that the average numbers of years in education have increased significantly since the 1950s. They are today the highest in the world, in 2010 being 9 years in China and 7.76 years in the rest of the world. Compulsory education has increased and the number of attendances in Chinese universities is also the highest in the world (Hu, Yan & Wei 2014). The number of university graduates per year in China are the highest in the world (Siepmann 2013), providing domestic and international enterprises with a huge workforce (Eltschinger 2008).

China’s increase of investment in higher education the past few decades has led China to have an education system that ranks as one of the worlds’ largest. In addition, China have the highest amount of exchange students, with a number of 892 000 Chinese students going abroad in 2008. The exchange students’ knowledge about higher education being significant for technological development has awakened and their investment shows in number of enrolments, being the highest in the world, and number of graduates from universities. However, China’s investment and funding tends to go to the top universities while others are left without governmental funding. Funding for tuition fees for students is not structured and not available most of the time, making it hard for students from poorer areas to enroll in higher education (OECD 2009).

The increase of investment in education was also focused towards technology-majors, such as computer science and software engineering and in 2003 the numbers of graduates in these fields were increasing significantly, around 100 000 graduates a year, to reach 300 000 in 2006. Therefore, it makes China the largest supplier of graduates in these fields (Eltschinger 2008).

Even though higher education has received investments, the quality of the education still has flaws and needs improvement. Education opportunities are provided for Chinese people; however, there is a lack of quality compared to Western numbers (Hu, Yan & Wei 2014).
In addition, English skills are estimated to be as low as only 5% of the population knowing how to speak English (Siepmann 2013).

Salaries for an IT engineer among the competing countries, China and India, are quite similar. However, the average salary in India is rising (Wu, Olson & Wu 2009). In figure 3.4 below, salaries from the competing countries are presented, as well for the average from the United States and Sweden.

![Pay differential in USD ($) amongst outsourcing destinations](image)

As presented in figure 3.4 above, the average salaries from the different countries are presented. The lowest salary is found in China, $500 per month, with Indian salary being just $200 more. The high salaries offered in Sweden ($4200) and the United States ($5000) can also be seen. The difference are significant and shows the advantage enterprises can make with reducing cost by choosing to outsource to China (Siepmann 2013). However, cost reduction is not considered to be as important anymore (Nordic Whitelane 2014).

### 3.2.4 Infrastructure and fast development

Particularly for BPO, infrastructure is a key factor (Eltschinger 2008) since connections in the country need to be strong and with that maintain a high quality during the outsourcing relationship. China’s infrastructure is world-leading (Vagadia 2012) since the road system is among the most developed in the world (Siepmann 2013), the railroad system is the third most expanded in the world (Eltschinger 2008) and the Chinese telecommunications market is the largest in the world (Siepmann 2013).

With technological advances, the offshore outsourcing can be provided even though at a remote distance. Especially in countries where the infrastructure development is high, such as China, the offshore outsourcing market has been attractive. The developed infrastructure includes such factors as Internet bandwidth and telecommunication networks (Burnett 2009). The impressive infrastructure in China is connected to the high FDI’s and public sector investments, which also drove the industrialization in the manufacturing sector (Kelly 2006).
A boost of the industry happened during the recession in 2010, and helped increase the outsourcing market. The Chinese government made many changes in policies, taxes, financial support and intellectual property rights protection to help boost IT-outsourcing in 20 pilot cities in China (Siepmann 2013). Tax exemption of 5% was provided for all IT-outsourcing enterprises in these Chinese cities (Vagadia 2012).

Cities in China offer different kinds of benefits for when choosing to outsource to China. In smaller cities the cost might be lower; however, the quality of skills and support might not be equally high as in the bigger cities. Therefore, when choosing to outsource, the location in China is equally important as choosing outsourcing country (Eltschinger 2008).

3.2.5 Chinese legal support and issues

For a foreign enterprise, there are many benefits from outsourcing to China regarding legislation. Mentioned earlier, governmental investments and sponsorship are vast in China and benefit foreign enterprises as well. Policies and legal frameworks help support international enterprises to start business with and in China (Eltschinger 2008).

However, the laws and legal support in China can sometimes be seen as complex when conducting business, due to the connection the government has with relationships when it comes to laws. The government, laws and term of “Guanxi” are all interwoven. Keeping track of networks is important when trying to understand how to successfully do business with and in China and to not get tangled up with laws (Ambler & Witzel 2000).

Legal issues can sometimes be more connected to relationship issues in China, since the way laws are applied in China can be seen as quite different from how it is in Western countries. More ethics and standards are followed and social pressure is a way to ensure that law is being followed (Ambler & Witzel 2000).

3.2.6 Innovation, policies and IPR in China

According to Kelly (2006) the policy for IPR in China is something that needs improvement. Although adapted to the intellectual standards, work is needed for when making sure they are being followed (Li 2008).

It is extremely important for a foreign enterprise to have knowledge about the IPR when conducting business in China. After the accession to the WTO, the standards and requirements were improved and increased in amount. The old Chinese policies and patent laws were adapted and enhanced by the Chinese government to match to international standards. Entering the WTO resulted in adopting the Agreement of Trade Related Aspects of Intellectual Property Rights (TRIPS) (Devonshire-Ellis, Scott & Woollard 2011). Adopting the TRIPS is important since it gives other enterprises trust to outsource their processes (Burnett 2009).
Today, IPR in China meet the standards of WTO, the Paris and Berne. However, even though the laws are forceful, they are not always applied. Knowledge about property rights is limited and because of that the protection of copyright is small. Even though China is developing their IPR in a fast pace, other developed countries, such as the US and Japan, are putting a lot of pressure on China to adopt the rights from their own country. According to the US, China is the least effective country to enforce their IPR. However, China’s development of the IPR has been fast and the government acknowledges the importance of the rights for the domestic market production but also for foreign relationships. Therefore, the rights have a great amount of support for foreign partnerships with China (Li 2008).

3.2.7 How to prevent the risk by standards and certifications

A growing market of BPO brings forth more vendors, all promising lower costs and higher quality than the competitor. An enterprise chooses the vendor after its own need for outsourcing. The drivers are established, from this they will have to distinguish a provider based on the trust that they can deliver the service wanted. With this trust there is no guarantee that the relationship will run without risk or complications. When BPO is offered as a service it has to be reviewed as it is provided as a product. Therefore, results gained by the performed service must be repeatable, measurable and reportable (Eltschinger 2008).

Trust can be gained by implementing standards and certification that are specific for the BPO industry to enhance their own ability of success as well for the customer. Without this, product range and performance would be at question. Therefore, global standards and certifications must be applied, monitored and maintained by the outsourcing vendor, guaranteeing a high quality for the customer. In addition, to having standards, processes, practices and measures are also needed. Important factors as mentioned before as good language skills, education and training are not key components here as variable results will be gained if not standardized repeatable processes can be obtained (Eltschinger 2008).

3.2.8 Cultural differences – How can business be done in China?

A cultural difference is something which everyone comes in contact with when doing international business. Therefore, being one of the factors contributing to the struggles when outsourcing to China (Eltschinger 2008) and it remains a significant factor for enterprises interested in outsourcing in the rest of the world as well (Vagadia 2012).

For conducting business in China, Reuvid and Li (2003) explain how the three ‘P’s are needed; patience, persistence and product. Especially for services related to technology transfer, such as outsourcing in the field of technology, patience and persistence is needed to maintain a high communication level with the Chinese vendor to make sure the work is getting done in the expected way and time.

One cultural aspect that foreign enterprises will come in contact with when doing business in China is the concept of "Guanxi". Many foreigners who have been to China or had any relationship with China, has consciously or subconsciously been in contact with Guanxi.
Guanxi, a special social relationship between partners, can be used when doing business to gain benefits or resources. The foreign enterprise needs to assess the importance of networking in China, to maintain a good relationship with the partner outsourcing to (Lytras & Ordóñez de Pablos 2008).

Even though Guanxi is a big phenomenon in China and could be used in many different situations, it is today mostly associated with getting in contact with someone with help of someone else with the use of connections or favors (Reuvid & Li 2003).

Solutions for cultural differences when doing business in China are provided by Reuvid and Li (2003):

- adapting to each other’s culture
- building shared values
- adjusting decision making references
- forming a unique management style accommodating both cultures
- establishing effective interpersonal communications that are free from prejudiced assumptions

Adapting to the culture in China can be beneficial since China is expected to dominate the international trade in the near future. When in China, the Westerners need to adapt to the Chinese culture, and with this they receive experience that can be used in the rest of the world (Ambler & Witzel 2000).

3.3 Theoretical framework

The theoretical framework presented below will be used for the analysis later in this research (see chapter 5). To accentuate the analysis it was important to illustrate how the different sections in the theoretical framework can be linked together. Since the study aimed at investigating the two casual mechanisms of Swedish SMEs outsourcing behavior and Chinese outsourcing vendors service offering it was important to see the context of the entire theoretical framework. Therefore, to understand in what aspects the empirical data will be analyzed against. The purpose with the theoretical framework is as mentioned above to accentuate the view of patterns and see how the two mechanisms adapt in accordance with the BPO concept. The theoretical framework was indirectly the basis of questions used for the questionnaire and interview presented in the following chapter (see chapter 4).
In addition, to answer the research question there was of essence to compose the comparable checklist, which only can be validated by answer the two sub-questions. The theoretical framework was also presented as to allow access for the reader to with ease find patterns between the outsourcing concept and the experienced risk and reasons of SMEs to be composed with the Chinese service offering presented below. Therefore, the Swedish SMEs adoption of the BPO concept in terms of BPO and ITO can be explained. Whereas, they outsource the total or selective part of the process with an either standardized or custom solution. The concepts of the different outsourcing models have also been discussed in terms of onshore, nearshore and offshore. The risk and reasons that have been or could be experienced can be linked in relation with the Chinese service offering including factors such as culture, standards, IPR, the legal system, infrastructure, education, FDI and globalization. All these factors are explained to develop the understanding of the Chinese outsourcing offered (see 3.2).
4 The Empirical Perception of the BPO concept

This chapter of the empirical section consists of the answers given through the primary data collection from Swedish SMEs and Chinese outsourcing vendors. The section is divided by previous sequential order to retrieve information from both sides in order to facilitate analyze in the forthcoming chapter. A summarization is made in the end of to give the reader a quick overview of this chapter.

The outcome of this study was to compose a comparable checklist that would be valid for a potential BPO investment from Sweden to China. In order to compose such checklist the researchers needed to entail non-existing knowledge about the Swedish SMEs outsourcing behavior and the Chinese vendors outsourcing offering. Therefore, the empirical findings were based on knowledge gained through the created theoretical framework. Since theoretical concepts need to be apprehended to enable a situation where the researchers retrieve valuable information sought from the start.

The fourth chapter entails the Swedish SMEs outsourcing behavior (see 4.1), where pie and bar charts will be provided along in the textual census to enable the reader to imply the patterns that can be analyzed in the forthcoming chapter. The Swedish SMEs outsourcing behavior will be presented firstly, with answers from the self-administered questionnaire.

Secondly, the forth chapter presents the results in accordance with the semi-structured interviews that took place with the Chinese outsourcing vendors (see 4.2), since the service offering which of today was non-existing. The service offering in context to the Chinese outsourcing vendors will be presented in accordance with the answers given: the level of understanding for today’s outsourcing market, how the vendors reach the Western market, how they train staff an handle cultural differences in different areas and finally how vendors sets themselves against the presented Swedish SMEs outsourcing behavior.

4.1 How Swedish SMEs want to meet the Chinese dragon

Below the study will present the empirical findings made from the self-administered questionnaire with the Swedish enterprises. A total of fourteen figures are presented as either a pie or bar chart, an additional of four questions was asked and will be presented along with suitable question. Moreover, all figures are presented in percentage and rounded up to nearest integer.

