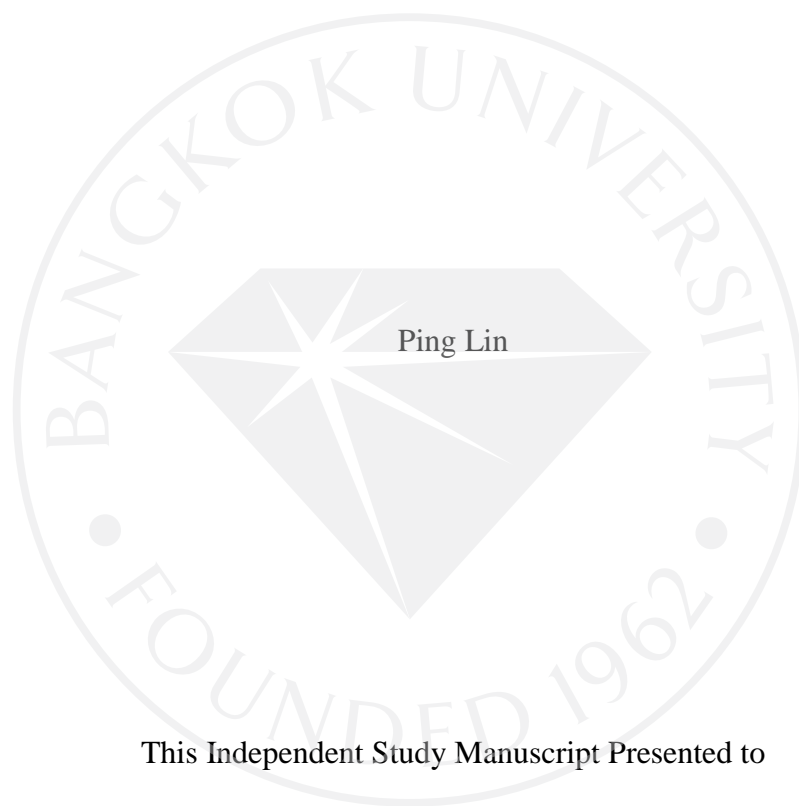


STRATEGIC DECISION-MAKING BUSINESS FUNCTIONAL OUTSOURCING  
MODEL: A MULTIPLE-CASE STUDY ON HUMAN RESOURCE  
MANAGEMENT OUTSOURCING OF A CHINESE CAR DEALER



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This Independent Study Manuscript Presented to

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Master of Management (Business Innovation)

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Ping Lin

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Strategic Decision-Making Business Functional Outsourcing Model: A Multiple-Case  
Study on Human Resource Management Outsourcing of a Chinese Car Dealer (93 pp.)

Advisor: Xavier Parisot, Ph.D. and Chulatep Senivongse, Ph.D.

ABSTRACT

The research seeks to develop a strategic decision-making model of a functional outsourcing business processes. With the rapid development of economic globalization and information communication, human resource (HR) management plays an important role in the competitiveness of firms. In an effort to meet developmental the needs of organizations, HR departments need to be innovative in the way they manage. Being a part of the firm's strategic development, human resource outsourcing has become an important strategic tool in recent years. However, with the imperfection of China's market economy, this considerably high-risk management grew to be prominent. This in turns make decision-making extremely difficult. Therefore, there is a need for a mathematical analysis model of the risks and benefits of outsource HR management and explores the decision-making mechanism of HR outsourcing in China. Through reviewing and evaluating the research literature, this paper has deduced the strategic decision-making model between the valuation of in-sourced and outsourced knowledge. The findings provide useful suggestions in a systematic way that would help to minimize the risks of outsourcing in HR management.

Keywords: Strategic Decision-Making, Business Functional Outsourcing Model,  
Human Resource Management Outsourcing

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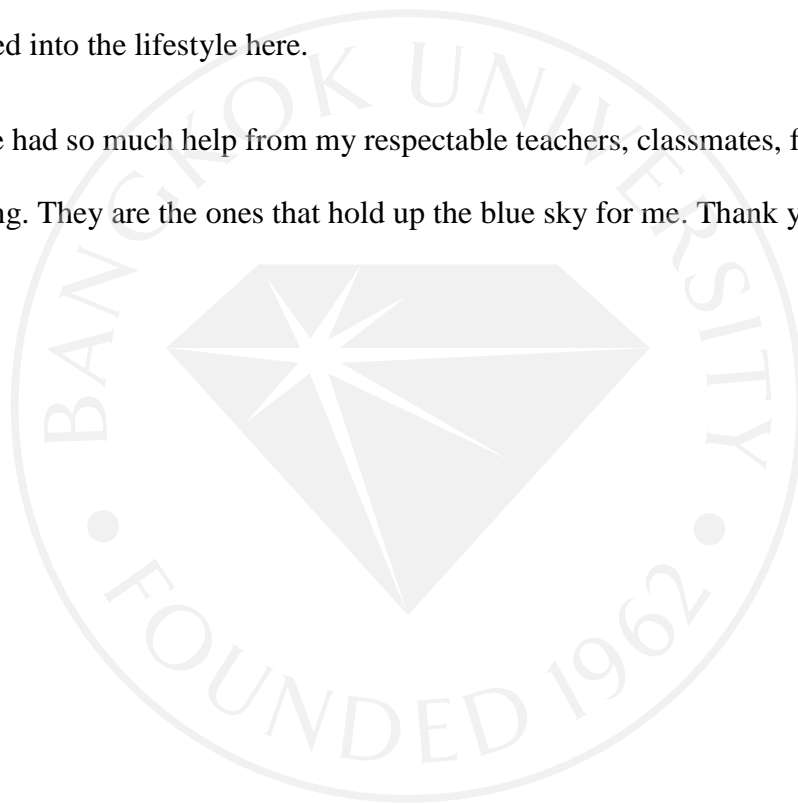
I am thankful to my parents for all they have done for me. They did not hesitate to support me to study abroad. I would like to express my gratitude to Mr. Feng, my interviewee for his great help and support. He had spent many hours even at late hours to discuss about my research.

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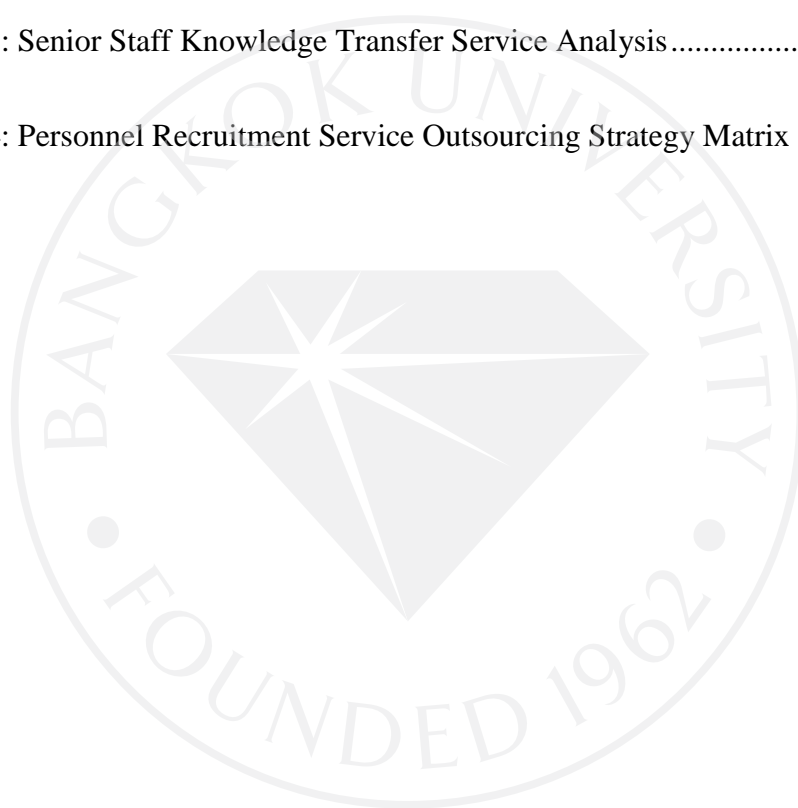
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## CHAPTER 1

### INTRODUCTION

#### 1.1 Research Background

In the economic background characterized by globalization and information, competition among enterprises has intensified. To sustain competitiveness, business enterprises have to innovate and change the way their organizations are managed. . Outsourcing some non-core competitiveness business can be considered based on each individual firm's own development goals. To concentrate on developing core competitiveness, it needs to outsource non-core business management functions to other companies. This in turns saves organizational costs and optimizing resource allocation. Optimal integration of resources enables the company to achieve its strategic goals. With increasing trend of economic globalization and development in specialization and social division of labor, outsourcing business has gradually penetrated into the fields of logistics, distribution, manufacturing, marketing, research and development, auditing, and human resources, and so on (Malika & James, 2016).

Depending on International Data Corporation (IDC), the compounded annual growth rate of the market from 2004 to 2009, was 9.6%. In fact, global human resources service market revenue in 2009 reached a high US\$11.34 billion. The IDC report also revealed that the market value of China's HR outsourcing market in 2010 reached 1.5 billion U.S. dollars, and it grew at a rate of 20% per year. The IDC report indicated that HR outsourcing could bring numerous benefits to enterprises. Although domestic and overseas development has been rapid in recent years, there was reported

cases of failure in practice. These letdowns demonstrated the risks involved in the implementation of HR outsourcing.

## 1.2 Objectives and Significance of studying

When firms decide to outsource, they must consider the possible risks and strengthen the prevention of risks (J. Barney & Wright, 1998). China's auto-finance market has huge potential, and four factors contributed to its current and future explosive growth. First, the automobile market is dictated by the improvement of the Chinese standard of living particularly after 2017 (Pang, Li, & Lu, 2011). Chinese automobile production reached 29 million vehicles, and the sales volume reached 28.87 million. By 2030, the number of cars in the Chinese market will reach 300 million or more. The growth and popularity of automotive demand will accelerate the rapid growth of auto-finance. The main force in the automotive consumer market will be updated (Pang et al., 2011).

Second, with the popularization of automobile finance consumption awareness, automobile consumers are increasingly demanding financing for used-car loans, financial leasing, and automobile-related derivatives. These financial demands further promote the development of the automotive finance industry.

Third, as for auto finance products, there will be more abundant and flexible.

Fourth, with the support from national policies, China Central Bank and the China Banking Regulatory Commission have jointly issued the "Notice on Adjusting the Policies Related to Auto Loans", announcing the increase in the proportion of various types of auto loans since 2018 (Pang et al., 2011)

Based on the above stated reasons, this paper studies some functional outsourcing business in the auto finance industry, to identify an effective outsourcing strategy. The findings will be most advantageous to overcome some of the drawbacks currently faced by the Chinese automotive finance industry. It is thus of great significance for the development of Chinese auto finance industry, in particularly for small and medium-sized firms.





## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Resources and Sustained Competitive Advantage within the Firm.

Malika and James (2016) cited that there were many resources such as assets, capabilities, organizational processes, firm attributes, information, knowledge that a firm could control, which turns enable a firm to introduce corporate strategies. These resources can be classified into two groups, namely physical resources and human resources. Physical resources refer to technologies that are used in firm such as documents; office supplies, facilities, building; and other raw materials that used in the firm. Human resources, on the other hand, comprises of employees' personnel knowledge; training for new staff; team building activities; senior employees' experience; creation, innovation thoughts and relationship between employees; and insight of individual managers and employees in the firm.

However, there are only a few additional resources that can be classified as strategic resources. According to Barney and Wright (1998), strategic resources were heterogeneously distributed across firms and that these differences would stabilize over time. Some of the resources can likely prevent the firm from conceiving and implementing valuable strategies. If the firm focuses on these kinds of resources building, they can improve the firm's effectiveness and efficiency. The issues now are what are strategic resources and how to gain competitive advantage.

For competitive advantage, there are empirical indicators that allow stable resources to generate sustained competitive advantage. These are valued, rareness,

imitability, and substitutability (J. Barney & Wright, 1998). Firms that wish to gain more market share must focus on managing and balancing the strategic resources (J. Barney & Wright, 1998). Focusing on just one resource is not enough (J. Barney & Wright, 1998). Even some key strategic resources may be more important to a particular firm. They must keep in mind to pay attention to other strategic resources as well.