Presented below in figure 4.1 the distribution by size of enterprise gives a unanimous majority that small size enterprises are the biggest category of which respondents belong to, represented by 62 %. Followed by medium-sized enterprises represented by 25 % of the respondents. As previously stated in chapter two, an active choice of presenting large enterprises was made, as they only account for 8 % of the total respondents and may just have crossed the definition of becoming a large enterprise. The question was asked to enable a situation where the respondents could be categorized within the definition of SMEs (see table 1.1).
Below, figure 4.2 demonstrates that the majority of the respondents are active in the service industry, represented by 65% of the total respondents. The next largest group of respondents is in the category of others represented by 15%, with enterprises such as: construction, school, industry, media, land and facility construction, IT-software, construction, event and health care. The theoretical findings explain that the type of industry an enterprise is located within does not have any effect towards success (see 3.1.6). Therefore, these characteristics will not be analyzed, just to entail a picture of the typical respondent, since the service category is vastly represented in a clear majority.

The representation of whether the enterprises outsource today or not are not presented. However, there was no clear majority showing if a SME outsource BPO or ITO today. Around 47% of the respondents did outsource either a business process or the information technology function, given the option of SMEs not outsourcing to around 53%. The above question was not asked to enable a context to theory, rather to entail in what extent Swedish SMEs outsource and in that way exclude whether there even exist a basis for outsourcing.
Almost 70% of the respondents feel that the knowledge to start an outsourcing process exists within the enterprise, this presented above in figure 4.3. Represented with that 30% totally agrees and 39% somewhat agrees with the statement of that knowledge exists within the enterprise. Only 2% of the respondents feel that there is insufficient knowledge to start an outsourcing process today within the enterprise and around 12% disagrees with the statement. The theory explained that in order to create a successful outsourcing relationship, an enterprise needs to be aware of both its advantages and disadvantages; therefore, making it interesting to analyze later on. Also that medium-sized enterprise sometimes possesses less knowledge required to enhance the possibility of a successful outsourcing relationship (see 3.1.6). Moreover, to investigate if the Swedish SMEs are considered having that knowledge, to later then be analyzed with theory.

However next, when asked about how the level of propensity the enterprise was in today of outsourcing, in figure 4.4, the answers pointed at the more non susceptible direction. With a total of 59%, whereas 30% foretold about how less likely they were at outsourcing today and 29% felt that not at all likely to outsource today.
However, the category of partially inclined in the level of propensity should not be discarded, as represented by 24% of the total respondents. According to the presented theory, SMEs in context to large enterprises has a lower degree of resources to spend on the outsourcing processes (see 1.2), which creates ground for analysis that it could be a contributed factor if the level of propensity is low for the respondents (see 5.1).

![Figure 4.5: Distribution of SMEs attitude towards if outsourcing is beneficial](image)

**Figure 4.5: Distribution of SMEs attitude towards if outsourcing is beneficial**

A need for outsourcing may exist; however, it is not shown explicitly by the response above in figure 4.5. Represented by the respondents where a majority of 40% thinks that outsourcing of a business process would either be partially or fully beneficial for the enterprise. The majority of respondents imply that the knowledge exists to start an outsourcing relationship and that it would help the enterprise in a beneficial way. However, the respondents’ is not at any clear majority likely to outsource a business process as of today. Figure 4.5 show that 30% of the total respondents in this question neither agrees nor disagrees with the statement. The empirical findings represent how a majority of respondents think that outsourcing one or more business processes would be beneficial. Therefore, it could be analyzed in context to what have been stated for figure 4.3. In addition, to retrieve patterns in what degree SMEs finds the BPO concept possible to adopt and to analyze the Swedish SMEs behavior.

![Figure 4.6: Distribution of the preferred type of outsourcing](image)

**Figure 4.6: Distribution of the preferred type of outsourcing**
The above figure 4.6 shows a convincing majority of a singular outsourcing activity in ITO with more than one third of the respondents choosing this option. Fewer respondents chose the option of BPO at only 12%. However, respondents are interested in both ITO and BPO. Represented by that 27% was interested in the combined option. Nevertheless, the respondents represent a clear majority for the singular outsourcing of ITO and that 29% neither wanted to outsource ITO or BPO. The theory presented that there has been a shift in the outsourcing trend, from traditional outsourcing with ITO towards transformational outsourcing with BPO (see 3.1.3). Also that Swedish enterprises have shifted in trend (see 1.2). Therefore, to entail whether or not the occurrence had any empirical backing could be of interest. The empirical findings indicate that BPO and ITO together would be the prominent choice, not BPO solely, making this a pattern worth analyzing (see 5.1).

In figure 4.7 above, the business processes, which could be of interest, are presented. The question presented above had the lowest amount of responses. However, it was still at such high degree that it could be presented. The lower response rate was probably due to the multiple choice option. First, there are legal services that were checked by almost 46% of the respondents, tightly followed by finance and accounting as well for salary at a shared second choice at nearly 42% of the respondents and the least preferred was knowledge processes. In the option of other, 80% of the respondents answered IT and in context of operation, support, maintenance and infrastructure. The remaining 20% consisted of choices for developers and brand development which can be categorized in either one of the following two categories; production and development as well for design and technique. The theoretical findings do not entail any concepts regarding the choices respondents make in accordance with the above choices, it only presents the different types of BPO (see 3.1.3). However, the respondents’ selection can be represented as that there is a response pattern of a connection between BPO and ITO. As responses have been made outside the response frame and therefore to analyze whether the respondents have adopted the BPO concepts and how it is defined.

The following two questions had the lowest number of response besides the question presented above. Subsequently, the first question required knowledge of the enterprises’ real offering and how to define the core business. However, it gave a possibility of indication what the respondents mean. The second question was the only one that the respondents in the category of other did not understand the option or how the question was defined.
The respondents were overwhelmingly in accordance with that the enterprise organization being outsourced would have been a non-core business function, represented by 60% in figure 4.8. However, meaning that three out of ten respondents think that the core business function in the enterprise would have been affected. A deeper analysis will take place in the forthcoming chapter were this result can be discussed in context of large enterprises to see what can be of difference or indifference. In the question of what solution would have been of benefit for the outsourcing organization there was a majority for a custom solution, over a standardized one. The question was asked to the respondents in the study as the theory states that large enterprises in Sweden outsource in vast majority non-core processes (see 3.1.4). In addition, transformational outsourcing focus on core business, since it is explained as releasing control of the business process of non-core essence (see 3.1.3).

Finally, in the last section of the questionnaire, questions concerning how different factors play at hand when choosing destination and implicitly for an outsourcing vendor were asked.

When it comes to if the respondents believe that the enterprise need to outsource in order to transform the organization a unanimous response of the negative character was retrieved. Presented in figure 4.9 where there was a high mark for the category of neither.
However, when placing the negative side against the positive side of the need for outsourcing in terms of transformation a clear result appears. It demonstrates that the negative side of the respondents consists of 46 %, with answers of not likely and not at all likely regarding that outsourcing is needed for the transformation. However, the category of neither is represented by almost 40 % of the respondents. The theory presented that with transformational outsourcing the enterprises connect outsourcing with change. Moreover, that the enterprise need to transform in accordance with the market to change and also that the managers need to be convinced before taken the decision to outsource (see 3.1.3). Therefore, the question was asked to see how well Swedish SMEs adopt the transformational outsourcing concept. In addition, there is a well found base to analyze that the respondents do not connect outsourcing with change.

![Figure 4.10: Distribution of attitude on outsourcing in context to the future](image)

In figure 4.10, a majority of 43 % compared to 21 % thinks that outsourcing of business processes may have a larger impact on the enterprise in the future. Represented by that 13 % totally agrees and 30 % somewhat agrees that BPO will have a larger significance in the future. There is a doubled share of the majority that think BPO will have a larger significance in the future. Therefore, it should be analyzed with the need of transformation and how the respondents feel about that fact. The question is included for the Swedish respondents as the theory explains that BPO is a fast emerging trend (see 1.2). Moreover, to enable a pattern in accordance with what type is of preference for the respondents (see figure 4.6).

The last part included questions about risks and reasons when choosing a destination, much connected to the theoretical framework. Also factors of preference when choosing an outsourcing destination will be presented, whereas three out of four questions will be with the format of scale responses.
Figure 4.11: Presentation on reasons to outsource

Above, in figure 4.11, a presentation has been made on how the respondents disseminate the results for each response option. The reason amongst SMEs for outsourcing listed as really important in the highest degree was focus on the core business, tightly followed by efficiency and access to knowledge, expertise and tools. However, cost reduction was the most frequently listed as somewhat important by the respondents with efficiency and soon followed by flexibility for the operations. Overall the alternatives represent responses in positive terms with little influences of the answer options of less important and not important at all. The question shows that two distinct depictions can be made. Firstly, in the alternative of being able to focus on core business the respondent felt that it was very important and more than half within that alternative felt it was just somewhat important. Thus giving a clear picture of the high level of distinction that can be made in accordance with the respondents’ answers. Secondly, there is an even more distinct depiction in the alternative of cost reduction, since the respondents do not feel it to be very important in context to the category of somewhat important. The theoretical section presented how traditional outsourcing is connected with cost reduction and with transformational outsourcing focus on core business is of foremost important (see 3.1.3). Therefore, the respondents were asked on how they prioritize the listed reasons to enable a pattern to see if Swedish SMEs adopts BPO in terms of transformational outsourcing.

Figure 4.12: Presentation on risks when outsourcing
In the category of very important, when it comes to considered risks of outsourcing the respondents, in figure 4.12, listed impact on quality as the foremost reason. The alternative is superior when compared to the rest in the category of very important. However, in the category of somewhat important, the alternatives of hidden cost followed by loss of control and dependency of vendor are closely related. Compared to the reasons for outsourcing the question of considered risks had a higher number of respondents that did not have an opinion in the category of neither. Loss of knowledge was the alternative that had the highest degree of respondent marking the category of less important. Moreover, as mentioned previously in the paragraph the most distinct depiction can be made in the category of somewhat important with the alternatives of impact on quality, hidden cost, loss of control and dependency on vendor. The respondents was asked to list on how important they find the above listed risks as presented in the theoretical chapter (3.1.6), since the theory shows that BPO delivers value over several departments (see figure 3.2), a larger risk can be assessed as it could affect more functions.

The choice of preferred destination also had multiple choice alternatives, presented above in figure 4.13, a unanimous amount of respondent as nearly nine out of ten chose the onshore alternative in Sweden. The second most favorite alternative is the nearshore one with Europe as an option chosen by nearly one third of the respondents. For the offshore alternatives there is a placement for Asia and then North America, as well for the less favorable alternatives of Africa, South America and Oceania. The theory connects offshore outsourcing with access to cheap labor (3.1.2). Therefore, the study sought the need to see how Swedish SMEs outsource today or wants to outsource to in the future, represented in the terms of onshore, nearshore and offshore models.
Figure 4.14, in the above paragraph will put a level of context to the answers in the preferred destination. Subsequently, factors when choosing an outsourcing destination was not connected to the previous question. Swedish SMEs feel that education is the most important when choosing an outsourcing destination followed by standards and policies. Infrastructure was unthreatened listed as the most favorable alternative in the category of somewhat important followed by education. In the category of neither giving a neutral statement for response there was the alternative of investment incentives. Therefore, showing that Swedish SMEs may be unfamiliar about the meaning of the concept, presented as FDI in the theoretical chapter. Moreover, the chart shows how investment incentives rank high in the categories of less and not at important compared to the other alternatives. The theory explains how China as an outsourcing destination can be connected with areas like FDI, education, infrastructure, standards and culture (see 3.2). Therefore, the study sought it fit to investigate how important Swedish SMEs find these concepts. Moreover, to enable a possible relationship with the entailed Chinese outsourcing offering (see 4.2) presented later.
4.2 How the dragon responded

Next, the second alternative of the empirical findings will be presented, namely the semi-structured interviews with the Chinese outsourcing vendors service offering. Whereas the interviews are presented in which occurrence they were conducted. The three outsourcing vendors are presented as: X, Y and Z. Moreover, these characteristics were given, since the interviewees were anonymous. First a presentation of each outsourcing vendor will be entailed and to be followed with previous stated content (see chapter 4). The interviewee is referred to as either “the vendor” or the title such as “project manager”, “senior manager” or “director”.

4.2.1 Outsourcing vendor X

The interviewee was a Project Manager and has been hired for 8 years. The vendors business involves BPO services such as call centers and other services with software solutions and consulting services and it was founded in 2002. The call center service is their most chosen service and is also the service which the business started out with. Clients are targeted internationally or domestically and the enterprises range from all different sizes. Services are mostly customized since this is what the customers prefer. The business process of a client's enterprise is usually partially outsourced; however, this depends on the customers outsourcing strategy.

Level of understanding for today’s outsourcing market
The project manager explains how they go about to find new clients. Mainly the clients come from previous clients’ recommendations. The vendor also has a business development team that conduct research to find potential leads and new clients. It is important for the vendor to market towards the Western market. Their international offices located in the United States and Europe handle the responsibility of the Western market. When asked about competitors, they identify several ones in different areas but are not specific to where.

To reach the Western market
When the vendor initiates contact with a new client, it usually starts from the sales department or business department team. The vendor has previously made research and gains the information about the potential client from various channels. When the vendor has received the demands, they examine them to see if they are credible. After this, the presell team will join to provide with the proposal and quotation. During this period, the operation team will provide with support until the project is launched. The vendor thinks that the human resources department is the most important factor when it comes to a successful outsourcing project since they determine if the client’s requirement can be met in terms of time and cost of the project.

Regarding trends in the business of IT, the vendor uses their current resources to adapt to the new trends. The vendor integrates their resources to meet the changes of the trends. During the years, their business and services have adapted to trends they have identified. For example, they expanded their call center services to O2O-enterprises (online to offline). The vendors’ expansion involves designing of their services specifically for Internet enterprises, since they see the increase of these enterprises in China.
Staff training and ability to handle cultural differences

The staff of the outsourcing vendor is regularly trained through activities by both internal resources and external resources. The training is common training, meaning there are no specific requirements needed beforehand and it is also customized for each department. When hiring new staff, the process involves looking for good communication skills and business sense. In addition, technical aspects and language skills are also one of the criteria’s.

When it comes to the cultural differences, the project manager explains how they try to understand each client’s culture beforehand. The outsourcing vendor does some training when the team is being created. A local person might also be hired to help the level of communication stay high during the project.

The project manager believes that the cultural differences can be a big problem in the beginning. However, the project manager feels that cost could be the biggest obstacle since clients usually expect a low cost when choosing to outsource to China. The project manager thinks that the organization can guarantee safe outsourcing because they stick to high quality and show the client what all they can gain from the outsourcing relationship.

4.2.2 Outsourcing vendor Y

The interviewee was a Senior Manager within the business development department and has been hired for one year. The vendor specializes in high-end customers with IT-services ranging from offshore and technical solutions to on-site and system development and was founded in the year 2000. The vendor has almost 15 years of experience, starting with telecommunications. Their services with BPO and ITO are mostly interwoven. Most of their clients are from their start-up time and have grown to be their biggest customers today. The vendor is currently involved with five different domains or service models, their services range between these categories but are deeply integrated in the end. The senior manager explains how all the components are connected and there is no way to say which process or service is the biggest or most popular one since they all cooperate during a project.

Level of understanding for today’s outsourcing market

For trends, the vendor has a marketing team that is responsible for identifying new and upcoming trends that might be useful for the business of the vendor. They examine exhibitions and fairs in different countries and make a visit to see the new trends in that area or country. The vendor also does some research in the field to identify possible new demands in the market. Aside from the marketing team, there is also a group of technical engineers that do research about the technical side, new technologies and potential IT-solutions. Therefore, creates innovation in the vendor for new products or services. The senior manager explains that they try to follow the trends closely so that they are always prepared and able to be flexible to adapt to the trends and customers’ demands.

The business has changed during the years because of many trends, for example the demand in telecommunications used to be higher but now there can be trends identified from the bigger enterprises in technology. The senior manager explains that the big international enterprises have a part in setting the trends which they then adapt to. When asked about their expansion plans, new demands have laid the path for their future plans. For example, the vendor identified automotive solutions to be important in the future, and they will expand a new module for this department.
They are currently working on a big project with one of the biggest carmakers in the world. To do this expansion, the senior manager believes that more research is needed about this trend and potential product.

**To reach the Western market**
The target market is the Western countries and their biggest clients are in North America and China, with a few clients in Europe as well. The clients who are international usually have offices or headquarters in or near China so the vendor can provide their outsourcing services to them onshore or nearshore. Their clients derive mainly from previous customers’ recommendations. Since the vendor has been in business for so long and with many different clients, it has been the opening door to the new and potential clients. The senior manager explains that this is also the shortage for the vendor. They do not use other sorts of marketing techniques or promotion channels besides their previous clients’ recommendation and word-of-mouth.

When talking about competitors, the vendor feels that Indian outsourcing vendors can be a threat to their target market. In China, the vendor does not feel that they have any competitors when it comes to other Chinese outsourcing vendors. However, they have not opened many offices abroad and this has been an obstacle to reaching out to the Western market. The vendor currently has two offices in the United States but are hoping to have some new offices opening in Europe too. A problem with the shortage of international offices is that the vendor cannot offer full potential services with on-site staffing, because of the distance from China. The lack of offices in Europe is a reason for that. The benefit they can make from the overseas countries now is the offshore development center module mainly. Their offices in United States are seen as an advantage to local Chinese vendors who have not yet expanded the vendors’ location overseas. The plan is also to try to exit the Chinese market and enter the European market more by trying to set up the new offices there in the upcoming year, the senior manager explains how they see a lot of potential from the European market. Even though the vendor does not have many other marketing techniques, they still feel that recommendations by previous clients are a good technique since this ensures that their quality is high and they will deliver the product.

Their services are both standardized and customized, depending on which module or service is being used. The senior manager explains that bigger enterprises usually outsource a piece from their system, but smaller enterprises might outsource a whole part such as the maintenance for an app or a business intelligence system. The vendor is focused on quality for the customer, but also feels that a good price is very important to increase the satisfaction for the client. To ensure quality, they follow many international standards and policies. Thereafter, they have then built and created their own measurements and systems to guarantee that quality and security is provided. The senior manager was not surprised that the quality was the most important factor when it comes to outsourcing according to the study’s questionnaire results. To ensure safety, the vendor signs a contract with their partners which involves stipulations and procedures, this to make the sure that the enterprise does not feel that they lose the control of the process which is being outsourced.

**Staff training and ability to handle cultural differences**
The staff is thoroughly hired, whereas basic requirements involve English skills and good working manners. The staff is motivated through a strong welfare system and a good working environment. To fit the customers’ criteria, the hired staff needs to have high technical skills.
The staff is trained regularly to keep being updated with the latest technologies and the vendor provides with an internal training system to always increase the knowledge of the staff.

The cultural differences are not thought of as a problem. The management is all people with experience from Western working style and has educational background from overseas. Therefore, they are able to communicate with the clients and partners without difficulty.

The Chinese encounter with Swedish SMEs
When the questionnaire results were presented, the senior manager took in all the information. The result of 52.5% not outsourcing was not a surprise since according to the senior manager, most enterprises probably do not need to outsource and to have the extra support, they can handle their processes on their own. With the results of 30% being interested in outsourcing, the senior manager feels that with these 30%, the requirements from them should be evaluated deeply to understand their needs more.

The low significance of cost reduction did surprise the senior manager. However, the manager feels it depends on the size of the enterprise. Cost might not matter to bigger enterprises since they probably have more resources for outsourcing. Moreover, it was explained that the majority of our respondents were small enterprises.

4.2.3 Outsourcing vendor Z

The interviewee was a retired Director with 26 years of experience in the vendor which was founded in 1984. The vendor has more than 25 years of experience in the field of BPO and their customers range from all over United States to Europe and Asia. The vendor specializes in document processing and conversion and is also planning on expanding towards bigger areas such as call centers. The vendor has many successful cases with international clients, ranging from small projects involving data conversion with Optical Character Recognition (OCR) and keying to bigger projects with handling conversion of thousands of data documents for many years.

The field of business for this vendor was mainly BPO, the questions were adapted to focus on their perspective and main business. The director explained that the vendor was started a long time ago, when data entry was a new form of business. At this time, China was changing, and more people were urbanizing. Therefore, younger people were hired to do the first data entry in the vendor for contacts in the United States.

The contacts in the United States consisted of overseas Chinese people who saw the potential for business to be outsourced to China. Therefore, the people in US asked the vendor to start the first work of processing data. The first business started off with legal documents, and this is still one of the biggest parts of work in the outsourcing vendor today. The vendor did not have the direct contact with their customers as they went through the overseas Chinese person, who they refer to as a “broker”. After a few years, the vendor went through some changes and decided to have a new contact. This contact became a big business partner and through that contact they got their first big job and are still doing business with today. From this big client they received many other clients through recommendations and their business started growing.
Level of understanding for today's outsourcing market

When asked about the trends in the technology business, the director explains how the business has changed many times and developed during the years. Since the vendor works with data conversion and data entry, the vendor had to adapt their business since most of the documents are already digitized. Today, their main business consists of OCR and tagging. However, the identifying of trends has also led the vendor to plan their expansion in the e-book business, where they will focus on e-book wholesale. The vendor identified this trend as emerging and has seen the demands in the market. There are two other businesses that the vendor identified and is planning to expand towards, which are call centers and Search Engine Optimization (SEO). The vendor will start by offering the call centers to Chinese enterprises, but might expand to the Western market as well. With SEO, the vendor identified the need from abroad where foreign enterprises want to start selling in China, but need the right SEO to do this.

When the director talks about their competitors, India and the Philippines are identified as the main ones. Outsourcing destinations such as Cambodia and Vietnam are also brought up when it comes to their low price. However, the respondent says the quality is lacking from these countries compared to their own vendor. With India, the director has seen many attempts from Indian vendors trying to teach their clients how to do their work, while this vendor only does what the client instructs them to do. The director feels that this is their advantage. The director also discusses other cases where the vendor handled just a small part of an outsourcing project, and an Indian vendor handled the bigger part, but failed and lacked in quality. This resulted in the vendor taking over the whole project and handling 100% instead of the initial 25%.

The director describes their services as rather narrowed and specialized, mainly in the business of document processing. This results in clients asking for a more custom solution in general, to have a solution which is more adapted to every enterprise. Every project is unique, and the director explains that a standardized solution would not be ideal and would lack in quality.

When the director discusses different subsidies and laws which could benefit the vendor, the director explains that this is usually to benefit new and start-up enterprises. Since this vendor was started in the 1980’s, they are not able to enjoy these benefits. When asked about the developments in China, the director agrees that some parts are developing fast. However, the respondent feels that the telecommunication infrastructure could be better. The effect of the telecommunications on the vendors’ business is that the Internet can be slow and access to foreign websites is restricted. The hopes are that the issue will subside in the near future.