Outsourcing means strategically obtaining these resources from other sources externally (J. Barney & Wright, 1998). The fundamental consideration to outsourcing is either the outsource resources is economically viable or the outsource resources is very rare and costly to maintain and operate internally (J. Barney & Wright, 1998). Thus, outsourcing relates to the firm's survival to the market threat and the ability to react. In other words, from a resource-based view and total cost economic perspective, outsourcing is related with firm's dynamic capability.

## 2.2 Dynamic Capabilities

In the field of strategic management responding to viable change and sustainable development concerns with the adjusting its resources in responding to changes. This resource-based view (RBV) asset are sometimes Valuable, Rare, Inimitable, and Non-substitutable (VRIN) resources. These resources are firm's specific and very competitive advantage (Ambrosini & Bowman, 2003; J. Barney, 1991; Eisenhardt & Martin, 2000). Having these resources within the firm helps the firm achieve some kind of dynamic achievement in the market.

Dynamic capabilities is the firm's capabilities to adjust to organizational change by dynamically altering its available resources to improve the firm's

competitive advantage (Teece, Pisano, & Shuen, 1997). It has been focusing on its internal organization resources adjustment traditionally (Eisenhardt & Martin, 2000) until a new outsourcing strategic business model has been offered in the market (Barthélemy, 2003).

Market ecosystem keep evolving. There are some new outsourcing services emerge in the market which specializing in some market segment in many industries (Lam & Han, 2005; Vaxevanou & Konstantopoulos, 2015). These offer challenges for companies to have options to their operation models to gain opportunities for their competitive advantages.

Strategically outsourcing a work process practically means an organization has to give out the whole work process to someone outside the company, depending upon external resources. If that resource is a VRIN resource, then there is risk associated with the outsourcing of that process. Therefore, outsourcing consideration must be done carefully, and risk must be properly assessed, especially when the risk is tied with the VRIN resources, such as knowledge. It is not necessarily advantageous for an organization to outsource to invest in first order dynamic capabilities just to carry a lower cost burden (Winter, 2003). The key prohibition to outsourcing is not to outsource the process the involve the VRIN resource.

### 2.3 Knowledge as Firm's RBV

Knowledge is mainly studied in the following directions, including organizational learning, market orientation, and knowledge creation companies (Wernerfelt, 1984). Whatever term is used, the theme running through Wernerfelt's (1984) paper is that knowledge can be an intangible strategic resource and is therefore essential to create

value in a unique, inimitable and non-transferable way (Wernerfelt, 1984). According to Wernerfelt (1984), the intentional action of repositioning the company requires the firm to have very specific resources, competitiveness and capabilities. And those assets that can bring a competitive advantage must be scarce, valuable and fairly durable (J. Barney & Wright, 1998). When the market is both reasonable and effective, the firm's competitive advantage is not entirely the result of the induction of market information or other market behaviors, and such ability to generate benefits must come from within the firm to give full play to its value. Since all the sources of tangible resources are outside the firm, competitive advantage is more likely to arise from the intangible firm-specific knowledge, which enables the firm to add value to the incoming factors of production in a relatively unique approach (J. Barney & Wright, 1998). Therefore, firm's knowledge and its ability to produce knowledge can be the resource of the firm. To conclude, knowledge can be the solid's resource. And it can be considered resource-based view according to (J. Barney, 1991; J. Barney & Wright, 1998). Firm's acuity, knowledge and the ability to acquire knowledge are themselves corporate resources. They suggested that resources, dynamic capabilities, and knowledge are the elements of RBV.

Consider knowledge as a resource in the resource based view (RBV) schematic, knowledge has a unique characteristic of Valuable, Rare, Inimitable, and Non-substitutionable (VRIN) characteristic (Ambrosini & Bowman, 2003; Eisenhardt & Martin, 2000; Teece et al., 1997) condition. However, knowledge also has an "equifinality" characteristic which implies that it is substitutionable and replicable. This violates the condition of VRIN (Peteraf, Di Stefano, & Verona, 2013), which cause outsourcing of non-VRIN-knowledge-related process possible. The condition of

replication of knowledge depend on dynamism of the market and the sustained advantages (Eisenhardt & Martin, 2000; Peteraf et al., 2013).

## 2.4 Outsourcing

Outsourcing has been a management strategy for the firm in the past several decades. Many companies seek ways to simplify and improve efficiency. Outsourcing occurs in every industries on every part of the value chain from the upstream of the supply chain to the downstream of the consumer chain (Collins, Bechler, & Pires, 1997).

Outsourcing refers to the externalization of operational process in sectors that could provide a competitive advantage to the firm to an external party in order to increase performance within a competitive environment (Vaxevanou & Konstantopoulos, 2015). In other word, it is arguable that it is the process of creating and managing a contractual relationship with external vendor for the supply of skills that used to be provided the firm's internal services in the past (Bertrand & Mol, 2013; Collins et al., 1997; Momme, 2001).

Many firms have been using outsourcing as strategic tools to leverage their competitive advantages. Many believed that outsource brought benefits through cheaper cost of operations, while many believed in professional services with better practices.

In several cases, dependency from external vendor may lead to impasse in cases where the cooperation has to be discontinued. Sometimes the cost to discontinue or change of vendor is much more expensive to resume, change, or to face strong resistance. In all cases, making the right decision remains a key challenge. This means

outsourcing is not just the activity that just for the decision to externalizing the internal resource (Vaxevanou & Konstantopoulos, 2015) and process contractually (Lee, Liang, & Liu, 2010), it also contains the process to evaluate the risk assess for the loss of knowledge and the cost to resume the once lost function (Novak & Stern, 2008).

#### 2.4.1 Knowledge as a Resource Consideration for Outsourcing

Idea to treat knowledge as valuable resource for outsourcing has been studied by many scholars (Bertrand & Mol, 2013; Collins et al., 1997; Momme, 2001; Roberts, 2001). Barney and Wright (1998) argue that general skills are necessary for maintaining competitive parity, but if any firm fails to invest in maintaining the general skills will be unable to retain the competent in their employee, which later will fail in retaining their position in competitive advantage. However, consideration in outsourcing may be a way out. But for a specific skill which are relatively hard to be duplicated by competitors, these skills provide competitive advantage and is not easily marketable by the employee who process them. This kind of skill cannot be outsourced.

The framework of Valuable, Rarity, Imitability, and Non-substituability (VRIN) knowledge resource has been applied by many researchers in as a considerable framework for outsourcing (J. Barney, 1991; J. A. Barney & Hansen, 1994; McIvor, 2008). These frameworks determine the firm core competency if the outsourcing should be done or kept before.

Is a Resource?					
Valuable	Rare	Imitable	Non-substitutable	Decision	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		Competitive disadvantage
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		Competitive parity
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Temporary Competitive Advantage
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Sustained Competitive Advantage

Figure 1: VRIN Framework: adopted from (J. Barney, 1991; J. Barney & Wright, 1998)

#### 2.4.2 Transaction Cost Economics (TCE) Consideration for Outsourcing

Transaction cost economists believe that the effectiveness of market operation and resource allocation depends on two factors: the degree of freedom of trading, and the level of transaction costs (Williamson, 1979). The degree of freedom of trading can be measured by transaction frequency and transaction uncertainty. Transaction costs can be defined from two aspects: narrow sense and broad sense. Usually, there are three kinds of cost in a firm: production cost, management cost and transaction cost (Williamson, 1979). Production cost and management cost occur inside the firm, while transaction costs exist outside the firm, including the search and release of information, bargaining, negotiation, contracting, supervision, contract execution, and all costs of default (Williamson, 1979). According to Williamson (1979) all these costs arising from execution and breach of contract. The transaction costs here is the narrow sense of the transaction cost. Transaction cost in a broad sense refers to all costs other than production costs, that is, management costs within the firm and transaction costs outside the firm.

Transaction cost is the core concept of the new institutional economics, and it is also one of the most frequently occurring concepts in Western economies in the past

decade (Williamson, 1979). The narrow transaction cost is the right time and effort spent on fulfilling the contract (Williamson, 1979). Under certain conditions, this transaction cost can be very important, which hinders the realization of market transactions. Broad transaction costs are all resources that are required to negotiate, performance contracts, and obtain information (Williamson, 1979).

Despite the fact that RBV, VRIN and TCE focus on two different kinds of issues: seeking sustainable competitive advantage and the most effective governance structure, organizations must address these two important issues when making outsourcing decisions (McIvor, 2008). As they are increasingly faced with resource constraints, practitioners must assess their capabilities in multiple business areas. In other words, they must prioritize the allocation of resources in certain key business areas where they have strengths and outsource areas that are less important. In fact, the trend of specialization in many products and service markets offers opportunities for further outsourcing as professional supplier chase demand by providing a broader range of capabilities in more critical business areas. In addition, organizations believe that outsourcing is a way of achieving performance improvements in many areas of the firm (McIvor, 2008). Qualified suppliers are expected to provide cost efficiency while providing a higher value level. However, the potential for performance improvement must be balanced with the potential of opportunism in the supply market. Organizations must consider factors that influence opportunistic possibilities, such as exclusive investment levels with suppliers, performance measurement difficulties, and contractual safeguards that allow for uncertainty and changes in demand. Understanding these factors also allows organizations to adopt a relationship



strategy, which reduces the possibility of outsourcing and leverages the expertise of suppliers.

To some firms outsourcing is a strategy for long-term development (Lonsdale & Cox, 1997). Management outsourcing needs to understand the outsourcing strategy completely, the benefits and risks of outsourcing, the evaluation process, and the approach to strategic management (McIvor, 2005). McIvor (2008) argued that the RBV and TCE are focusing on two distinct issues, firms have to deal with these two important issues when making outsourcing decisions. The RBV is concerned about how a firm's capabilities develop and influence its competitive position and performers. TCE focuses on the conditions under which firms should manage an internally efficient exchange within their boundaries. Based on TCE theory, a firm will make outsourcing decisions based on lower production and transaction costs. Production costs are the direct costs involved in producing a product or service, including labor and infrastructure costs. Firm should evaluate the capabilities in its business as it faces increasing restrictions on resources. In other words, it should prioritize resources in certain strategic business because it has an advantage in this business and outsource less critical business.

#### 2.4.3 Risk Factors in Outsourcing

Barthélemy (2003) discussed 7 common mistakes of outsourcing initiatives that every firm should address and prepare to avoid the mistake or to revert in the case of the outsourcing is not working in the way it is expected.

The fundamental mistake is the wrong selection of the process that should not be outsourced. The outsourcing initiative must be thoroughly examined. The study does

in in both the internal target process of the company that is to be outsourced and the substituted process from the service supplier in the market. Various processes have been undermined just by the sake of cost consideration, leaving other unforeseen circumstances justification. Wrongfully selection causes the major failure to outsourcing decision.

The second common mistake is the incorrect vendor selection. Selecting the service rendition from the dishonest supplier is another common mistake. The selection process must be thoroughly done. This is very crucial to business continuity. In many cases, selection was done based on the cheapest cost selection, ignoring the business capability. Service supplier selection can be time consuming and costly but need to ensure the integrity of service rendition.

The third mistake is the unfortunate contract statement. Hidden knowledge outsourcing after both parties reaches a contract, changes in the external environment may only be observed by the contractor. The contractor may conceal and deceive the outsourcing organization. Thus, damaging the interests of the outsourcing organization. After business outsourcing, organization can only observe the effect of outsourcing but fail to define whether the main reason is the change of external environment or the efforts of contractors. Contractors can take advantage of hidden knowledge to attribute mistakes in the outsourcing process to the adverse influence of the external environment, while success is attributed to their own efforts. Nevertheless, the enterprise is difficult to distinguish this, which makes the outsourcing revenue more difficult to control. The existence of moral hazard makes it difficult for enterprises to outsource management and monitoring, which may increase the cost of outsourcing management and monitoring.

The fourth mistake is ignorance of cultural and personal issue of our staff. Many outsourcing initiatives ignore the most essential aspect that is the culture of the company. Thing that supposes to go easy is facing internal resistant due to the unit of practice. Another resistant can come from the respective issue. Numerous staff are threatened by the impact from the process of outsourcing. Many employees view outsourcing as an underestimation of their skills which may result in a mass exodus. Open communication is critical to managing the personnel issues in outsourcing. People are exploring options. Alternatives for consideration will be a means to resolve conflict. Company must show true ethical consideration toward employee to protect the welfare and the value of the employee to avoid the negative attitude and retain the trust.