One trend in policies that the director mentions is the request from the clients to use social audit. That means a third-party vendor is hired to check the quality and process during a project in the vendor. The vendor feels that this is a new thing for them, and they have only been doing this for three years. The director feels it is good to use this technique to ensure security. The vendor also follows several international and domestic standards to guarantee security.
To reach the Western market
Today, the vendor uses similar techniques for reaching out to clients. The director refers the method as identifying their direct customers and indirect customers. The vendor still goes by recommendations, which are one of their biggest sources of contact, and they still use their contacts in each country, referred to as brokers. The brokers are very important for the vendor when getting in touch with new clients. The vendor is in charge of their own areas and have the knowledge about potential clients. Once the vendor approaches this client to make the initial contact, they find out about their potential need in outsourcing, the information is then forwarded to the vendor to make the second contact and with providing an invoice. The vendor also does some travelling or contact by phone call to different countries to make the initial contact with potential customers themselves.

The marketing target and main business is located in the United States, representing 80% of the business, Europe, which is 8% and Japan which is 2%. The business in China represents the remaining 10%. Therefore, the vendor’s target market is the Western market. The customers’ range from all kinds of sizes, since the director feels that even though an enterprise is small and the project starts out small, it can grow into something really big.

Staff training and ability to handle cultural differences
Distance does not seem to be a problem according to the directors’ experience. They have had many clients in overseas countries where they have not even met in person. Nevertheless, the project has worked out fine. The director feels one of the reasons for this can be that they have gotten in contact with the client by someone else’s recommendation and there is because of that trust from the beginning. It is also because of the time duration of some of the projects being less than a week, which gives the client comfort and security, since the results will be seen quite soon.

From their previous projects during the years, the director explains how important quality is to them. They have learned that it is the most important factor when it comes to a project and that time and cost, also being important factors, comes second. The most important person for the project is the project manager. The project manager needs to understand the clients’ requirements clearly. The director feels that there is no problem with cultural differences between the project manager and client, since they all speak good English and therefore have a good understanding and high communication with the client.

When the vendor is hiring new staff, it is important that the English skill is high. This is one of the basic requirements, but what the director also feels is important is the efficiency of the job, meaning to do the keying and tagging fast and to understand the task immediately. The director prefers staffs, which are specialized in one field, so that they can be fully utilized in the business.

The Chinese encounter with Swedish SMEs
Thereafter, the results from the questionnaire were presented. The director was pleased to hear the high demand for jurisdictional services of BPO since that is the main focus of their business.
Looking at the factors of control being lost, the director feels that this is not a problem. One of the guarantees for their clients’ security and confidentiality is that the people who are usually processing the documents are just scanning through word and letters, without having a deeper understanding about the meaning. The documents can be in different languages, such as German, Spanish and French, and the staff’s job is simply to key and tag the words and paragraph, without taking the content in consideration. Therefore, it is a security measure for loss of control or data integrity and the content will remain confidential.

4.3 A summarize of the empirical findings

A summarization of the two different empirical collections will be presented, this to provide a better overview to interpret the patterns for the typical Swedish SME respondent (see 4.3.1) and the Chinese service offering (see 4.3.2). Through the overview enable a more enhanced analytical ability. First this chapter will present the most common characteristics found for the Swedish SMEs outsourcing behavior as presented above (see 4.1). This behavior with different characteristics will be the most frequently discussed in the forthcoming chapter (see 5.1).

4.3.1 The typical respondent

The typical respondent is categorized within a small enterprise in the service industry, whereas the enterprise with a strong minority does not outsource as of today. Moreover, the typical respondent feels that there is knowledge to start an outsourcing process. However, not at present conditions as the degree of propensity is too low. It would be beneficial for the enterprise to start an outsourcing process, whereas ITO, or ITO and BPO combined would be the preferred option. The enterprise would have interest in outsourcing processes like legal services, payroll services and finance and accounting. The outsourced process would have the characteristic of non-core and be designed as a custom solution. The typical Swedish SME respondent thinks that outsourcing is not needed in order to change the enterprise in terms of transformation. However, the respondent feels that outsourcing will have a larger significance in the future. To focus on the core business is ranked highest in the category of very important and cost reduction in the category of somewhat important. Impact on quality is the most prospective risk in the category of very important and in the category of somewhat important the respondent feel that dependency on the vendor, hidden cost and loss of control is prospective risks. The onshore alternative of Sweden would be the place for the outsourcing destination and when choosing an outsourcing destination, education would be the most important factor to consider, followed by a vast and developed infrastructure.

4.3.2 The Chinese outsourcing service offering

In order to compose the comparable checklist this study need to understand the Chinese outsourcing service offering. To enable an equally comparative analytical pattern a presentation is displayed below where the Chinese outsourcing offering is presented where data was collected from the three outsourcing vendors. The table will display areas of the vendors business, services, main target, staff criteria, standards, marketing and competitors’ (see table 4.1).
<table>
<thead>
<tr>
<th>Outsourcing vendor</th>
<th>Main business</th>
<th>Services</th>
<th>Main target</th>
<th>Staff criteria’s</th>
<th>Standards</th>
<th>Marketing</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>Specialized in BPO</td>
<td>Call centers</td>
<td>Worldwide</td>
<td>Experience skills, business sense, technical and language skills</td>
<td>International and domestic</td>
<td>Previous clients’ recommendations, research team</td>
<td>Different areas</td>
</tr>
<tr>
<td>Y</td>
<td>Multiple IT-solutions</td>
<td>Multiple</td>
<td>Western Market and China</td>
<td>English skills and good working manners</td>
<td>International, domestic, self-creation systems</td>
<td>Previous clients’ recommendations, research team, visiting fairs</td>
<td>India</td>
</tr>
<tr>
<td>Z</td>
<td>Specialized in BPO</td>
<td>Jurisdictional services</td>
<td>Western Market</td>
<td>English skills, efficiency, specialized in one field</td>
<td>International and domestic</td>
<td>Previous clients’ recommendations, research team, brokers’ knowledge, travelling</td>
<td>India, Cambodia, Philippines, Vietnam</td>
</tr>
</tbody>
</table>

From the in-depth interviews and email interview, the interest in the Western market is high. However, all three vendors mainly reach their clients through other clients’ recommendations. The promotion and marketing channels are not widely used. However, the vendors have some sort of research team that tries to see the demands in other markets by travelling to the country or area. All three vendors ensure security and quality through international and domestic standards. One of the vendors has also developed their own system based on the international standard to guarantee high quality. English skill and high communication skills are important for all the vendors when hiring and training their staff, they know it is important when dealing with an international client.

For the future, all vendors hope to expand and reach a much bigger market. The vendors all have different focus areas on how to reach the market and expect to increase their European customer base.
5 Analysis

This chapter will analyze the findings from the empirical section consisting of both self-administered questionnaire and semi-structured interviews. These will be put in context of each other as well of the created theoretical framework to enable possible answers to the research question.

In order to compose a comparable checklist, the gathered empirical data was analyzed to find and evaluate patterns. The analysis of the empirical data was based on the chosen research design, where the intention was to use the comparative design. Whereas the empirical material is analyzed in association to the presented concepts in the theoretical framework provided (see figure 3.5).

To answer the research question, which was underpinned by two sub-questions, the study needed to apply the comparative design on the quantitative alternative and collected data, where the Swedish SMEs outsourcing behavior is compared in context to the theoretical concepts presented (see 5.1). Thereafter, the same procedure was applied for the qualitative instrument, comparing the Chinese outsourcing vendors’ service offering to the theoretical concepts presented (see 5.2). With this, a situation was enabled were similarities and differences could be retrieved and in the end enlighten the critical factors in order to compose the comparable checklist. The findings clearly highlight the factual points in which this study contributes to the non-existing knowledge and emphasizes the already proven theories. The similarities and differences with theory will be presented from the empirical findings from the previous chapter. Subsequently, from the self-administered questionnaire with the Swedish SMEs respondents (see 4.1) and from the semi-structured interviews about the Chinese outsourcing vendors (see 4.2).

Characteristics for Swedish SMEs outsourcing behavior have been identified as well as concerns. Services from the Chinese vendor side have been explored and examined. With the characteristics from the Swedish side and services from the Chinese side, these two variables have been put together in order to compose a comparable checklist.

5.1 The Swedish SMEs outsourcing behavior

The study has combined the answers given to the questions from the self-administered questionnaire and the presented theoretical concepts to be able to answer the first sub-question. With this, a pattern could be analyzed to identify examples of Swedish SMEs outsourcing behavior.

Subsequently, from analyzing the literature and empirical data the statement presented in chapter one has been found in the empirical section as well. Namely, the statement presented by Ernst & Young (2013) about Swedish SMEs outsourcing behavior being pessimistic and to have a low level of adopting nearshore and offshore outsourcing models. It was found in the empirical section from the respondents’ results of the questionnaire since the majority were not outsourcing today and not considering to outsource at the moment in terms of propensity. The results showed that there was a unanimous response for wanting to outsource to an onshore outsourcing destination, namely Sweden (see figure 4.13).
To further understand the Swedish SMEs outsourcing behavior and the factors behind the low interest in outsourcing their concerns were further analyzed.

5.1.1 Characteristics of the outsourcing behavior

The respondents of the questionnaire were asked what factors they identified as important if choosing to outsource, where there majority chose focus on core business, tightly followed by efficiency and access to specific knowledge (see figure 4.11). Van den Berg (2009) supports this fact through identifying the competitive advantage in knowledge and focus on the core services as benefits that SMEs would gain through outsourcing a business process. The study by Ernst & Young (2013) also identified access to expertise and knowledge to be a more growing factor of interest. However, the factor of cost reduction was chosen to be only somewhat important according to the respondents which is also identified by both Nordic Whitelane (2014) and Ernst & Young (2013) stating that cost reduction as a factor is decreasing in importance. The respondents also chose Sweden as the most favorable outsourcing destination. Siepmann (2013) stated that cost reduction is often synonymous to offshoring since it is related to cheap labor and in this case the respondents answer corresponds with this statement since they chose a low interest in cost reduction and a high interest in outsourcing to Sweden as an outsourcing destination instead of an offshore destination such as Asia.

From the Chinese vendor side, the vendors all felt differently about the cost factor. Vendor X said that clients expect a low cost when they are outsourcing to China which can be an obstacle and this relates to most of the theory stating that China in fact is a cheap labour country (Siepmann 2013) and salaries are stated to be one of the lowest (Wu, Olson & Wu 2005). Even though Vendor X felt that this could be an obstacle, they also stated that they will determine at the beginning if a project can be met in terms of time and cost. Vendor Y felt that cost reduction factors depends on the size of the enterprise, meaning if an enterprise is larger, they probably have more resources to allocate while smaller enterprises do not. Vagadia (2012) presented a similar statement that smaller enterprises usually have a lower amount of resources. For Vendor Z, the cost factor was not thought of as the most important factor anymore. The vendor stated that they have learned after many years that quality is the most important factor and cost comes second. The recent shift from cost reduction to improved quality as stated by Nordic Whitelane (2014) has therefore been identified from one of the vendors. Therefore, cost reduction is not thought of as the most important factor by the respondent's and Vendor Z. However, there are still some influences of the cost factor playing an important role as seen from Vendor X and Vendor Y.

For Sweden, the Swedish SMEs would rather choose an outsourcing destination which is nearshore which would allow them to get access to specific knowledge and efficiency, while being able to focus on their core business. The respondents chose Asia as their third most favorable destination; however, this response cannot be connected to China as it could also be referring to other locations such as India, although it shows that there is some interest in the offshore locations.