The fifth mistake is the losing of control when outsourcing some activities. When the relationship between the outsourcing organization and the contractor is fixed in the form of contract, the internal business or resources will be managed by an external contractor, and the enterprise cannot directly control the whole content of the outsourcing or get direct reports from the contractor. If both parties fail to clearly define their rights and obligations, risks may exist in the aspects of service quality, service efficiency, flexibility to grasp changes in service demand, cost control, business secrets and internal information of the organization and even intellectual property rights. For the contractor, the common situation is that due to the lack of operable and strict monitoring measures, the quality of service level of the contractor is relatively reduced; due to the contractor's lack of incentive from the organization, in the rapid technology update, but limit the application of new technology, so as to share

technological progress and enhance the original intention of cost control contrary to the enterprise, so that the outsourcing revenue cannot reach the expected level.

The sixth mistake is the overlooking of hiding cost. The potential after-cost of an outsourcing transaction after the signing of outsourcing contract, organizations are also faced with some potential cost expenditure. In the process of dispute litigation cost outsourcing, the two outsourcing parties may have different interpretations of some contract terms, which may be expected to result in disputes between the two parties or even legal proceedings. Often the biggest cause of conflict is the difficulty of evaluating outsourcing performance. Market transactions are inefficient if performance is difficult to determine, as firms cannot determine how much to spend. If an organizational outsourcing business fails due to litigation, it may cause the interruption of business process and thus cause serious losses. As can be observed in the risk analysis of the outsourcing execution stage, the benefits and costs of outsourcing are affected by coordination problems, principal-agent and potential after-cost, which lead to the inefficiency of outsourcing.

The seventh mistake is very crucial but very liable to be omitted is the exit strategy. Many outsourcing strategies did not state how to revert if the strategy fails to come forward with expectation. The resumption to in-house would require time and cost of reinstating of manpower and establishment of a process, the end of outsourcing contract, and above all the overcome of the attitude of failure.

## 2.5 Conclusion

The market is constantly changing and diversified, and the survival of the firm need to make changes to adjust its learning ability and adaptability. With the

increasingly fierce market competition and the advent of global integration, enterprises cannot only use their personal resources to cope with the ever-changing market. The emergence of agile organizations, combined organizations and virtual organizations is tantamount to adapt to the needs of the market. An organization is closely tied to an outsourcing strategy. According to research by professional departments, implementing an outsourcing strategy can save 9% of product development cost. The production capacity and quality has been improved by about 15% on average.

The key resources of a firm that is knowledgeable with hard to find, hard to replace and hard to imitate. According to Wernerfelt (1984), the accumulation of organizational capacity, resources and knowledge within a firm are the key to explain how a firm can obtain excess returns and maintain its core competitiveness. The core competitiveness of a firm comes from the quantity, quality and use efficiency of resources owned by the firm, rather than external environmental factors.

In order to strengthen the core competitiveness of firms, firms should outsource some non-critical business. In this way, more human, material and financial resources can be successfully invested in the core competitiveness to ensure the progress of the firm. According to the logic of resource-based theory, only valuable, rare, imitable, and non-substitutable resource (VRIN) can become the source of sustainable competitive advantage for companies (J. Barney & Wright, 1998). Motahari-Nezhad, Stephenson, and Singhal, (2009) found that many external resource allocation service providers have the technology and knowledge to conduct business more efficiently and cheaply than the enterprise itself. These service providers can thus achieve economies of scale and are pleased to be able to profit in this way. By this way firm can reduce and control the production cost.

Most of the companies start to consider outsourcing their work processes to outside companies. My suspicious doubt would be to reduce the cost. Cost conscious would be their primary concern without proper consideration. There should be a systematic approach that provide the managers to view for the thorough perspective to the consideration before outsourcing any work processes outside the organization. This leads to my two research questions.

Research Questions 1: Consider knowledge as a valuable, rare, imitable, and non-substitutable resource (VRIN) resource of the organization, how company should consider using a knowledge centric as a strategy to determine the process if it fit to outsource to external company?

Research Question 2: How risky is it to lose the entire knowledge process from the organization, and if there is any plan of how to regain the lost knowledge?

McIvor (2008) had provided a framework which combined TCE and RBV of outsourcing strategies in actual business. Barney and Wright (1998) had pointed out that the RBV of the firm using the VRIN framework and risk assessment are the sources to analyze competitive advantage. But there is no study that examine the framework based on RBV, TCE and risk for analyzing outsourcing decision-making. This study provides a new framework that makes RBV, TCE and risk analysis become one. So that firms can use this new framework for their outsourcing decision-making strategy. The literature addresses the perspective of resources based, the cost based, and the risk based, but no one had combined the three perspectives altogether when defining the outsourcing strategy. This study will attempt to use the combined framework and assessment on the cases of China Auto-industry who had attempted to

outsource some of their core functional services. Furthermore, two case studies are providing to verify this new strategic framework.



## CHAPTER 3

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1 Research Framework

Framework presented in figure 2 is adopted from the proposed work of McIvor (2008) combining with the risk domain from Barthélemy (2003) to formulate the outsourcing decision and risk assessment matrix. The assessment matrix is developed into 4 quadrants using knowledge as firm's resource perspective by comparing the firm's capability against the criticality to the business function of that specific industry.

##### 3.1.1 Business Knowledge Capability Vs. Functional Knowledge Criticality Matrix

Quadrant One. The function is very criticality to the business and the external external competitor or supplier is mainly more capable than the in-house capability. Possible solutions for this situation are as follows:

The first one is tantamount to keep the operation in house with internal resources. This solution involves investing to build internal capabilities to match the gap with those of the external.

In this quadrant, if the firm wants to outsource some critical activities, it can use competitive collaboration as a way. This strategy is most appropriate when the supply market is competitive with suppliers of many competing business. Supplier has more bargaining power and customer cannot turn to other sources of supply so easily. Thus, as long as the supplier maintains leadership in the relevant activities, the buyer can



establish a link with the supplier. If there are a limited number of suppliers in the supply market, close cooperation may be best suited. Rather than having numbers of suppliers compete for one critical activity. It is reasonable to build a close long-term strategic partnership with only one supplier.

In other case, there are some incident that the operations may require high cost operating equipment. Such investment may not reach optimum return if a company should perform an in-house upfront, unless a sharing-renting business model is a better attracting option. In this case, the company may have in-house company-man to direct the operation and only rent the equipment with contracted operator to operate the equipment on a short-term outsourcing basis.

Quadrant Two. The function is very critical to the firm's business and the firms is performing better than the competitor or supplier. Analytical activities which are related to the firm's core competencies should be located in this quadrant. The decision-making to outsource or in house for these critical activities should be considered for the following reasons.

Perform internally and develop decision-making: firm should pay greater attention to the importance and type of differences in performance. For example, it is difficult for external resources to replicate this capability if the firm has established great performance advantages through economies of scale and experience, accumulated over a considerable period of time. Obviously, it is best to keep such activities in house when the firm is in a good position to retain its long-term performance advantage.

Strategic outsourcing decision-making: preferably, firms want to achieve excellent performance in as many critical activities as possible. However, because of the vast resources and managerial attention required to maintain such a position, leadership can only be found in restricted activities.

In this case, Total Cost Economic should not be a major concern for the firm as the firm is grooming the important knowledge resources that are hard to find anywhere else in the industry and would bear a great loss to the company if the firm lose this knowledge asset.

Quadrant Three. The function is not so critical to business, and the replacement of the function can be found from competitor or other suppliers in the market. In this quadrant, activities can be consulted on a number of suppliers in the supply market. The supply market is highly competitive, and various suppliers are actively competing for customers' business. In this case, the most suitable strategy is to get the most competitive supplier with the best pricing, and the delivery of the quality.

In term of Total Cost Economy, the firm could look at the most competitive pricing. The one that offer the most cost-effective pricing should win the contract for the offered service. The contract could be on the short-term basis to avoid the build-up of unnecessary impasse.

Quadrant Four. The function is not so critical to business, but the firm outperform other competitors in the market. In this quadrant, the firm is more talented than potential external resources in activities that are not important to core competitiveness. In other words, firm is more gifted than external resources. As a consequence, firms should consider building capability in other activities that are more critical to the

firm's competitive advantages. However, if the firm decides to retain such activities, it must enhance the capabilities of the service professional level to supply the service as a service provider to other customers or consider setting up a new line of business.

In term of Total Cost Economy, the firm should maintain competitive advantage by performing market survey of the similar service providers or become a market leader by providing a niche player in a new market. Signing a contract with the mother firm and provide a service for a profit is another option.

### 3.1.2 Risk Assessment Structured Interview Questionnaire

The interview question as appeared in the second half of the figure 2 is also designed to be the guideline when collecting data from the informant regarding the strategy of outsourcing. The questions were developed from the contexts suggested by the work of Barthélemy (2003) to address the risk of outsourcing the process from an organization. Six questions are as flowed:

First, the question address if the vendor selection has been reviewed thoroughly. This is to ensure the process of the destine outsourcing company can ensure to replace the entire working process of the firm instantly. A test should show evidence of the replacement would confirm the replacement of this before the actual signing of the contract.

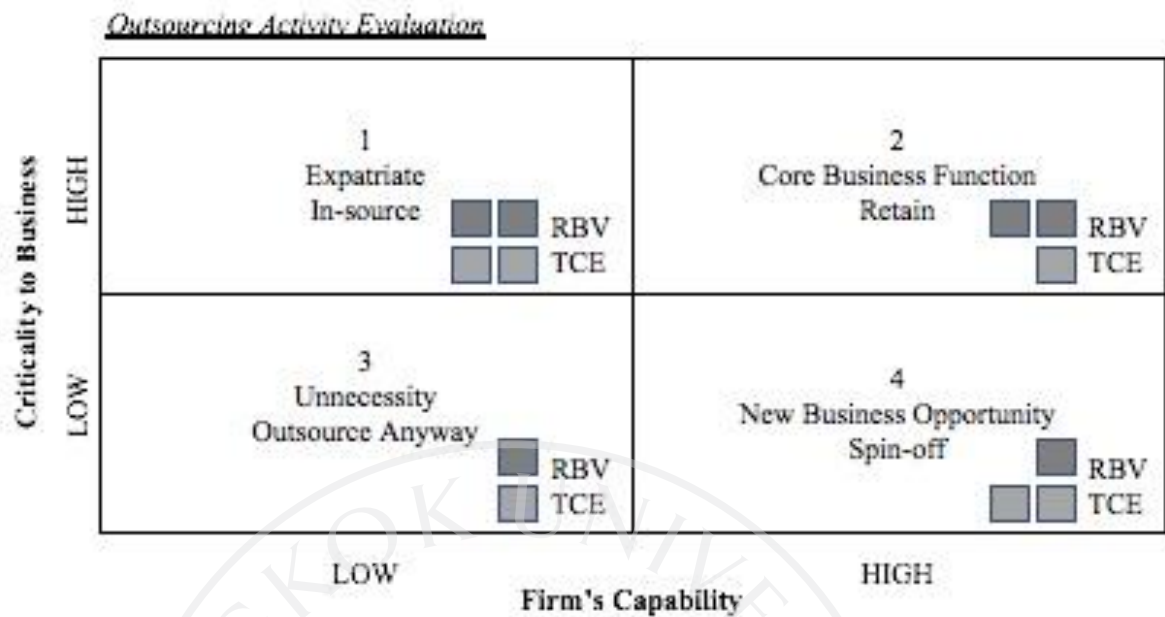
Second question regards the involvement of the legal department if they have reviewed and flaw in legal loophole. Since the contract would involve a tremendous amount of legality and prosecution, they would be the one to act as spearhead and lead the charge later.

Third question regards the user department that has impact to the missing of the outsourcing process. They will be the direct stakeholders. Involving them with the evaluation of the outsourcing partner selection is very crucial.

Fourth question is to ensure the same level of service you will have even when you run the service from in-house. This is very important to keep the same level of service agreement must be agreed upon from the beginning.

Fifth question regard the Total Cost of Economics. This is to ensure that all the hidden costs are explored in all dimensions.

Last question is about the exit strategy. In the case that if the service is to terminate, and the function is to resume back to the firm, has the informant ever think of how to reinstate this function back into the firm.



Outsourcing Risk Evaluation

	Yes	No
1. Have the vendor selection process been in placed and thoroughly checked?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the contract been verified by the legal department and run through the whole process to ensure the flawless of the process flow?	<input type="checkbox"/>	<input type="checkbox"/>
3. Have you conduct assessment interview with the impact that might happen to people who had been involved with the process you are about to outsource? Is there any resistance? Is there any compensation and settlement?	<input type="checkbox"/>	<input type="checkbox"/>
4. Have you establish the communication channel between the outsourced service supplier to ensure the same level of control you have when running in-house?	<input type="checkbox"/>	<input type="checkbox"/>
5. Have you properly visit all cost associated with the outsources service that may be hidden from your insight?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you have an exit strategy when your outsource service is not perform as plan?	<input type="checkbox"/>	<input type="checkbox"/>

Figure 2: Outsourcing Strategic Evaluation Framework and Template

### 3.2 Data Collection Method

Exploratory multiple case studies are the preferred approach. Qualitative methodology is for data collection and analysis. Interview technique is selected. The framework has been built to construct the semi-structured questionnaire for conducting interview. Scheduled interview was arranged to explore possible processes to be considered for the possibility of outsourcing. The interview is recorded using a tape recorder with pre-approval permission from the interviewees.

The interview was done in Chinese and transcribed into text and then translated into English where necessary. The text is then decoded using thematic coding scheme to identify the process and analysis for the competency and business criticality. The validity and reliability of data are done by the verification by the request for revision by the interviewees.

### 3.3 Individual Semi-structured Interviews

Semi-structured interviews, sometimes referred to as qualitative interviews (Yin, 2014), were conducted with at least 2 participants per each case. Participants were purposefully selected (Yin, 2014). The questions were framed by the matrix in figure 2 in order to find the strategy for the decision that was made to outsource the two processes and the six questions to assess the risk that may be possessed when considering for outsourcing during the time of decision making. The interpreted result of interview is shown in the Appendix I section at the end of this document. The question was not distributed to the interviewee beforehand, to avoid predefined preparation biasing (Yin, 2011). Rather, the questions provided a basis for the emergent conversation

between the interviewer and the interviewee, enabled by open-ended questions that allowed the interviewee to freely provide answers and supporting evidence.

### 3.4 Selection of Cases

The selected case is upon requested by a company, namely Company X, who is an automobile dealer group of companies to help evaluating their decision on outsourcing their services. Company X had implemented two failure outsourcing cases in Human Resource Services. The objective of this study is to explore why the outsourcing services had failed and what can be the lessons that can be drawn from the failure. Company X, which is an SME, located in Southern of China, was set up in June 1, 2015. The company has 4 following business: automobile finance business; new car retail business; used car business; and automobile maintenance business.

The company's management team had nearly 20 years of automobile selling and managing experience, and had served in the large domestic automobile enterprises, participated in the management of a number of automobile brand stores. The management team came from different companies with different team management experience, and different business background, human resource management becomes a big problem for them.

Currently they have more than 50 employees. The management team tried to outsource part of the human resource business to achieve the change of management functions. In the selection process of the outsourcing model and the specific implementation process, the company encountered some problems on human resource management outsourcing.

There are generally three main sources of contact points. The first is the web clients. In this case used car information will be published on the website, and a salesperson will visit the potential customers who leave the contact information via the website. The second is through the referral of existing clients. The third is the corporate clients, whose companies have been dealing with Company X on the business-to-business (B2B) service contract.

The interview was done to the staffs who dealt with these 3 contact points. Interviewing targets were the regional manager, financial salesman, and the risk control specialist.

Regional manager, Mr. Feng was responsible for the operation and management of the automobile finance business in the region, such as the compliance management and legal affairs management of the operation in the region, and the specific implementation of the company's sustainable development strategy according to the company's business development strategy. Responsible for establishing and improving internal management system according to local conditions. For example, set up an efficient sales team. In addition, the regional manager shall be responsible for the automobile finance credit audit, after loan management, risk analysis and support the activities of all departments.

Mr. Zhang as a financial salesman of Company X, according to his description: financial salesman responsibility could be distinctively divided into three phases of engagement to customers--before the loan, during the loan, and after the loan.

Before loan: the financial salesman needs to preliminaries analyze the working and living conditions of the customer, judge the repayment ability of the customer,



provide the loan scheme, and negotiate with the customer. The main work is to collect needed information to the customer, submit the preliminary examination data through the mobile APP, collect the automobile information, and all the information should submit to the risk control department and wait for the risk control system approval.

Loan: pending approval by the risk control department, the financial salesman shall collect the customer repayment account and make the contract. Both parties have signed the contract (loan master contract, mortgage contract, transfer authorization letter, risk notification letter). After the customer pays the down payment for the car, the financial salesman shall arrange the mortgage procedures for the transfer of the car and assist the customer to install the positioning system (continue to track the location of the car) and purchase insurance (compulsory insurance and commercial insurance). After ensuring the mortgage of the automobile transfer, the financial salesman submitted all the materials to the risk control department for the final contract review. Risk control specialist reviews the contract after the loan.

After loan: the financial salesman collects the contract signed by the customer, the registration certificate after the mortgage, and the copy of the consumer's certificate. After the collection is complete. It shall be submitted to the risk control department for a second review and then submitted to the Shanghai headquarters for archiving by the risk control department. After the consumer pays off the loan, the certificate mortgaged by the customer shall be returned by mail. If the customer needs to pay in advance, the financial salesman should assist the client to pay in advance. In addition, the financial salesman also needs to assist consumers to correctly purchase vehicle insurance during the loan period. If the customer has an accident in the process of using the car during the loan period, the financial salesman also needs to assist the

client to settle the claim. Because the automobile insurance of the lease mortgage needs to add the company as the first beneficiary of the treaty, the customer insurance claims need to obtain the authorization of Company X.

According to the interview with Mr. Li, risk control specialist was another important functional role in the automotive industry. With the continuous improvement of penetration rate of Chinese automobile finance industry, plus financial preferential subsidies from financing companies and manufacturers, and even increased interest-free policies, the automobile finance industry is in the development trend. However, in any case, the competition pattern of automobile finance should pay more attention to the necessity of risk control. Risk control is the most critical role in the auto finance industry. In a complete workflow, risk control positions cover more than half of the work, so the explanation of the responsibilities and workflow of risk control positions in the automobile finance industry will be emphasized. The main responsibilities as follows: Responsible for the management of customer information (before, during and after the loan); Responsible for customer complaint handling and return visit; Responsible for risk control, monitoring and management of the organizational guarantee business; Responsible for organizing the disposal of non-performing guaranteed loans of the company; Establish the project risk management system, and promote the comprehensive prevention and control of internal and external risks; Familiar with relevant laws and regulations of financial market, real estate market, used car sales and credit risk prevention, identification, monitoring and resolution system.

The exact steps and matters needing attention of each link in the car loan processing process in stages were then analyzed.

Firstly, acceptance and preliminary investigation of automobile finance business.

Used car dealers should conduct a preliminary examination of the loan application form and application materials submitted by the applicant for a car loan, mainly examining the main qualification of the applicant for the loan and the completeness and standardization of the materials submitted by the applicant for the loan. After the preliminary examination meets the requirements, the agent shall submit the loan application form and application materials to the financial salesman for investigation before loan.

Car loan preliminary investigation is mainly to verify whether the relevant materials of car loan applicants are true, complete, legal and effective, and investigate the repayment ability, repayment intention, authenticity of car purchase behavior and loan guarantee of car loan applicants. Car loan early investigation is mainly focused on the following points: 1. car loan applicants to provide the material is constant--such as household registration, property ownership certificate, work, income proof.; 2. car loan applicants economic situation and borrowing purposes of the investigation.

After the completion of dealing with the results of the preliminary investigation, the risk control specialist needs to pay attention to sorting, analysis, put forward a clear opinions whether to agree to the loan and the loan amount, loan term and loan interest rates, the guarantee way, payment way, delimit the manner, such as advice, and forms of car loan applicant repayment ability, repayment willingness, guarantee conditions and other aspects of investigation, sent to the application information along with the regional manager for review.

### 3.5 Data Analysis

From the interview, the data analysis were decoded using narrative review technique (Alvesson & Skoldberg, 2012) to analyze both areas of the relationships between the knowledge capability and the business criticality; and the context in respond to the questions in the latter part of the risk analysis of knowledge loss.



## CHAPTER 4

### FINDINGS

To analyze the failed attempt Company X tried to outsource the Human resource service, the established framework was exploited to examine of what went wrong.

Company X had failed on outsourcing the two services, namely the senior staff knowledge transfer training and personnel recruitment service.

#### 4.1 Analysis of Senior Staff Knowledge Transfer Training Service Outsourcing

In the first service, Company X decided to outsource the senior staff knowledge transfer training.

##### 4.1.1 Define the HR Service Criticality to Business Quadrant

Company X has outsourced professional training for senior staff of human resources business before. It is the training of professional knowledge. The senior employees or the employees with higher position have the opportunity to get the licensed training. The new staffs in the intern period do not have systematic training. Nonetheless, the senior employees will act as instructors to guide them. It's a process that can transfer knowledge and experiences to the new employees through communication and working with the senior staff. They can learn by doing as well.

Company X is a small and medium-sized private enterprise, it has a serious shortage of human and material resources.

*When we recruit the right new staff, the company will send new staff to train.*

*This training is mainly in Guangdong province. According to the company's regulations, this training needs 4-7 days, and the company is in charge of*

*reimbursing the travel expenses. There are many training contents every day.*

*After the training, there will be tests. Different levels of staff have different training content (Regional Manager, Company X) .*

It is required to resort to external factors and forces to solve internal problems. After relevant capabilities position analysis, to Company X, professional training outsourcing should be in quadrant 2. It has high criticality to competitive advantages and needs high capability of the firm. Employees with professional knowledge are valuable in this automobile finance industry. In fact, Company X should not have outsourced this business since the required knowledge and experience are very specific to the business and organization.

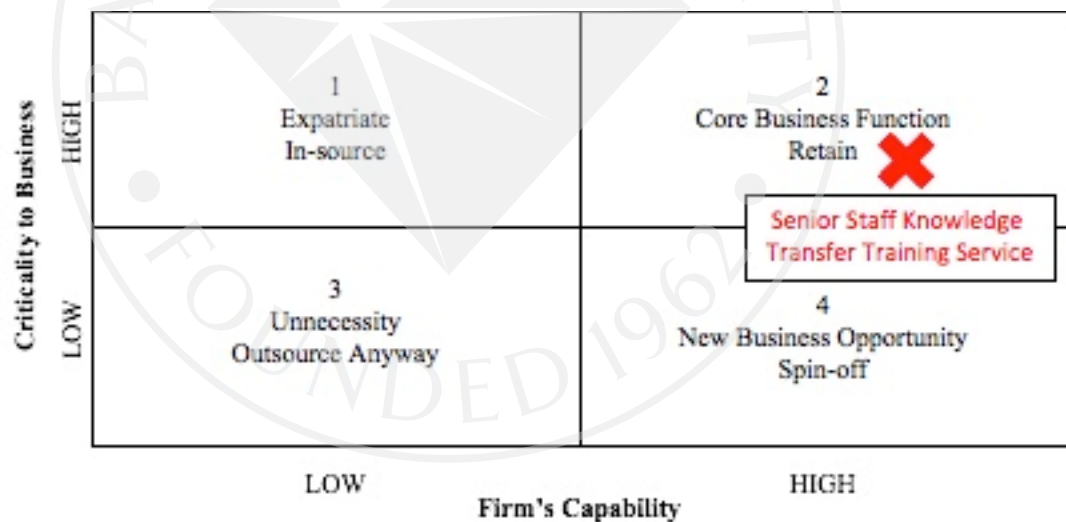


Figure 3: Senior Staff Knowledge Transfer Service Analysis

#### 4.1.2 The Review of Vendor Performance and Process

Outsourcing risks of agent or service provider. Choosing the right outsourcing service provider is the key factor for the success of an enterprise (Tan. 2011).