Impact on quality was chosen as the most important factor when it comes to risks (see figure 4.12) reflects on Sparrow's (2003) statement that if an enterprise is outsourcing, they might face the struggle of controlling the quality of the product or service offered.
In context to globalization, it is more important for enterprises to have a competitive advantage against their competitors, whereas the advantage lies in what is delivered to the customer. The process which is outsourcing from the enterprise may have a direct or indirect connection to the quality of what is offered, as the impact on quality reflects back to the customer. Impact on quality can be put in context to what Corbett (2004) claim, namely that BPO in comparison to outsourcing manufacturing or IT functions works across the whole organization to deliver value to the customer. For instance, outsourcing a business process would work over different departments and could include manufacturing and IT function and through that deliver value to the customer (see figure 3.2), whereas Corbett (2004) explains BPO as having an end-to-end view perspective of delivering value. Thus, stating that the enterprise moves from the traditional outsourcing with hierarchy organizations when adopting BPO. Therefore, becoming within the definition of transformational outsourcing. It can be assumed that the Swedish SMEs as by choosing impact on quality and focus on the core business as the foremost risk and reason to outsource, they positions themselves within the range of theory, as adopting the transformational outsourcing concept. The market has been revolutionized by globalization and the foremost tool for the enterprises is to deliver high quality.

After impact on quality the respondents chose dependency on the vendor, loss of control and hidden cost to be of importance in context to risks for outsourcing a business process (see figure 4.12). Sparrow (2003) explains that an enterprise will not be dependent on an outsourcing vendor with a contractual agreement in place, whereas Corbett (2004) stresses the meaning that future changes in legislation of the vendors' own market can have crucial effect for the enterprise considering outsourcing. Moreover, it is emphasized that this can lead to hidden cost for Swedish SMEs as risks can occur in context to contractual agreements. In addition, Duening and Click (2005) foretells that the needs of the enterprise are most likely to change during the contractual agreement which can span for a long period of time and with change the enterprise may need to revise its business strategy. Therefore, it can be costly as new agreements and terms need to be set and if not done properly from the start, the possible change may lead to hidden cost not sought from the beginning, thus making the cost reduction motive from the beginning fading away. Indication of hidden cost and dependency on the vendor can be contextualized with loss of control. Explained by Brown and Wilson (2005) that an enterprise might now always be able to direct the end-value to the customer as the outsourcing process might implicate that the vendor has direct contact with the customer. Therefore, the enterprise will lose control over the value delivered, thus not being able to withhold the concept of BPO, which works as delivering value to the customer crossing through several departments (see figure 3.2).

### 5.1.2 Adoption of the BPO concept

Brown & Wilson (2005) stated that the shift is moving from traditional outsourcing towards transformational outsourcing, which can be seen in the findings from the Swedish SMEs following the pattern of the BPO adoption. The market shifted from a more traditional outsourcing with cost reduction as the single most important reason for outsourcing towards a business focus. As previously mentioned, competitive advantage is connected to this statement (see figure 3.3). Consequently, focus on core business was listed as the foremost reason in the category of very important and followed by cost reduction in the category of somewhat important.
The pattern could also in a deeper sense be seen when analyzing the distance between the categories of very important and somewhat important with the alternatives of focus on core business and cost reduction (see figure 4.11). Reflecting and concluding the factual meaning of that in terms of attitude, Swedish SMEs are ready for adoption of the BPO concept. Therefore, one could ask whether the service offering from the Chinese outsourcing enterprises reaches the Swedish SMEs in a positive way.

It is interesting as the respondents chose efficiency and access to specific knowledge, expertise and tools to be considered after focus on core business (see figure 4.11). Subsequently, Brown and Wilson (2005) explain that an enterprise can gain efficiency by outsourcing a business process, since an enterprise in the adoption of BPO always strives to re-engineer their processes. Furthermore, explaining that with access to specific knowledge, expertise and tools, the enterprise can compete with large enterprises. Since an investment in expensive technologies will be avoided, hence, still gaining the competitive advantage. Therefore, the pattern can be visualized that Swedish SMEs chose to consider access to specific knowledge as important, as previously stated by the theoretical concepts, where medium-sized enterprises possesses a smaller IT-budget compared to the large enterprises. Whereas it can be assumed that the same pre-conditions are sufficient for micro and small enterprises, as they with assurance probably will possess an even smaller budget.

When it comes to BPO, the movement shift has been recent according to Brown & Wilson (2005) and knowledge about how BPO is involved with information technology might be limited. Since many of the respondents chose "BPO and ITO" combined as an outsourcing solution, many chose "ITO" alone and just a few chose "BPO" alone (see figure 4.6) there might be a knowledge gap of what the distinction is between these two outsourcing solutions which is also noticed in one of the interviews in China where Vendor Y has both BPO-services and ITO-services and explains that the two processes cannot be separated and are connected in the end. Click and Duening (2004) mentioned that when BPO was firstly introduced, managers and owners were avoiding the concept since its origin is connected to IT. However, the majority still chose to outsource ITO in a larger scale than BPO which also corresponds to the outsourcing behavior of large enterprises according to the study presented by Ernst & Young (2013).

Meanwhile, Click and Duening (2004) stressed that the connection of BPO to IT should now be discarded, as BPO should be defined as a socio-technical innovation and it will always include technical components. Thereafter, visualized as BPO delivers value over several departments, which could be characterized over ITO processes (see figure 3.2). If the above facts are put in context to what Brown and Wilson (2005) explained on how medium-sized enterprises do not possess the in-house knowledge to make an outsourcing relationship successful, one will realize that enterprises probably still connect BPO to a large extent to ITO. When connecting BPO as being complex, it is even more important that there is an existing and clear Chinese outsourcing offering for Swedish SMEs to take into account when considering starting an outsourcing relationship.
5.1.3 Current outsourcing conditions

The Swedish SMEs agree in a clear majority that there is an existing knowledge base within the enterprise to start an outsourcing process (see figure 4.3). However, Brown and Wilson (2005) mentioned as presented above that for mid-sized enterprises, knowledge to make a successful outsourcing relationship might be low, since expertise does not exist in-house. Therefore, the question is what kind of knowledge the respondents feel that they possess and how it is applied differently to the terms of ITO and BPO according to the respondents. Whereas, Brown and Wilson (2005) stresses the factual meaning that an enterprise needs to be aware about both the advantages and disadvantages, also what can be gained and saved by an outsourcing decision.

Therefore, a pattern can be visualized from the respondents' answer, where they position themselves in a low level (see figure 4.4), in terms of propensity to outsource today. As presented in the previous paragraph, the respondents agreed with a majority that knowledge to start an outsourcing process for the enterprise was sufficient, from a partial or full level of agreement. Hence, it could be assumed that the enterprise would also be in agreement that the organization would be in the definition of a high level of propensity to outsource today. However, as stated in the previous paragraph, Swedish SMEs should be aware of both advantages and disadvantages in order to make an outsourcing relationship successful. In relation, other factual points need to be taken into consideration to explain the low level of propensity of Swedish SMEs. Besides the adoption of onshore outsourcing models, Vagadia (2012) stated that enterprises within the definition of SMEs have a smaller IT-budget in comparison to large enterprises. Therefore, the assumed risk to be taken would affect the level of propensity for Swedish SMEs, as for SMEs in general. In addition, Duening and Click (2005) claim that transformational change cannot be achieved unless managers and executives have changed their mind.

Whereas the comparable checklist could overcome the low degree of propensity showed by Swedish SMEs and create a potential investment in China for BPO, since the enterprises are hopeful to outsource in the future. Therefore, concluding that Swedish SMEs feel that the existing knowledge of Chinese and offshore outsourcing vendors are lacking.

However, Swedish SMEs do not adopt the BPO concept in full, since a majority of the respondent did not connect change, explained as transformational, in order to change the enterprise. Still, it should be noticed that the question had a large number of respondent choosing the option of neither. Moreover, the connection should not be construed as the question was addressed by putting outsourcing in context to change and not transformational outsourcing in format, since the questionnaire was designed in Swedish. Subsequently, the respondents did agree that there was potential for outsourcing in the enterprise in the future (see figure 4.10), which corresponds with the Burnett's statement (2009) showing that BPO is a trend and it is in fact increasing.

The trend could also be identified in the theoretical chapter (see 3.1.4) where it is stated that the majority of enterprises choose to outsource a non-core process (Ernst & Young 2013), as well as in the questionnaire where the respondents’ most favorable choice was to outsource non-core processes (see figure 4.8). BPO is stated to be a trend due to the functionality of outsourcing the non-core processes; therefore, it could be an assumed connection since the trend corresponded to the theoretical chapter and the empirical section.
Consequently, as ITO is being outsourced or would be outsourced in a larger extent than BPO, one could think that the first concept is rooted deeper in outsourcing behavior as the concept can be characterized as traditional outsourcing (see 3.1.3), as previously explained by its connection to IT. Pessimism could be connected to change, since Swedish SMEs' acknowledged that change is not needed in order to transform the enterprise. However, the respondents lay emphasis on the level of beneficial terms which can be connected to their increased awareness. Since they stated that outsourcing will have a greater significance in the future, thus connecting what was earlier mentioned: ITO is being adapted in a larger scale. However, it might indicate that the concept of BPO is yet to be rooted in Swedish SMEs outsourcing behavior since there still is a vague connection with BPO to ITO in context to its IT characteristics. With all this, a conclusion cannot be made for the Swedish SMEs being pessimistic as this study has foremost been directed towards the general concept of BPO. It would be interesting to examine deeper why the Swedish SMEs are so pessimistic to outsource and what the casual factors are for the low adoption of offshoring models.

5.1.4 Services and characteristics of interest

Legal services, finance and accounting and payroll services were the business processes that received the highest level of frequency (see figure 4.7). The Swedish SMEs responses indicate that the processes listed above with the high frequency rate are not of the characteristics of core business. Which is represented by a unanimous majority of the respondents sought or outsourced a non-core business process (see figure 4.8). In comparison with large enterprises both categories are consistent with the actual meaning of representing characteristics of non-core in context to outsourcing. Thus, in that way adapting parts of the BPO concept. Nevertheless, education was listed as the most important factor when deciding upon an outsourcing destination (see figure 4.14) concluding that Swedish SMEs is in concurrence with one of the previous explained driving factor on how the market changed towards BPO.

However, a conclusion that the above presented business processes are the most frequent should not be used as a representation for Swedish SMEs. A deeper understanding and investigation would have been of essence to make that statement, since an assertion can be made that legal service, payroll services as well for finance and accounting could be representative for Swedish SMEs in the service industry. Since the convincing majority of the respondents descended from that category (see figure 4.2).

5.2 The Chinese outsourcing service offering

To answer the second sub-question, to identify examples of Swedish SMEs outsourcing behavior this study has combined the answers given in the interviews with the Chinese outsourcing vendors with the presented theoretical concepts and also answers from the respondents in the questionnaire. Therefore, the possibilities for Swedish SMEs to considering outsourcing a business process to China can be identified.

5.2.1 Cultural and international connections

A connection can be seen from the interviews conducted in China, where all the vendors explain that their customer base is worldwide and through technological communication it is possible even though the client and vendor have never met, foretold by Vendor Z.
Burnett (2009) mentioned that the possibilities for customers are increasing due to new technologies and standardization of technology and they get access to more vendors than before. However, all the vendors mentioned that they mainly get their customers through their clients’ recommendations. Therefore, meaning that even though it is easy for a new customer to find the vendor, as it is not usually how the relationship starts. Meanwhile, one of the interviewed outsourcing vendors, namely Vendor Z, said to be contacting potential enterprises through the use of a broker. Whereas the broker works with collecting data about potential enterprises to make an initial contact with, supplying the vendor with crucial information about overseas markets. Even though technological communication can work as a possible contact stream, Vendor Y felt that the lack of international offices led to the loss of potential clients for the vendor as well as maintaining a high level of communication with the customers. This by not being able to offer their full range of services through on-site staffing. In comparison, Vendor Y still feels that the marketing technique of previous recommendations works, since this ensures that their quality remains high and the enterprise will get the product or service wanted. In terms of marketing towards the Western market, Vendor X stresses this matter, meanwhile, explaining that the Western market is of priority. However, explains that the international offices in Europe and the US handle the communication with the Western enterprises.