Organizations need to spend a lot of time and energy to compare and analyze the situation of various alternatives outsourcing service providers. However, in this industry, the exists information asymmetry and limited organizational understanding and control ability of outsourcing business, challenge the organizations to accurately understand the background and qualification of service providers. In addition, due to the immaturity of the domestic training outsourcing market, adverse selection risks and moral risks are often generated, and even cause the phenomenon of imperfect institution drives out good institution (Qing. 2009). The outsourcing service provider that an organization chooses is not necessarily the one it wants most or the outsourcing service provider does not try its best to perform the entrusted work. There are significant risks when an enterprise chooses the outsourcing service provider (Qing. 2009).

*Our company has certain conditions for how to choose outsourcing service providers, such as: what is the training majority of the other party? Whether the training course is reasonable; how long the training will take; what big companies have you worked with; ask for information about the other party's financial situation, etc. A comprehensive evaluation was conducted to determine the training institution we need (Regional Manager, Company X).*

How to choose an outsourcing service provider? After the organization makes the decision of training outsourcing, it needs to analyze and compare the strength, professional background, financial stability, reputation, experience of training, and whether it can be shared with values and completed within the time required by the organization. The training project will ultimately select the outsourcing service provider. Specifically, organization should pay attention to the following issues: First,

the reputation of outsourcing service providers. Fame is a comprehensive reflection of all aspects of the behavior of outsourcing service providers. This is the overall impression of their interaction with other organizations. The reputation of an outsourced service provider is not sufficient to indicate if it has not reached an agreement with its employer or not or should the company avoid working with it. Second, the qualifications of outsourcing service providers. Organizations should choose professional training service providers with high professional quality for outsourcing training business. They should also be familiar with the industry of their service subjects. Only in this way, can organizations enhance the professionalism of the training.

Third, the price offered by outsourcing service providers. One of the main purpose of organizations to choose training outsourcing is to reduce costs. If the price proposed by the service provider is too high, the outsourcing project can hardly see the obvious effect of cost control. Fourth, the financial stability of outsourcing service providers. Outsourcing service providers with monetary instability are more likely to damage the quality of training or interrupt services, or even selling customer information in violation of ethics, which will bring adverse consequences to enterprises. Fifth, the degree of integration of corporate culture. Outsourcing service providers should have an organizational culture commensurate with the enterprise and easy to integrate. This can minimize communication barriers, and training programs designed by them are most likely to meet the development needs of the enterprise, so as to make outsourcing worthwhile.

Training outsourcing a risk prevention measures. Firstly, planning a training outsourcing before outsourcing decision making. Training outsourcing is a complex



system and if an implementation has a problem, it may lead to the failure of the entire outsourcing. Therefore, at the beginning of an outsourcing a training project, the organizations should be willing and not just "rather than use and not prepare".

Specifically, at this stage, organizations should do a good job in the following aspects:

first of all, enterprises should make accurate judgment on the training needs of organizations before outsourcing a training. This means that it should consider and decide what to outsource, which projects to outsource and to whom it should be outsourced. At this point, organizations should make relevant capabilities analysis method to summarize the internal and external conditions of organization training and clarify the feasibility and necessity of organization outsourcing training. Specifically, objective analysis of training need includes organizational strategy analysis, personnel analysis, task analysis and external resource analysis.

Second, conduct cost and benefit analysis. Analyze and calculate the cost and effect of a selected training activity completed by existing staff and compare it with the cost and effect of outsourcing and the risk and prevention of training outsourcing of enterprises, and choose the scheme with the highest ratio of revenue to cost. Third, establish risk measurement standards to provide guarantee for establishing the whole risk monitoring and management mechanism. Enterprises should establish a set of risk measurement standards and risk early warning mechanism at the beginning of the decision of training outsourcing so as to monitor the risks in training outsourcing at any time. Once the risk of training outsourcing exceeds the normal range that the enterprise can bear, the enterprise can take effective measures in time to prevent or resist the corresponding risks.

#### 4.1.3 The Review of Business Contract

According to Mr. Feng, Company X usually signed the contract after confirming the cooperation with the training service provider according to batch by batch of extra staffs. This is because it is too risky to sign for one year at first. In the public eye, Company X is also afraid that the training will not achieve its desired results, and also afraid that its excellent employees will be poached by other companies. Organizations should sign training contracts with training service provider. In order to ensure the effectiveness of training outsourcing, clear and specific training contracts must be signed with outsourcing service providers. Legally, it is necessary and reduce the risk of training outsourcing. When the organization and service providers reach an agreement through agreements and contracts, a principal and agent relationship is formed, and organization should establish corresponding supervision mechanism. Then, it is necessary to first clarify the responsibilities, power and benefits to all parties. According to the actual situation of the organization and the possibility of risk occurrence, the contract stipulated clear and detailed provisions on the expected effect of outsourcing projects, stage assessment, information security, loss compensation and other aspects. For example, in order to decrease the risk of training service provider's ability to provide services, the delivery of training costs can be divided into several phases according to the training project and the final balance can be delivered after the established objectives are confirmed. Training at the same time, in order to achieve a "win-win" situation, outsourcing contract with certain incentives, such as to set up the corresponding floating reward amount according to the different training projects, if exceed expectations of outsourcing service providers, the reward amount as stipulated in the prior to reward the training institution, if did not reach the standard of

outsourcing service providers also should have corresponding punishment. Through such a mechanism, not only the initiative of suppliers can be mobilized, but also the risks of training outsourcing can be partially transferred to the outsourcing service providers.

#### 4.1.4 The Review of Impact to People

According to Feng, outsourcing training is actually risky because people at training institutions will start their own business after gaining certified work experiences. Furthermore, they may directly enter into an indefinite contract with the company's human resources department to benefit from it.

There are some risks to outsource training business. With high business environment risk, training institution staff turnover rate is very high. Many people in the training institutions will leave to set up their new training business after they have received the training experience. The operating cost of the training industry is relatively low, but the profit is relatively high. This has driven some weak institutions to enter the market. In order to survive and develop, they will use some indirect means to obtain business. Take for instance, colluding with the human resources manager of the organization and operating under the table to obtain training programs. In adversely, the training effect is not satisfactory. In addition, the relevant laws and regulations of the government are still in an imperfect stage. This has resulted in a complex situation of the market environment of training outsourcing.

#### 4.1.5 The Review of Post Outsource Service Control Level and Communication Channel

*I think it doesn't matter what company you're with, if you're going to outsource something, you need to monitor it, for example, the training service provider, the new employee, the human resources department. There should also be some evaluation, such as evaluating training quality, training cost and training effect. Feng said.*

The implementation process should be monitored by the organization. The implementation of training projects finally brings the outsourcing of training from the background to the front stage. Outsourcing service providers, staff training, and human resources departments all play an important part. Slack of either party will lead to the failure of training outsourcing. Therefore, in the process of training project implementation, the whole process dynamic management of training outsourcing risks should be implemented according to the risk measurement standards established before training outsourcing. The human resources department should be equipped with specialized personnel to track the training process, maintain good communication with employees in a timely manner, record, analyze and report the training situation every day by designing the feedback form of training opinions, and timely correct and adopt the problems and suggestions after communicating with trainers and outsourcing service providers. The dynamic management of the whole process will greatly enhance the effect of training and reduce the possibility of training failure.

Evaluation and implementation training outsourcing results by the organization. The end of the training course is not to say that the end of the training outsourcing

work. The evaluation of the results of the training outsourcing project is an important link in risk prevention of training outsourcing, as well as the post-control of the training risk. At the same time, the human resources department can sort out and feedback relevant opinions in the evaluation of training outsourcing work, collect information on several training outsourcing service providers. This allows the company to gradually reduce the risk of relying on one outsourcing service provider.

In addition, through the evaluation of the training effect and communication with outsourcing service providers, laid the foundation for long-term operational cooperation with them. Therefore, after the training outsourcing project is accomplished, the training quality, training cost and training effect should be evaluated scientifically. Among them, the training effect is the focus of the evaluation. These assessment include the followings:

- Fair allocation of the enterprise staff training opportunities
- Employee satisfaction after training
- Improvement in employee performance with training
- Time saving and cost
- Trained staff satisfied with the training program is not provided
- Adjustment adjust of human resource department in a business and focus on core values

Owing to the limitation of internal resources of the organization, it is difficult to timely and effectively meet the training needs only relying on the internal strength of enterprises. As such many enterprises choose to outsource training business. However, in the process of training outsourcing, the information asymmetry and environmental

constraints of both parties involved leading to the existence of risks. Organizations should correctly recognize risks and take effective measures to prevent them. On this basis, organizations can get more benefits from training outsourcing.

#### 4.1.6 The Total Cost Economic Perspective

*According to Feng and Zhang, the main reason for Company X failure in outsourcing training is that the cost of professional training is too high.*

*First of all, because the performance of trained and trained employees is not very different, but also affected by the company's development strategy, the company's investment focus is on new projects, the company has transferred training from outsourcing to online training, through online courses for training.*

Employees in different positions receive different training at varying fees. It costs 1200 RMB per person to train an auto broker; 4000 RMB per person to train a used-car appraiser; 1500 RMB per person to train an auto financial business counselor; 1800 RMB per person to train an auto broker's professional skills. Most of the new staff training is related to sales skills training. Generally, the whole training takes 4-7 days, and the training fee is about 4000-7000 RMB per person. The initial stage training is generally to list some product comparisons so that customers can choose the products they need most. The middle stage training is to summarize the advantages of specific products, and the last stage training is to stimulate product sales and assessment by the trainers.

The main reasons for the failure of the outsourcing professional training are the cost of professional training is too high for the company. Furthermore, according to

the trained employees, their KPI (Key Performance Indicator) did not meet the standard. Also because the market is stagnant and the company is not profitable, and Company X stop cooperating with training institutions. However, the training did not stop. Company X had the online learning system from other channels. Company X has set up an online learning platform for training. Nevertheless, how much does it cost to build this online learning platform depends on the demand. Learning platforms basically charge service fee according to the number of accounts, so it depends on the number of people who learn online at the same time, what functions the company pays more attention to, and what is the unit budget. The average package of 100 accounts is about 200 RMB per account. And the online learning system is less costly than the professional training. For the used-car market, data and information changes very quickly. There are too many things that need to be adjusted in time and the specialized training cannot update in a very short time. Now there are a lot of relevant data and materials on the Internet, employees can obtain information through diverse channels to improve their professional quality and business ability.

According to Mr. Feng, no matter which way of training is adopted, it still depends on whether there is a value or not. For example, building this online learning platform has its advantages. These advantages are as follows:

- no need for trainees to leave their posts and study in the specified time and place
- training can cover all employees of the company
- solve the short-term effect of training effect and the incompleteness of trainees
- meet the needs of different posts and the number of different students

In addition, it can check whether the trainees master the course content, track assessment, repeat learning and consolidate; successfully complete the integration of internal and external resources, upload and manage the private courses of the enterprise, and build the exclusive knowledge management system of the enterprise; use 1/3 of the traditional training cost to create their own specialized enterprise university, and reap 5 times the previous training effect; live video, flash, microfilm Scene simulation and other courseware forms make learning full of fun.

The risk of the organization itself. In order to achieve the expected effect of training outsourcing, enterprises should first clarify their needs, make a cost-benefit analysis, then draft a project plan, select and sign a legally effective contract with the outsourcing service provider, supervise the implementation of training by the outsourcing service provider, and finally evaluate the training effect. However, nowadays, many enterprises may outsource training just to keep up with the trend or be influenced by other enterprises which are gaining a lot of benefits through training. From the analysis of training outsourcing need, they simply did not know what they needed or what they needed to do in the whole process of training outsourcing. As a result, it was unfortunate for organizations to fail to connect their needs with the trainers' knowledge transfer. The special investment in outsourcing service providers could not get the return they deserved. In addition, they might even leak the information and confidentiality of their individual companies when outsourcing training projects.



#### 4.1.7 The Existence of Exit Strategy

According to the interview with three employees, Company X had no exit strategy for outsourcing business. For Company X, their strategy terminated its cooperation with outsourcing service providers.

### 4.2 Analysis of Personnel Recruitment Service Outsourcing

Company X decided to outsource its personnel recruitment service. According to interview with regional manager, Mr. Feng, Company X did not possess a proper employment system. Feng said if Company X wanted to hire people with special skills, they must go with a professional recruitment team and it's the right choice for professional people to do professional things.

#### 4.2.1 Define the HR Service Criticality to Business Quadrant

The regional manager of the company in Yulin, mainly responsible for forming a team and expanding the market. To set up a sale team, the most convenient and the quickest way is to head hunt financial salesman from their competitors. The sales department is more like an operating department, and because of the high employee turnover in the used car industry. Therefore, if Company X provided more benefits and conditions to meet the applicants' need, they could hire people from the competitors very easily. Another approach was to recruit through the recruitment website. Employees recruited through the website were not very satisfactory.

According to the interview with the regional manager, he said that the employees who came to apply rarely had relevant work experiences. Even those with working experiences not related to automobile and finance, that is without relevant professional knowledge, it is difficult to start a business. It would take a period of learning and

training for the new staffs to serve their customers. That's why he thought specialized teams were needed for recruitment. It was relatively unfamiliar to their business and it was difficult to undertake work immediately. The most important thing was applicable work experience which depended on accumulation. It would take some time to train the new staffs. Taking all this information into consideration, recruiting middle and high-level employees could be placed on the quadrant 2 in the relevant capabilities table. It is very critical to competitive benefits but less capable to fulfill within the company. According to Mr. Feng, Company X did not have a respectable employment system and professional recruitment team. Thus, outsourcing part of the recruitment was recommended.

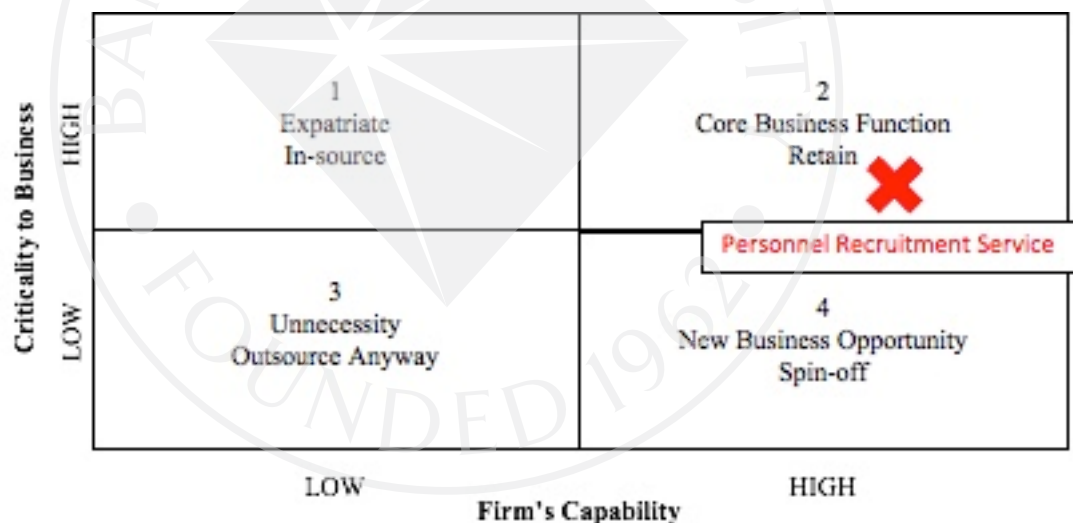


Figure 4: Personnel Recruitment Service Outsourcing Strategy Matrix

Considering that Company X did not have a suitable recruitment system and professional recruitment team, the company adopted outsourcing recruitment projects to recruit people with exceptional skills. Furthermore, sometimes Company X even got people with high skills from their competitors. The competition among

organizations was not only the competition of products and services, but also the competition of people with special skills. In order to obtain a comparative advantage of people with special skills, organizations, especially small and medium-sized enterprises, begin to introduce people with special skills by using recruitment outsourcing. Recruitment outsourcing means that the employer entrusts all or part of the recruitment, selection to a skilled human resource company. Qualified human resource companies use their advantages in human resources, evaluation tools and process management to complete the recruitment work. The human resources department focuses on its core functions and participates in the overall strategic planning of the enterprise with more time and energy. Recruitment outsourcing is the manifestation of human resource management from integration to specialization. In the past, the human resource department had to do the work of innumerable links in recruitment, which was complicated and inefficient. Now, the work of each link can be outsourced to qualified organizations for operation in a variety of ways and the efficiency can be improved a lot. The human resource department can focus on strategic work.

#### 4.2.2 The Review of Vendor Performance and Process

Recruitment outsourcing includes both outsourcing all the recruitment businesses and partial outsourcing.

*In general, hiring lower-level employees takes the all-inclusive approach because they are less relevant to the company's core business. The recruitment of middle and high-level employees will be partially outsourced, such as the outsourcing of resume screening, written test and*

*a structured interview, while the final decision is still in the hands of important leaders of the organization. Headhunting companies that people are familiar with are part of outsourcing, that is, professional human resources companies recommend several candidates who meet the requirements to the enterprise, and the enterprise decides the final personnel recruitment, said Mr. Feng(The regional manager of Company X).*

Due to Company X's current progress in Yulin, it is best to use partial outsourcing for hiring middle and high-level employees. At present, employees with specialized knowledge and sales experience are the most scarce in Yulin branch to develop their used-car business, gain a foothold in Yulin and occupies more market share. Outsourcing hiring process can provide guarantee for Company X's follow-up progress.

Recruitment outsourcing risk prevention. Companies are facing numerous risks in the process of production and operation. The outsourcing of recruitment resources is human resources. Human resources, as the most dynamic part of business management, can bring both value and huge risks to companies. It is a task of contemporary human resource management to prevent risks before risks and effectively control risks when they come.

Companies that choose outsourcing service providers cautiously should evaluate outsourcing providers according to their operating conditions, company culture, operating environment and other conditions. First, the company must understand the service concept and company culture of each candidate outsourcing service provider in

detail to ensure that it matches its own culture. Second, is to evaluate the quotations of outsourcing service providers, select the outsourcing providers on the premise of muscular strength and good reputation in line with the principle of cost saving. Determine the appropriate evaluation process.

#### 4.2.3 The Review of Business Contract

*In accordance with relevant laws, the company shall sign a confidentiality contract with the recruitment outsourcing service provider, specify the scope of Company X secrets and mutual rights and obligations in the agreement, and make provisions on the resignation of the personnel familiar with commercial secrets in the recruitment outsourcing service provide, so as to avoid the recruitment outsourcing service provider from shirking responsibility when the information disclosure is caused by the resigned personnel. In order to better accomplish this measure, the human resources department should review the content of the contract signed by the company's lawyers and consultants (Feng, The regional manager of Company X).*

Company X should strengthen the supervision of external contractors.

Outsourcing recruitment business does not mean human resources department has nothing to do with it. As the most important department of outsourcing activities, human resources department should supervise the behaviors of recruitment outsourcing service provider in the whole process. First, regularly evaluate the work of recruitment outsourcing service provider, understand the completion of recruitment tasks of recruitment outsourcing service provider, and measure whether it is consistent

with the development direction of established goals. Second, communicates with the recruitment outsourcing service provider about the reasonable suggestions put forward in the process of employee outsourcing recruitment, and help the recruitment outsourcing service provider solve the problems encountered. Third, to avoid disclosure of confidential information, the human resources department should cooperate with all departments to establish a document management and information security guarantee mechanism. Last but not least, to understand the operation status of recruitment outsourcing service provider, prevent losses caused by bankruptcy and dissolution of recruitment outsourcing service provider and take preventive measures.

From monitoring the risks in the recruitment process of outsourcing service providers. Outsourcing hiring to an outsourcing service does not mean handing it over. However, since outsourcing service providers are not affiliated to enterprises, enterprises' control over outsourcing service providers is limited. If too much emphasis is placed on the independence of outsourcing and the monitoring intensity is reduced, the recruitment effect is difficult to be guaranteed. However, excessive monitoring of the other party will lead to the dissatisfaction of outsourcing service providers and lead to the distrust of outsourcing service providers, which will directly affect the effect of the whole recruitment work and bring losses to the enterprise.

#### 4.2.4 The Review of Impact to People

According to Mr. Zhang of Company X, there have been numerous opportunities to go out for training in their career, especially in the first two years. What impressed him most was the fact that they went to a training course on how to sell. He felt how critical the cultural communication between training institutions and enterprises was.

Because the content taught by that training provider is very different from what he received in the company, which affects his subsequent work psychology. Only after he reported to his boss did this phenomenon easy.

The risk of cultural differences between enterprises. Company culture is a kind of value that is recognized by the employees of an organization in the long-term development process, and it is difficult to change after it is formed. Human resource dispatch is a cooperative operation behavior between companies and service providers. Cultural differences are inevitable due to the entry of dispatching employees. Meanwhile, due to the differences in corporate cultures between service providers and companies, friction is unavoidable due to the cultural differences between the two enterprises in the process of operation. For example, when outsource service provider fails to adapt to the corporate culture when providing services, the service quality and efficiency will decline, which will inevitably lead to the dissatisfaction of the employer.

#### 4.2.5 The Review of Post Outsource Service Control Level and Communication Channel

According to the regional manager of Company X, when the company's senior management decided to outsource recruitment, many employees panicked. And questioned the followings:

- If such a simple thing as recruitment needed to be outsourced, would it affect the working atmosphere of the entire human resources department?
- , will some people are made redundant?
- Will the company compensation if it lays off?

Mr. Zheng believed that when making outsourcing business decisions, the company should publicize in-house, and get the understanding and support of employees is the best.

Company X should pay attention to internal publicity and communication about outsourcing part of the recruitment business. In order to avoid risks from internal employees, before outsourcing recruitment business, enterprises should do a good job in publicity. Take for instance, release a notice to employees. This will enhance employees' awareness of recruitment outsourcing. Inevitably, it reduces the negative impact of employees' ignorance of recruitment outsourcing on the company causing panic and misunderstanding.

In the process of outsourcing recruitment, it is necessary to communicate with employees, especially those who are fired due to changes. Communicating with these employees in a timely and sincere manner, provide them with corresponding dimension compensation, and assists them to find a new job. Subsequently, minimizing the loss caused with the dismissal of these employees.

#### 4.2.6 The Total Cost Economic Perspective

In order to complete the recruitment task more effectively, the human resources department of the enterprise should make the recruitment plan according to the recruitment demand, and pass the recruitment information to job seekers through different channels. This will bring more interested job seekers to the enterprise. Among the numerous choices, new staffs who are more suitable for the development prospect of the enterprise are selected. Considering from the perspective of employment channels, employment concept and requirements of recruiters, several



recruitment forms, such as recent media advertisement recruitment and online recruitment are more applicable in recruitment.

Table 1: Personnel Recruitment Service Cost Table

Recruitment plan	How	Cost	Launch cycle	Number of recruitment	Effectiveness analysis
The new media advertising recruitment	1、Spray painting, car stickers (about 32000 RMB). 2、Make the display recruitment advertisement of 800 RMB.	32800	1、Twice a year 2、Unlimited usage per year	40	1. Low cost and wide audience 2. High cost, but largest audience
Online recruitment	Release recruitment information through online account. Main channels: 58, Zhaopin	58.com account: 5800 RMB per year Zhaopin.com account: 7800RMB per year	The implementation of all the year round	40	58.com and Zhaopin.com are the first way for modern job seekers to obtain recruitment information, and the only main online recruitment channel at present

The human resources department of the company makes the mobile web page publicity link, and the web page with interactive experience, dynamic effect and sound effect, which is disseminated in the mobile network social media (mainly WeChat), is put on WeChat in the later stage (no cost); the production of spray painting, car stickers and other types of recruitment ads (32,000 RMB); the production of exhibition recruitment ads totaled 800 RMB. There is not any limit to the period of mobile advertising. According to the weak and business recruitment season, recruitment demand and cost, it is recommended to invest two periods a year. Display ads can be reused without limit to the number of time. And mobile recruitment link advertising, low cost, wide audience, any use of software forwarding can receive. Production of spray painting, car stickers and other types of recruitment advertising costs higher, but

the largest audience. Depending on the concept of employment nearby, the effect should be better.

By publishing recruitment information through the internet account, job seekers can actively contact the recruiter to facilitate understanding of the intention of job seekers. In order to obtain job information and communicate with job seekers, recruiters can download the resume information directly. Main channels: 58.com, Zhaopin.com. Online recruitment mainly relies on the platform to release recruitment information and obtain information of job seekers. 58.com and Zhaopin.com are the primary ways for modern job seekers to obtain recruitment information. At present, the main only online recruitment channel is the best online recruitment platform for technical people with special skills.