The questionnaire results showed that the respondents were considering education to be the most important factor (see figure 4.14) when choosing an outsourcing destination and as OECD (2009) explain, China has one of the largest education systems in the world. The interviews conducted in China also showed that education is something that all the vendors prioritize when hiring their engineers. However, even though the high education system is said to be developed in China, Hu, Yan and Wei (2014) mentions that the level of quality might not be as high as Western standards. Vendor Y explains that they motivate their employees through a strong welfare system and environment, to enhance the quality, by the already set requirements in having English skills and high technical skills to be updated with the latest technologies. The vendor also emphasizes that in order to strive to deliver a high-quality product they only employ managers with experience from Western countries who know what to expect and how the work environment is situated there, in order to bridge over any possible cultural differences. Moreover, this is assumed to be a good management technique. Namely, as putting Vendor Y’s management technique in context to the solutions for any cultural differences provided by Reuvid and Li (2008); where they state that adapting to the outsourcing enterprise culture and forming a unique management style accommodating both cultures will bridge cultural indifferences. Moreover, Vendor X also explains the importance of technical skills when hiring, as well for English skills. However, Vendor Z only emphasizes the meaning of English skills. Meanwhile, they explain the importance of specialization, which could be referred to as technical skills but the vendor does not emphasize on this.

With language skills, the vendors did not mention this as a problem, even though only 5% in China are estimated to speak good English according to Siepmann (2013). Since the literature such as Eltschinger (2008) and Vagadia (2012) both identified cultural differences to be an issue for outsourcing, it is surprising that both the vendors in China and the questionnaire respondents in Sweden did not consider this as a big issue (see figure 4.14).

Therefore, it can be stated that Vendor Y has adapted the theoretical concept provided to overcome one of the assumed problems with an outsourcing relationship when Swedish SMEs adopts an offshore outsourcing model.
Moreover, Vendor X explains that they in order to secure any cultural indifference often train the team that specifically handles the process more thoroughly and in some cases, they hire a local person to help ensure a high level of communication.

### 5.2.2 Quality in terms of services as products

Previously mentioned in this chapter (see 5.1), Swedish SMEs are in a vast majority looking to outsource a non-core process, which is emphasized by the study made by Ernst & Young (2013) presenting the behavior of large Swedish enterprises that also in a similar manner are mostly looking to outsource non-core processes (see 3.1.4). In addition, the process outsourced would have the characteristics of a custom solution, preferred over a standardized (see 4.1). Therefore, interesting to analyze what Vendor Y foretells that the large enterprises often outsource a selective part of a business process, whereas SMEs in larger scale outsource the whole process. The theoretical meaning of these two concepts were brought by Eltschinger (2008) that explains that total outsourcing would entail whole departments in terms of personnel, facilities, equipment and responsibility. Further, explaining that selective outsourcing refers to only affecting certain activities within the business process or tasks of the department. Moreover, Vendor X and Vendor Z describe their services as mostly customized, as this is what the customers mostly prefer. However, Vendor Z describes their services as specialized, which has the same meaning. Vendor Y offers both types of services, in the questionnaire phrases as standardized or custom. However, Vendor Z disagrees in offering standardized services, as they imply it would have a negative effect on the quality and thus not ideal for Western enterprises. Moreover, discussed with the unclear distinction Swedish SMEs makes it can be explained from what Vendor Y states, namely that their services of BPO and ITO are interwoven and cannot be distinguished.

According to Vendor Z, quality has been their main priority during the last couple of years and the cost factor comes second, still being an important factor, which the vendor puts in context to efficiency. The importance of quality has been growing and the vendor has prioritized hiring specialized staff within the areas the vendor offers services. Whereas this is a good relation to the respondents’ foremost reasons to outsource, represented in to focus on the core business, gain efficiency improvements in the non-core business process and to access specific knowledge. The vendor has also adapted an interesting method in ensuring the quality for their customers, as it was requested. Namely, the vendor hired a third-party company to perform auditing to ensure quality. Vendor Z has only been adapting this for three years but stresses the importance it has for quality, ensuring a secure investment for both the enterprise and the vendor. A connection can be made for composing the need of Swedish SMEs and what is offered, also that the vendor defines within the concept of BPO and the shift from traditional to transformational outsourcing.

### 5.2.3 Laws and regulations when outsourcing

Presented in the empirical chapter, the Swedish SMEs did not consider investment incentives to be an important factor when choosing an outsourcing destination. It can be explained by the theoretical concept of FDI, where Kelly (2006) presented the factual meaning of that there are mainly multinationals which have focused their investment in context to BPO opportunities in China. Whereas the incentive of FDI was not until late provided for the IT sector. Vendor Y describes how many of their international clients choose to locate their offices or headquarters in or near China so the business process can be outsourced by the onshore or nearshore model.
However, it cannot be of direct relation to if the customers chose to adopt this model by locating their offices in or near China to retrieve the benefits of FDI. Previously analyzed (see 5.1), SMEs operate with a smaller budget when it comes to outsourcing activities. Therefore, relocation of the office would not be likely.

Meanwhile, there would be more potential enabled for large enterprises, as Kalakota (2005) explains that a business process can be outsourced but still remain in-house, represented by an own branch where the process is outsourced. In addition, Ambler and Weitzel (2000) explain that doing business in China can be seen as complex, as the law and regulations in many sectors differ from the Western laws and regulations. An indirect cause of loss of control for the outsourcing enterprise is therefore identified, as a new market scenario would have to be apprehended.

The theory shows that IPR and international standards are still developing in China and is a way to make the enterprise feel secure about their outsourcing relationship. According to Devonshire-Ellis, Scott and Woollard (2011), after China joined the WTO in 2001, there was an increase of standards and policies. However, Vendor Z mentions that there has been some policy changes in their business due to demands from their clients. All the vendors interviewed said that they apply the standards to their business and follow them. However, even though the standards are applied, Li (2008) stated that they are sometimes not ensured and followed. Since some of the respondents from the questionnaire answered that standards and policies are important and somewhat important to the outsourcing destination choice (see figure 4.14), it is notable to discuss the importance of this factor. Enterprises who are looking to outsource want the outsourcing destination to follow the standards and policies, so that the enterprise feels some security for the project. However, they cannot know for sure when initiating a new outsourcing relationship. The literature, such as Li (2008) does however state that there are improvements in the use of international standards. Also, Vendor Y mentioned that they have created their own policies based on international standards and policies in order to maintain high quality in-house. In addition, after the vendor was presented with the questionnaire results, it was stated that contractual agreements between the two actors would assure the high quality demand from the Swedish SMEs, thus illuminating the fact that Swedish SMEs fear loss of control.

5.2.4 Infrastructure and competition

Interestingly, both Siepmann (2013) and Burnett (2009) mention that the technological infrastructure in China is well developed, even claiming that it is among the world's top ones. This developed infrastructure should enhance the communication for the vendor and client, which can be seen from the interviews that the vendors agree with. However, Vendor Z was very apprehensive about the Internet being slow. Even too slow to be able to perform their work and access the websites of foreign clients. Since the vendor is working towards the Western market, this seems to be a problem that could affect the quality and communication. Moreover, emphasizing that the country still has improvements to be sorted out before being recognized as a potential outsourcing destination for Swedish SMEs. This with the previous statement of infrastructure being one of the foremost important factor thought of, when outsourcing or seeking a potential outsourcing vendor (see figure 4.14).
For the average salaries (see figure 3.4), the lowest average salary is represented by China, followed by India. Even though only presented from one source (Wu, Olson & Wu 2009), other sources such as Siepmann (2013) argue for low labor costs in China.

The biggest competitor for China was identified to be India, both by literature sources such as Kobayashi-Hillary (2005) and Gartner (2014) as well as by two of the vendors interviewed, Vendor Y and Vendor Z, whereas Vendor X stated that they have competitors everywhere. India has been considered to dominate the market by authors such as Burnett (2009) and Kendrick (2009). However, throughout the study there have been many benefits identified for outsourcing to China in comparison to India. Mainly, the infrastructure developments are more developed in China according to Hu, Yan and Wei (2014) than in India where it is still lacking in some locations according to Brown and Wilson (2005) and Kobayashi-Hillary (2005). According to Vendor Z, they also believe because of their experience, more quality and value can be delivered to the customer than Indian vendors. Where the vendor even had an example of when they once were allowed to take over an entire project that an Indian vendor was currently handling since the Indian vendor was not delivering the product right according to the client. In recent years, China has been taking over some of the revenue from the outsourcing market from India according to Siepmann (2013) and this could have a connection to all the areas that are developing fast in China, the lower salaries (see figure 3.4) and the increase in quality through standards and policies, giving China advantages that clients are noticing.

However, with all the vendors mentioning that they only use client's recommendations as a way to find new clients, the process to acquire more revenue from the competitors can be slow. A pattern can be seen, as the Chinese vendors do not reach the Swedish SMEs with their outsourcing service offering and the previously analyzed fact that offshore destinations like China are contextualized with low cost labor, not with high quality. In that sense, as Swedish SMEs have adopted the BPO concept of changing focus from traditional outsourcing with cost reduction as primary target, they have now shifted to the primary cause of focus on core business, this in context to the evolution of globalization and cost advantage (see figure 3.3). Moreover, supported by that Eltschinger (2008) explained that Chinese outsourcing vendors are more reluctant in marketing towards the Western market, as the own domestic market of outsourcing is vast. In comparison, what was stated in the research overview (see 1.2) can be analyzed where SMEs terminated the outsourcing relationships as they experienced that large enterprises were prioritized. Therefore, wondering if the Swedish SMEs worry about impact on quality can be justified, since a scenario of Chinese enterprises may be prioritized above Western ones, since the domestic market in China is growing with a rapid force.

5.3 Outcome of the analysis - The comparable checklist

Hence, to produce answers to the research question the aim was to compose a comparable checklist, whereas the Swedish SMEs outsourcing behavior was related to the Chinese outsourcing vendors’ service offering. Therefore, the outcome of the analysis taken place above resulted in the comparable checklist, explained in detail below, this by the comparative design applied between the self-administered questionnaire and semi-structured interviews.
With all the connections identified, a visual model of these connections is favorable to enhance the possibilities for Swedish SMEs. With the analysis of the questionnaires with Swedish SMEs and the semi-structured interviews with Chinese outsourcing vendors in context to the theoretical concepts, the findings can be summarized in a comparable checklist, which can be presented to SMEs in Sweden interested in outsourcing a business process to China.

The checklist concludes the factors necessary for both a Swedish SME and a Chinese outsourcing vendor. A Swedish SME with interest in BPO can from this checklist match their needs with what the Chinese outsourcing vendors are offering.

The connections are identified in different themes, from the Swedish SMEs side; needs, concerns and the possibility to secure an investment in China and offerings, assurance and the potentially successful relationship from the Chinese vendors’ side.

For the Swedish SMEs side, needs have been identified from the connections made in the theoretical section and empirical section combined. The Swedish SMEs are adopting the trend of BPO and transformational outsourcing and want to focus on their core business. For this, they need a non-core customized solution. It was also identified that they demand high education and communication from their outsourcing destination with a developed infrastructure.

The Chinese outsourcing vendor support this by offering a competent workforce that is educated and has an international background to meet their international clients’ needs. The fast development in China has also made it possible for the vendors to have some advantages in the telecommunications area.

The Swedish SMEs concern was identified to be about worries for impact on quality since the loss of control was identified from the questionnaires. Also, hidden costs and being dependent on the vendor was identified to be of essence.