Recruitment outsourcing risk analysis. By providing specialized services, recruitment outsourcing can help enterprises reduce recruitment costs and training costs, reduce and transfer recruitment risks, and improve their core capabilities. However, at the same time, it also brings some risks.

Risks in the selection of human resource service providers. The purpose of choosing human resource dispatch service aims to reduce the operating cost and enhance the core competitiveness of the enterprise. However, due to the asymmetry of information, companies fail to obtain enough information to understand the service providers' operation status, social reputation, cost structure and other information closely related to their interests when they start to make business choices, which leads to the wrong choice of service providers, which in turn brings risks to enterprises.

The risk of human resource business selection by the employing enterprise. Core competence is an important consideration in the choice of competitive strategy.

Successful companies expand their competitive advantage by focusing resources on their core competitiveness, which prevents their competitors from synchronizing.

Human resource cost has always been an important factor of enterprise operating cost, but in the process of choosing the business module of human resource dispatch, companies may have the opportunity to obtain benefits, but also the risk of reducing core competitiveness due to the improper choice of accepting the business module of human resource dispatch.

#### 4.2.7 The existence of Exit Strategy

According to the interview with three employees, Company X has no exit strategy for outsourcing business. For Company X, their strategy is tantamount to terminate cooperation with outsourcing service providers.

## CHAPTER 5

### CONCLUSION

#### 5.1 Discussion

From the two cases that Company X had decided to outsource with initial failure attempts, it was found that both attempts were on the services that were essential to business survival. From the analytical framework, these two services fell into the quadrant 2 category, which meant both of them should consider retaining within the firm, rather than outsourcing. However, due to the limited HR resources, Company X decided to outsource in the first place, regardless of the consideration of the uniqueness of specific knowledge, expertise, with matching culture that were only very different to the company. The matrix helps to give a broader guidance on the process selection not to set the wrong foot in the first place.

When exploring the cases of the common mistakes framework, it is crucial to explore all the risk factors prior to planning and prepare for the risk averse. In many cases, outsourcing have ignored other necessary factors, by mainly considering only the cost. The cost consideration is done only for the cost that surfaces, omitting the hidden cost structure. Total cost economy is the very important scheme to be considered but not well understood and ignored.

Another part that has always been ignored is the exit strategy. It has not always been a part of the outsourcing strategy. Exit strategy is like a backtrack strategy in the case when things do not leave well as plan. Resumption of service can incur some cost and time, and it can be complex to re-implement. Sometimes, it is inevitable. Exit strategy will provide a secure way to safely resumes with minimal loss to business.

## 5.2 Business Implication

The outsourcing strategic framework covers the guidance to provide a quick access to evaluate the service and to help business make the decision that is if a certain process should be outsourced, inserted, or retained. It also gives the practical approach to evaluate the risk factors when evaluating the process of outsourcing and evaluating the contractors or service providers whom the service will be outsourced to in order to secure and ensure the smooth transition.

## 5.3 Future Research

In-depth practical procedures and processes need further refinement and better risk assessment at each step. The detail procedures will further explore and comprehensively cover in details the outsourcing steps and the outsourcing actions to avoid in practice.

## 5.4 Research Limitations

It needs to be pointed out that the research is a relatively broad topic. This study takes Company X as an example to conduct research. Company X enjoys its own industry characteristics and personality characteristics. Currently, the company focuses mainly in recruitment and training outsourcing. The outsourcing practice is not deep enough, and the research may not insufficiently reflect the whole process of human resource management outsourcing in the automotive finance industry. In the future, we should expand the research to more companies for comprehensive research and to choose a reasonable outsourcing mode. Admittedly, there are too few cases in this research. If anyone wants to know the diversity of business, please do more research on other industries or more companies. Outsourcing success cases should be a

convincing proof of the matrix. After enterprises choose to adopt the outsourcing model, it is necessary to further explore and improve the strategic planning and arrangement with sustainable development at a higher level.



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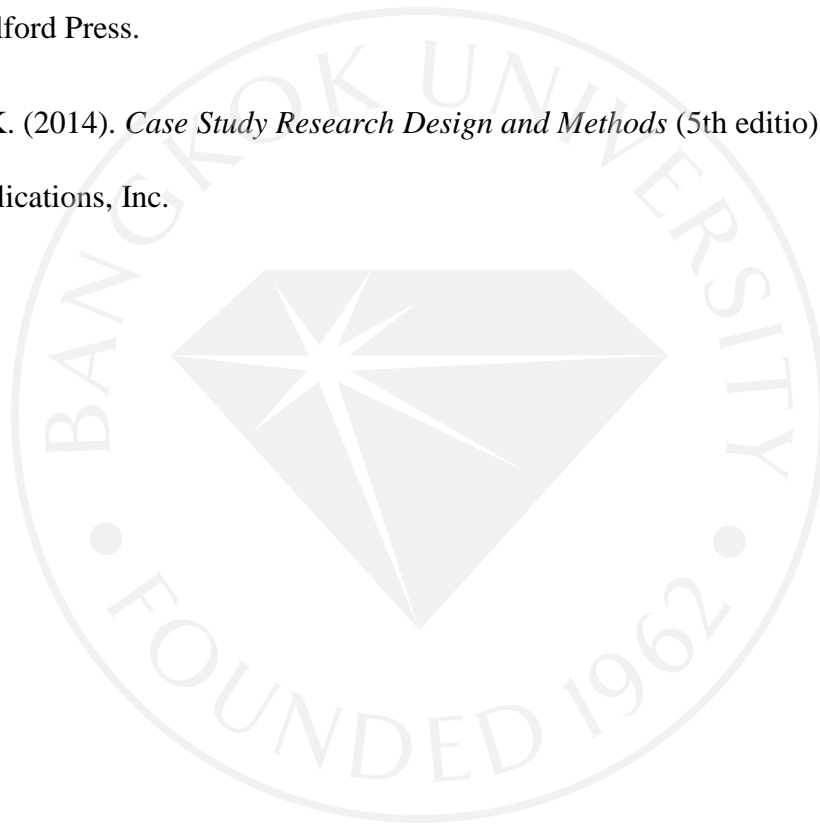
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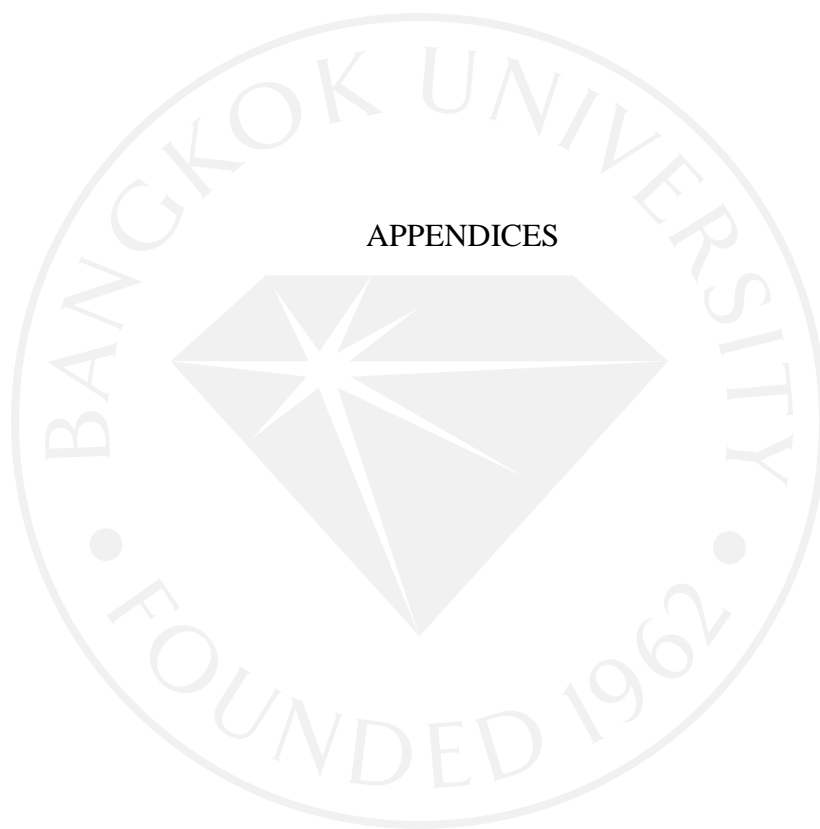
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## APPENDICES



## Appendix A:

### **Questionnaire Formulation for Data Collection**

Stage 1: Examining Processes/Functions to Outsourcing Consideration Interview and explore functions under supervision by a manager.

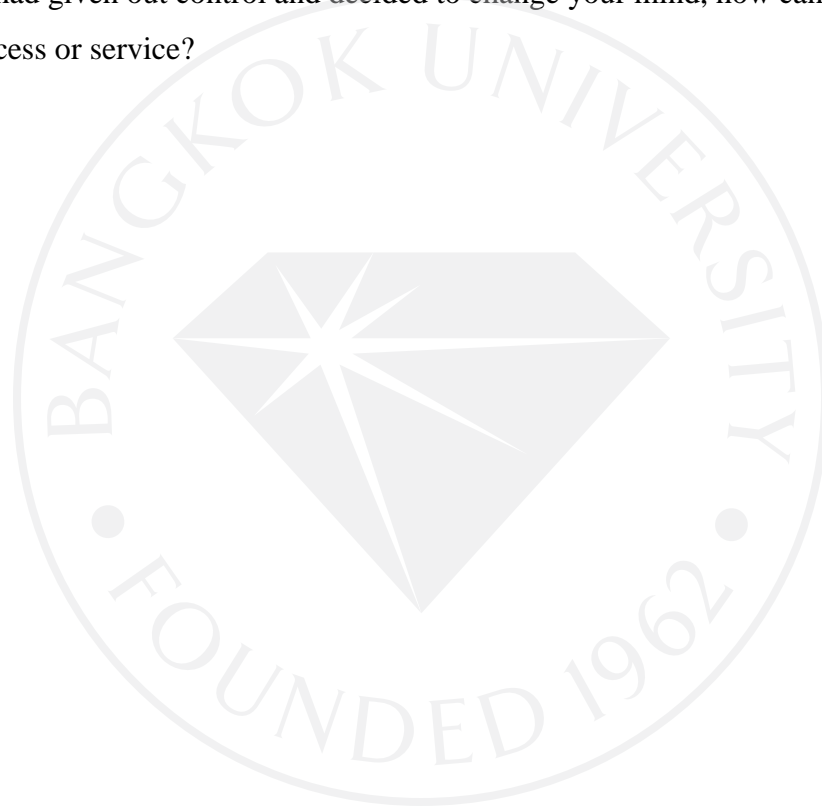
- 1.Explain your roles and responsibilities in the company.
- 2.What is the key expectation the company expect you to deliver?

Stage 2: Exploring the quality of the works against industry

- 1.Compare to other companies in the industry, how to say if you are delivering the quality service? (Look for key performance delivery that you are better than the rest in the industry)
- 2.In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?
- 3.In the case that you need extra knowledge on some matters, how do you look for that knowledge? Who will you turn to to consult on that?
- 4.Is there any process or service that requires scare resources, for example, expensive equipment or high expertise that only specific person or company can deliver?

Stage 3: Exploring the risk of giving out controls

1. Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?
2. If you are to give up or give away controls on some process or services to other external party, what is your strategy to ensure that you do not sacrifice the quality of your process or service.
3. If you had given out control and decided to change your mind, how can you re-instate your process or service?



## Appendix B:

### **Letter of interview**

Dear Mr. Feng:

Hello! Thank you for your personal interview.

The company you work for that is an emerging small and medium-sized enterprise in our city. I have made outstanding achievements in talent introduction and business management. I also want to further interview you around your company's relevant outsourcing initiatives.

The interview outline is as follows:

- 1.Explain your roles and responsibilities in the company.
2. What is the key expectation the company expect you to deliver?
3. Compare to other companies in the industry, how to say if you are delivering the quality service?
4. In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?
5. In the case that you need extra knowledge on some matters, how do you look for that knowledge? Who will you turn to to consult on that?
- 6.Is there any process or service that requires scare resources, for example, expensive equipment or high expertise that only specific person or company can deliver?
7. Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?