The Chinese vendor assures this by following the international standards and policies as well as following some in-house created policies to ensure security. They offer contracts to assure the client of no hidden costs and a guarantee of quality, which is ensured with legal support and open communication. Social audits could be of interest when signing a contractual agreement with Chinese outsourcing vendors, since this has proven to be helpful for previous clients that have been worried about the impact of quality and not being able to control it.

The Swedish SMEs want to secure their investment in the preferred services such as legal, payroll and finance and accounting, while maintaining a competitive advantage and knowledge about outsourcing a business process, this represented as being involved in the service industry.

The Chinese vendor side will help them gain a successful relationship through their specialized knowledge, experience from previous clients and research, which would give the competitive advantage in the latest technologies, thus removes the scarce IT-budget SMEs have and can focus on their core business.
With these connections identified, necessary factors can be identified in the comparable checklist below, composed containing the chosen themes in order to contribute to the insufficient knowledge about the two mechanisms. In order to understand the figure one would need to read from left to right, see what is wanted from Swedish SMEs and then offered from Chinese outsourcing vendors.

Figure 5.1: Presentation of the comparable checklist, composed from the Swedish SMEs and Chinese outsourcing vendors

The comparable checklist covers the different areas that have been investigated throughout this study; demands, needs and concerns from Swedish SMEs matching offerings, strengths and possibilities from Chinese outsourcing vendors.

With the areas mentioned, a Swedish SME with an interest for BPO can use this comparable checklist to understand which factors that needs to be considered to achieve a successful investment in China. A Swedish SME can examine each of the areas and understand what each area includes to make sure that all the factors necessary for an area have been fulfilled. The checklist also shows what each area offers from the Chinese outsourcing vendors’ side, in order to know how to make a match. The checklist has been composed to show how it is important to look at both the Swedish SMEs and Chinese outsourcing vendors, when an outsourcing relationship is about to take place. Both sides have factors they need and offer, which means to achieve a successful BPO investment, both sides need to be understood clearly. Apart from the management of a vendor doing their research and a Chinese outsourcing vendor presenting what they offer, this checklist provides the assurance that all areas have been covered.
6 Final Discussion and Conclusion

This chapter will give knowledge about our analyzed result and concluding the findings made. Thoughts on how researchers can go on from new foundation laid by this study to in the future enable an improved information gathering.

Through globalization, new connections have been possible throughout the world. Developments of technologies and concepts have emerged during the past decades, bringing new possibilities to conduct business. With globalization, the outsourcing trend has also moved from traditional outsourcing to transformational outsourcing. The result of that is a larger interest and need towards focusing on the core business for enterprise activities. The movement shift of traditional outsourcing to transformational outsourcing has been of key value to the introduction of BPO.

The concepts of BPO and ITO are defined in theory with distinct assumptions. The two concepts differ where BPO refers to a process being outsourced and ITO refers to an IT-function or IT-system being outsourced. However, the definition of these two concepts seem hard to distinguish between as of today. Explained through that Swedish SMEs could be positioned in the concept of transformational outsourcing as they foremost want to focus on the core business and cost reduction has less impact upon the outsourcing decision. Also, that the offered services BPO and ITO from Chinese outsourcing vendors are interwoven, possibly explained by that BPO has its origin from IT. Previous knowledge and research on Swedish SMEs’ outsourcing behavior has been limited, as it corresponds towards large enterprises. Therefore, resulting in few areas to compare with, though traditional outsourcing with ITO has been the dominant trend.

In order to answer the research question; how a BPO investment in China could be secured for Swedish SMEs through the help of a comparable checklist the study had to identify examples of the presented mechanisms throughout the research process. Whereas, examples of Swedish SMEs outsourcing behavior and the Chinese outsourcing offering needed to be identified, as to enable a situation where the comparable checklist could help secure a BPO investment.

Swedish SMEs believe today that they have the knowledge to start an outsourcing relationship. Moreover, they are pessimistic about outsourcing in terms of propensity; however, it is wondered what kind of knowledge they have obtained. Therefore, it cannot be determined what their knowledge concludes, if it includes knowledge about outsourcing vendors in different countries or if it is limited to the Swedish market. The low level of propensity could with the theoretical knowledge of today be explained by SMEs holding less capital when outsourcing and not being aware of all the advantages and disadvantages outsourcing brings.

Swedish SMEs have also identified cost reduction to not be as important anymore, where efficiency and focus on the core business is identified to be of more importance. Since China is thought of as a low labor cost country, their attractiveness is not seen by the Swedish SMEs who clearly prefers to outsource onshore. China might not be associated with quality since their service offerings are not being communicated and presented in a way that would change the attitude of the Swedish SMEs as of today.
According to this study, SMEs have lately increased their interest in BPO and even though their knowledge about the strategy has previously been limited, it is increasing as well. The majority of Swedish SMEs have been pessimistic about the use of BPO, although they have a growing interest towards applying it in their business in the future and feel it would benefit the enterprise.

The majority of the Swedish SMEs were not considering outsourcing their business processes, meaning they are still pessimistic about adopting that strategy. If choosing to outsource, they would also prefer to outsource processes onshore, mainly to Sweden, and not to an offshore destination due to the many risk factors. Offshore outsourcing can therefore be assumed to be foremost and even only associated with cost reduction. It produces the question if BPO is suitable for offshore outsourcing since focus on the core business is the foremost reason to adopt the BPO strategy, where the shift has turned away from cost reduction, which is connected to ITO. However, in the future there is a growing demand for adopting the BPO strategy since many of the Swedish SMEs feel that there is an existing knowledge base to start the process of outsourcing and feel that it would benefit their enterprise. With China’s fast development, it could be assumed that Swedish SMEs and Chinese outsourcing vendors’ would be an ideal match in the near future.

The Swedish SMEs emphasized the interest they have for focusing on the core business, thus outsourcing non-core functions. This explained by that BPO delivers value across several departments that support their need. For the outsourcing destination, education, efficiency and access to knowledge are some of the factors that were highlighted. Even though currently being pessimistic about outsourcing, the future holds a lot of potential due to Swedish SMEs interest in BPO and China's potential development in the coming years.

However, Chinese outsourcing vendors are still quite small actors in the market of BPO, where India currently dominates. Even though India is dominating at the moment, Chinese outsourcing will have a leading role as vendors for BPO in the future, due to their fast development and strengths in factors that Swedish SMEs consider to be important. Areas where India is lacking, such as infrastructure and law procedures, are areas where China is improving in fast. China is also increasing their development pace in important areas like education and policies and has the world's largest workforce with one of the lowest average salaries for outsourcing related services.

The cultural difference sought not to be of importance for Swedish SMEs when considering factors to choose an outsourcing destination. Moreover, the empirical findings from the Chinese outsourcing vendors all presented how cultural indifferences are avoided through the use of efforts initiated early in the relationship. Theoretical findings indicate that even though higher education is prioritized in China only a small amount of the people apprehend the English language. In addition, with the recognized lower quality of education compared to Western standards, there is a higher level of a BPO investment being insecure if not all the necessary factors are known before the initiation of an outsourcing relationship towards China.
6.1 Conclusion

For a Swedish SME to secure an investment in China, a comparable checklist was composed to include most areas of importance to a BPO relationship with a Chinese vendor. The checklist is something which could benefit a Swedish SME when considering starting an outsourcing process. Even though the enterprises feel that they possess the knowledge, they are still a bit pessimistic about an outsourcing relationship offshore. Also, the Chinese outsourcing vendors’ marketing techniques towards the Western market is limited, which could be the reason for the low interest towards China. All this derives from the low degree of knowledge between the two mechanisms in context of BPO. Therefore, Swedish SMEs needs to acquire the knowledge before considering a BPO investment towards China, in order to enhance the possibility of a more secured investment.

To enable a secure BPO investment in China the Chinese outsourcing service offering needs to be improved in clarity, as offshore outsourcing is foremost connected with cost reduction through the access of cheap labor. The Swedish SMEs adopt the concept of transformational outsourcing through the priority between the factors of focus on core business and cost reduction. However, there was no clear distinction between the concepts of BPO and ITO. Therefore, it emphasizes the need for the comparable checklist so that Swedish SMEs can assure their priorities are met since they operate with a lower budget. Moreover, the comparable checklist also enhances the knowledge in context of advantages and disadvantages. Which in turn overcomes the problem that managers indirect acquire the level of knowledge to be convinced.

With China as a significant actor in the global market, China is becoming an attractive BPO destination. Through a comparable checklist, factors that are needed to be considered are brought up and bring the opportunity of a secured investment for a Swedish SME in China. In addition, there are results in newfound knowledge that can be of use in the future to adapt the pessimistic Swedish SMEs outsourcing behavior to the low level of ubiquitous Chinese vendors’ service offering.

6.2 Contribution to the field of Informatics

From the theoretical findings it has been explained that the market controls the concept of outsourcing and how it develops. Swedish SMEs want to focus on their core business, reinforced through globalization and the development of competitive advantage where they fear impact on quality regarding their services or products offered. Moreover, through both empirical and theoretical findings it has been shown that there is no clear distinction between the concepts of BPO and ITO. However, it has been identified that Swedish SMEs might have limited knowledge about BPO as no clear separation of the two concepts was made. Still, they adopted the concept of BPO through transformational outsourcing where they sought focus on core business to be of most essence to outsource and gave less significance to cost reduction. Indications throughout the study shows that ITO should not be correlated to traditional outsourcing, since Swedish SMEs adopts the concept of transformational outsourcing and still looking to outsource ITO.
Previous research on Swedish SMEs outsourcing behavior has also been limited, and this study can shed a light on their needs and concerns regarding outsourcing a business process to China. In accordance with the previous study on the Swedish large enterprises it can be further stated that Swedish enterprises are pessimistic to outsource BPO or ITO with nearshore or offshore delivery models, which can be related to the low adoption of understanding for the BPO concept.

The scarce knowledge about the Chinese vendors' outsourcing offering has also been investigated, giving new perspective on their offerings and how they can be used. Chinese vendors have services that can be of benefit to many Swedish SMEs. However, it has not been shown due to previous limited knowledge. There are many potential advantages identified from the Chinese vendors’ offerings that may be of value to Swedish SMEs interested in outsourcing a business process. Through the empirical findings it was found that the Chinese service offering is not of incomplete characteristics, rather explained as not reaching the Swedish SMEs, which in turn connects offshore outsourcing models solely with cost reduction.

6.3 Further research

Through the use of a comparable checklist the potential of a BPO investment towards China has been enlighten. There are areas in this study, which can be deepened and broadened. Since the respondents felt that impact on quality was foremost important, supported by theory mentioning that outsourcing a business process affects impact on quality, it would be interesting for further research to investigate that area. Moreover, investigating which factors that have an impact on quality and how these can be examined in order to be prevented.

During the study, the respondents also stated that there is knowledge to start an outsourcing process in the enterprise. However, the respondents were still not considering outsourcing at the moment. Therefore, it would be of use to investigate the assumed knowledge of Swedish SMEs, to understand in depth what kind of knowledge they feel exists and how that knowledge leads them to being pessimistic about outsourcing a business process.

In addition, it would be interesting to broaden the current study to examine different geographical locations, as outsourcing incentives have been directed within China. To see if the Chinese outsourcing service offering found in this study can be generalized with similarities or if indifferences can be entailed.

6.4 Method evaluation and trustworthiness of the study

The chosen methodological alternatives played out well during the study and entailed patterns to compose a comparable checklist. However, the study find flaws when analyzing what knowledge the Swedish SMEs consider to possess and what indications of the Chinese outsourcing offering would be of direct impact to quality. Therefore, it would have been suited to use the qualitative alternative for semi-structured interviews to be conducted to retrieve a deeper understanding for the Swedish SMEs outsourcing behavior. However, it would have disable a comparative analyze pattern to what the previous study had entailed, as the format of the self-administered questionnaire was built on it.
The qualitative alternative was well founded to be applied to the Chinese outsourcing vendors, as the knowledge was very little or non-existing. More follow up questions would have been needed to get a deeper understanding of factors in the comparable checklist, to in greater detail entail possible obstacles when Swedish SMEs are considering outsourcing a business process to China.

The quantitative alternative of Swedish SMEs can be generalized in to other settings as a direction towards China was not entailed for the respondents. However, the outsourcing offering is delimited to China and with the settings of Chinese outsourcing vendors with offices in Beijing. Also less generalizability was achieved as the interviews were not of a unified type. However, as presented before, generalizability is of less importance when taking on the interpretivists paradigm as the dominant status for the composed outcome of the comparable checklist.

Choosing to approach this research in an inductive direction, the research contribution was founded on the empirical findings, thus adapting a qualitative data collection approach. Therefore, trustworthiness of the research was founded on the measurement of dependability, credibility, confirmability and transferability to scientifically ensure the composed checklist.

The research achieves to maintain a high *credibility* by using triangulation on the quantitative and qualitative findings when studying the BPO phenomenon, whereas the participants confirmed the qualitative findings. Moreover, a detailed research process with a clearly defined structure to answer the research question was provided, enabling comparison and correlation to entail patterns. Simple analysis was made on the quantitative data collection. Therefore, no transformation was needed when retrieving exploratory data to analyze it with the comparative design by that increasing the credibility. To achieve *dependability* and *transferability* the research described the research process in detail, whereas the research could be applied in other environments, enhancing the generalizability. *Confirmability* was reached by studying the BPO phenomena with the mixed method strategy and triangulation, thus giving the findings a lower degree of bias affection.
7 References


Appendix

Interview guide

The strategy for our interview
We want to know how Chinese companies (with BPO-services) work when it comes to marketing towards the Western market, Sweden in particular. We want to know how their services work and how they can stand out from the competitors (for example India). We also want to know their view on security, standards, laws and trends in the IT-outsourcing market (both domestically and internationally). We also want to know how the companies themselves look at their own advantages and disadvantages to see how they can improve to reach out to the Western market. The goal is to come to solution to how and if the Chinese company can offer the services which are expected from Swedish companies (with the results from the questionnaire).

Intro
Both your information and that about the company will be anonymous. We are investigating on how Swedish Small- and Medium enterprises can secure their investment when or if they choose to outsource any of their business process to China. This conversation will be recorded for us to later transcribe it and possible use it in our empirical section and to draw conclusions. We are interviewing several companies to be able to identify, if any, differences in BPO enterprises here in China.

Interview
Questions for interview, divided in different parts.

Personal
1. How long ago was this company started?
2. What is your position in the company?
3. How long have you worked in the company?

IT-outsourcing
1. Describe the services of your company, what does your company offer?
2. Where is your company's current market?
3. How does your company market towards potential new clients?
4. When it comes to trends, such as new demand for services, how does your company follow these trends? Do you adapt to identify trends?
5. Has your company's services changed during the year, for example because of trends?
6. How is your company planning on expanding in the future and what do you think is needed for this expansion?
7. Where does your company see their competitors today?

BPO
1. Which business process outsourcing services does your company offer?
2. Which business process outsourcing has gained the most popularity in your company? Are your customers usually interested in a standardized solution or a custom solution?
3. How much do clients usually need to outsource out of their business process (total/ selective)?
4. When it comes to BPO, what would you say is the significance of this service in your company?
5. How are your company's BPO services unique from other companies?

China
1. How do the laws or policies in China support your company?
2. Can you give an example of a policy which your company is being supported by?
3. Does your company receive any subsidies (financial support)?
4. Which standards or policies is your company following to ensure quality?
5. How does the infrastructure development in for example telecommunication in China support your company?

Western Market
1. Is your company currently focusing on the Chinese outsourcing market or the Western market?
   - If China, do you focus on companies in Asia? (Korea, Japan)
   - If Asia, do you think this can be related to that the countries share the same culture compared to the western market?
2. Is it important for your company to market towards the Western market?
3. How is your company planning to reach out to clients in these countries?
4. What knowledge is there in your company about the Western market for IT-outsourcing?
5. What obstacle does your company see in reaching the Western market?
6. Has your company had projects with Western clients before?
   - If yes, what experience has your company gained from the Western clients from these projects?

IT-outsourcing project
1. Can you describe how a typical IT-outsourcing project starts in your company; how does your company usually acquire a new client and how do you handle the new partnership?
2. How large are the enterprises that you have previously done a successful IT-outsourcing project with? (Small, medium, large?)
3. What factors are important for your company to create a successful IT-outsourcing project?

Your team
1. Which qualities does your company look for when hiring (for example English skills, computing skills, high degree)
2. How does your company train the staff in-house to keep them updated with new technology?
3. How does your company work with cultural differences when handling a client from another country?
4. Which obstacles does your company identify when it comes to an IT-outsourcing project with a foreigner?
5. How do you think your company can secure a project and handle the obstacles in the best way?

Questionnaire
In this part, the results from the questionnaire were presented and follow-up questions asked to the interviewee.

Out of 60 respondents, 47.46% are currently outsourcing, 52.5% are not.
70% of the respondents agree that there is knowledge in the company to start an outsourcing process

1. How can your company provide information for the 30% who feel there is no knowledge about outsourcing?

30% out of the respondents felt the interest to outsourcing one of their business processes

2. How can your company market towards these 30% to let them know about your services?

41.4% out of the respondents feel that outsourcing one or more of their business processes would be beneficial for their company

3. How do you experience the enterprises attitude towards outsourcing, do they see outsourcing as something positive?
   • If negative, how are their attitudes?

11.9% were interested in BPO, 32.20% were interested in ITO, and 27.12% were interested in both.

4. Do you feel that these numbers concur with how the proportion of business is for your company?

26.42 % were interested in outsourcing a core business process, 60.38 % were interested in outsourcing a non-core business process

42 % would consider a standardized service and 62 % would consider a customized service

5. Would you say your customers mainly ask for standardized or customized solution?

17.55 % believe that outsourcing one of their business processes is needed to change their company

6. How do you see the future market of outsourcing?

7. Will we see a change in the market or will ITO and BPO still be the dominant concepts?

42.86% believe that BPO will have a bigger significance in the future for their company

8. How do you think BPO can benefit companies in the future and how can you make sure to guarantee this benefit?

What companies are interested in outsourcing:

- (41.7 %): Salary
- (22.9 %): Production and development
- (12.5 %): Call center
- (45.8 %): Jurisdictional services
- (41.7 %): Finance and accounting
- (20.8 %): Human Resources
- (6.3 %): Knowledge processes
- (8.3 %): Design and technique
- (27.1 %): Marketing
- (16.7 %): Sales
- (12.5 %): Logistics
- (16.7 %): Other - IT, IT-support, IT-development, system development and IT-maintenance

When outsourcing, the companies listed the following aspects to be the most important:
(Order of importance – Very important)

- 49.12 % focusing on their core business
- 47.37 % efficiency
- 45.61 % access to knowledge and expertise
- 32.14 % more flexibility in the company
- 25 % cost reduction

9. Companies feel that they need to focus on their core business more, therefore they choose to outsource other processes in the company, do you agree with this?

10. What kind of knowledge and expertise do you believe the company gains if they choose to outsource their processes to you?

11. Does the low number for saving cost surprise you?

When outsourcing, the companies listed the following risks to be the most important:
(Order of importance - Very important)

46.43 % the effect on quality
28.57 % losing control of the process
21.82 % losing knowledge
21.82 % dependency on the vendor
22.81 % hidden costs

12. Did you think that the effect on quality was considered the biggest risk?

13. What risks do you think your clients mostly experiences before outsourcing?

14. Which of these factors do you consider is the most important to guarantee safety for the customer?

When outsourcing, the enterprises listed the following factors to be important:
(Order of importance – Very important)

- 38.89 % education
- 32.79 % standards and policies
- 31.48 % culture
- 27.78 % infrastructure
- 9.62 % investment possibilities
15. *Enterprises think that education is the most important factor of the outsourcing vendor, does this surprise you?*

**Final Question**
If bad knowledge about Western market – Do feel that a “comparable checklist” in an outsourcing relationship with a potential Swedish SME would be beneficial to secure the investment for both parties?

*How do you feel that your company can guarantee the security a Swedish enterprise would need in order to outsource their business processes to your organization?*
Borås, Sweden 19/11-2014

Letter of support for Bachelor Thesis work

This letter of support is to confirm that Marcus Wehinger and Caroline Hasl are undertaking a Bachelor thesis course at University of Borås, in the Business Informatics program. They are investigating how Swedish SMEs can secure their investment if choosing to BPO to China by writing a bachelor thesis. Part of their work will take place in China through interviews with Chinese outsourcing companies in the field of BPO. The participants’ responses will be used to support the authors’ theories and will help to reach a conclusion for the thesis.

This thesis work has duration of 10 weeks, starting November 10th, 2014 and ending January 14th, 2015.

Your participation will be of great value for the students to understand the BPO market in China and help Swedish SMEs with newfound knowledge.

Best regards,

Carina Hallqvist
Assistant Professor, School of Business and IT
University of Borås

Signature
Carina Hallqvist

Signature
Marcus Wehinger

Signature
Caroline Hasl
Borås, Sverige 8/12-2014

Intryg för kandidatuppsats


Bästa hälsningar,

Carina Hallqvist
Universitetslektor
Institutionen Handels- och IT-Högskolan
S-501 90 Borås, Sverige
济南，山东省，2014年12月4日

关于本科毕业论文的支持函

这封支持函是为了确认Caroline Hasl和Marcus Wehinger在山东交通学院与布罗斯大学（瑞典）合作所从事的商业信息专业的本科毕业论文课程。他们正在研究瑞典的中小企业（SMEs）如何能够确保与中国企业的业务流程外包（BPO）。这篇论文的工作一部分将通过与中国外包企业的BPO领域中的采访。采访者的回应将用于支持作者的理论，将有助于得出论文的重要结果。

本文的工作为10周，从2014年11月10日和截至2015年1月14日。

您的参与将有很大的价值，为学生了解中国市场的BPO，并帮助瑞典中小企业提供新发现和知识。

此致，

张圣
山东交通学院
信息科学与电气工程学院
国际合作联络人，留学生班主任

张圣
Signature

UNIVERSITY OF BORÅS
University of Borås is a modern university in the city center. We give courses in business administration and informatics, library and information science, fashion and textiles, behavioral sciences and teacher education, engineering and health sciences.

In the School of Business and IT (HIT), we have focused on the students' future needs. Therefore we have created programs in which employability is a key word. Subject integration and contextualization are other important concepts. The department has a closeness, both between students and teachers as well as between industry and education.

Our courses in business administration give students the opportunity to learn more about different businesses and governments and how governance and organization of these activities take place. They may also learn about society development and organizations' adaptation to the outside world. They have the opportunity to improve their ability to analyze, develop and control activities, whether they want to engage in auditing, management or marketing.

Among our IT courses, there's always something for those who want to design the future of IT-based communications, analyze the needs and demands on organizations' information to design their content structures, integrating IT and business development, developing their ability to analyze and design business processes or focus on programming and development of good use of IT in enterprises and organizations.

The research in the school is well recognized and oriented towards professionalism as well as design and development. The overall research profile is Business-IT-Services which combine knowledge and skills in informatics as well as in business administration. The research is profession-oriented, which is reflected in the research, in many cases conducted on action research-based grounds, with businesses and government organizations at local, national and international arenas. The research design and professional orientation is manifested also in InnovationLab, which is the department's and university’s unit for research-supporting system development.

HÖGSKOLAN I BORÅS
VETENSKAP FÖR PROFESSION

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