8. If you are to give up or give away controls on some process or services to other external party, what is your strategy to ensure that you do not sacrifice the quality of your process or service.

9. If you had given out control and decided to change your mind, how can you re-instate your process or service?

The above are some questions that I would like to know. Hopefully I can have the opportunity to meet with you. Thank you again for accepting my interview in your busy schedule. Wish your family a happy weekend!

Lin

2019.10.10



## 区域经理--采访

### Interview of Regional Manager

林：封先生，你好，我先自我介绍一下，我是林萍目前正在曼谷大学就读 MBI，你可以叫我小林，这次采访您的主要目的是想了解一下贵公司关于人力资源这一块的信息。

Lin: Hi, Mr Feng, I'm Lin Ping, now studying MBI in Bangkok University. You can call me Lin as you like. The purpose of my interview is about human resources and other relevant information.

封：你好，小林，没有问题。

Feng: Hello, Lin, no problem I can help you with that.

林：首先请您介绍一下你自己包括职位什么的和具体描述一下主要负责的工作流程。

Lin: Could you please introduce yourself first, explain your roles and responsibilities in the company.

封：我是公司在玉林的区域主管，主要负责组建团队和拓展玉林的市场。组建团队的话，我有两种办法，最方便快捷的是从竞争者公司里挖人，因为我们是业务部门，所以说流动性还是蛮大的，而且每个公司的文化差异和管理模式都有很大的不同。所以说在这个行业当中的话如果我们公司提供的福利和满足的条件比较多就能挖到人过来。还有一个就是通过网络招聘，但是通过网络招聘到的员工都不怎么让人满意。据我的经验，来应聘的人很少有相关的工作经验，对于我们的业务比较陌生，很难即时开展工作。我们都知道相关的工作经验是要靠积累的，如果要培训新员工的话，也是需要一定的时间的。



Feng: I am the regional manager of the company in Yulin, mainly responsible for forming a team and expanding the market of Yulin. I have two ways to form a team. First of all, the most convenient and quick way is to steal a competitor's key salesperson. Because we are more like an operating department, we say that the mobility here is still quite high, and has a lot of cultural differences and management patterns. Therefore, if you are in this industry, if we provide more benefits and conditions to meet, we can hire people from the competitors. Another one is recruiting through the recruitment website, but the employees recruited through the website are not very satisfactory. According to my experience, the people who come to apply rarely have relevant work experience. It is relatively unfamiliar to our business and it is difficult to carry out work immediately. And we all know that relevant work experience depends on accumulation. It will take some time to train the new employees.

So in this industry, if our company offers more benefits and meets more conditions, we can dig people in. Another is through the network recruitment, but through the network recruitment of employees are not very satisfactory. According to my experience, the applicant seldom has the relevant work experience, for our business is relatively unfamiliar, it is difficult to start work immediately. The relevant work experience depends on accumulation. If training is needed, it will take some time.

林：就是说，如果新员工不是从对手公司挖的话，会需要比较长的时间来适应工作内容，一般的新员工专业性并不强。基于目前您谈到的您的职责和职位，您觉得贵公司期待您为公司创造怎样的利益呢？

Lin: That is to say, if the new employee is not stealing from the competitor, it will take a long time to adapt to the work, and in generally the new employee is not professional. Based on your current responsibilities and positions, what do you think your company expects from you to create benefits for the company?

封：对于我来说，我负责的区域是一个全新的区域，团队是一个开展业务的基础。公司希望我能组建一支强而有力的团队，给公司带来最直接的好处就是业绩。当然

还有其他的，像公司的声誉啊，与客户建立打好交道啊，建立信任基础啊，我觉得一个好的团队都是可以做到的。

Feng: For me, the area I am responsible for is a new area, and the team is the foundation for expanding business. The company hopes that I can form a strong and powerful team, and the direct benefit to the company is performance. Of course, there are some other benefits as well, like the company's reputation, to build a good relationship with customers, and build a foundation of trust. I think a good team can do it.

林：那在你眼里完整的团队或者说是全面一点的团队是一个怎样的团队呢？这个团队里要有什么样的资源或者有几个队友？他们分别担任什么职位？

Lin: What kind of team is the complete team or the more comprehensive team in your opinion? And what kind of resources or team members should be in this team? What kind of work that each of them responsible for?

封：就目前来说，如果我们要达到公司所期望的目标，我们的团队必须要有一定的分级，比如说我负责玉林这个区域，它包括了好几个县城，要把一个最基础的团队构建起来，每个县城有一个负责人，再让这些负责人分别招纳或者带领其他人员进行业务拓展。换句话说，每一个县城都应该有一个业务主管，他们各自有各自的团队，所以会有第三级的团队出现。除了我们目前在极力拓展的金融业务之外，我们还有一个汽车销售的主业务，所以我有更长远的规划，但是那个规划以目前的资源和团队建设来说，还未能开拓。因为公司在玉林还没有站稳脚跟，需要一定的时间来沉淀，建立声誉。

Feng: At present, if we want to achieve the expected goals of the company, our team must be graded. For example, I am in charge of Yulin, this area, which includes several counties, to build a basic team, each county has a person in charge, and then let these team leaders in charge of the recruitment or leadership of other team members. In other words, every county should have a business executive, each with its own team, so there will be a

third-level team. In addition to the financial business we are currently expanding, we also have a main business of car sales, so I have a longer-term plan, but that plan has not yet been developed in terms of current resources and team building. Because the company has not yet established a foothold in Yulin, it takes a certain amount of time to settle and build a reputation.

林：好的，明白了，然后我的下一个问题是，于同行相比，为什么说你们提供的是优质服务呢？

Lin: Alright, I got these. And my next question is compare to other companies in the industry, how to say if you are delivering the quality service?

封：第一，我们公司的主产品是金融服务类的，然后我们的公司是业内第一家上市的公司，所以说我们拥有比较健全的风险控制体系，资金也相对充足，售后服务也更完善一些，毕竟对于提供金融服务来说，每一个客户的服务周期至少在 3 年，所以售后服务对于客户来说是非常重要的。

Feng: First, our company's main product is financial services, and then our company is the first listed company in the industry, so we have a relatively complete risk control system, the funds are relatively sufficient, and better after-sales service. After all, for the provision of financial services, each customer's service cycle is at least 3 years, so after-sales service is very important for customers.

林：好的，据您所知，你有认识其他能提供同等服务的同行，但他们在成本和时间还有服务质量上都比你们的好？

Lin: In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?

封：答案是肯定的，对于这个行业来说，我们公司是风险控制体系最健全的，但是就目前的市场环境来说，这类服务的价值并不是那么的被认可。有一些同行基于公司发展战略的原因，可能在风险控制上面就没那么有保障了，这样的话，他们的成

本和时间都会比我们的少。效率的话，这要看是以什么为参考标准，如果是以顾客更快的获取资金来说我们是没有优势的。成本的话，我们的风控体系比较严格，所以我们的人力效能其实是要比其他的一些同行要低的。比如说：我们能成功放款 20 万人民币，他们也能成功放款 20 万人民币。相比之下，我们的时间，成本其实都比他们的高，效率也因此变低了。但我们是考虑到我们公司能在这个金融服务行业的长远发展战略。因为对于这种金融类型的公司来说，这都不是最重要的，最重要的话是对于客户的风险控制把控得好，降低逾期率，我们最终的收益其实是要比同行高的。

Feng: The answer is yes. For this industry, our company has the most complete risk control system, but in the current market environment, the value of such services is not so recognized. Some of the peers are based on the company's development strategy, and they might not be as secure as risk control. In this case, their cost and time will be less than ours. Efficiency depends on the reference standard, let's say if it depends on that the time of customer to obtain funds, we have no advantage. And the cost, our risk control system is more professional, so our human resources efficiency is actually lower than some other peers. For example: We can successfully release 200,000 RMB, and they can also successfully release 200,000 RMB. In contrast, our time and cost are actually higher than theirs, and the efficiency is therefore lower. But we are considering the long-term development strategy of our company in this financial services industry. Because this is not the most important thing for this type of financial company, the most important thing is that the risk control of the customer is well controlled and the overdue rate is lowered. To be honest our final income is actually higher than that of the peers.

林：为什么说这类服务的价值并不是那么的被认可？

Lin: How to understand the value of such services is not so recognized?

封：没错，资金方是很成熟，但是消费方还是不成熟的。很多客户其实是高估了自己的还款能力。所以说现在市场上很多种客户，其实资质并不是很好的。但是话

他们也占了很大一个部分的份额。如果说是我们要拓展业务话就必须接纳这一部分的客户。那这一部分的客户化随之带来的话就是高风险。而且现在的公司更替也很快。

Feng: Yes, compared with the customer, the funding side is highly complete. Many customers actually overestimate their repayment ability. Therefore, there are many customers in the market, but the qualifications are not very good. But then they also account for a large part of the share. If we want to expand our business, we must accept this part of our customers. What this part of the customer brings are high risks. And now the competitive company is changing quickly.

林：好的，好的，明白了。我觉得你们这个行业的工作人员需要关注或者说要了解的资讯非常多吧？一般来说，你都是怎么获取你所需要的资讯呢？什么新技能？是通过他人呢，还是什么渠道呢？

Lin: Got it. I think there is a lot of information that people like you in this industry need to pay attention to or have to know. In general, how do you get the information you need? Who will you turn to to consult on that?

封：关于这个问题，我们基本上是通过沟通交流。我的各大社交软件和网页新闻也关注了相关的平台，平时我开车比较多，我在车上的时候会听一些相关的广播。关于我们的业务这一块，通常，我们公司提供大量的资料，员工都可以去查阅。

Feng: On this issue, we basically get information through communication. My major social apps and news on website and some other relevant platforms. I usually drive a lot, and I will listen to some related broadcasts when I am in the car. Regarding our business, usually, our company provides a large amount of information that all of us can read on line.

林：就是有很多文件类的资料供你们查阅是吧？

Lin: So there are a lot of documents for you to read?

封：对对对。

Feng: Exactly.

林：那你们公司有没有什么很重要的资源，昂贵的设备啊，比如说，只有某一岗位的特定人员或者公司高层才能给你们提供到的很专业的信息或者行业内的机密信息呢？

Lin: Is there any process or service that requires scarce resources, for example, expensive equipment or high expertise that only specific person or company can deliver?

封：对于金融行业来说，我们这边的话拿到的都是开放性的东西，但是对于金融内部的利率算法还有包括风险控制体系的内容，都是属于暗箱操作的，你明白吗？

Feng: For the financial industry, what we get here is open-ended, but the internal interest rate algorithm and the risk control system are all black-box operations. Do you understand?

林：什么是暗箱操作？

Lin: What is black-box operations anyway?

封：我给你举个例子吧，手机，你不需要知道手机是怎么运作的，你知道你要怎么操作能打电话，什么操作能发信息就 OK 了。因为金融的风控体系是非常复杂的，所以我们的所有的金融政策的设定都是有上面一些金融精算师（Financial actuaries）来制定的。我们作为业务员本身是没有办法也没有必要去懂得这些高专业性和复杂的东西，我们只需要懂得终端的操作就好了。因为我们就是提供终端服务的。

Feng: Let me give you an example mobile-phone. You don't need to know how the mobile phone works. You just need to know how to call someone or send message to someone via your phone. Because the financial risk control system is very complicated, all of our financial policy settings are set by some of the above financial actuaries. As a salesman,

we have no way and no need to understand these highly professional and complicated things. We only need to understand the operation of the terminal. Because we are providing terminal services.

林：那贵公司有没有某一个员工或者某一工作流程是只有特定的员工负责的，那个员工如果离职了，你们会受到很大的影响。

Lin: Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?

封：没有。这个是一个开放性的平台操作，每一个人都是通过软件对接的，中间可以省去所有人的参与，都是由系统处理。

Feng: No, we don't have that kind employee or process. This is an open platform operation, each employee is docked through software, which can save everyone's participation, all handled by the system.

林：那你作为区域经理，你如果离开公司，贵公司也不会受到影响吗？

Lin: As a regional manager, what if you leave the company, will your company be affected?

封：当然如果某一领导或者业务能力很强的员工离开公司，公司会有一定程度上的损失，但影响不大。但严格来说，我们公司也没有什么关键性的工作流程和关键性的员工。

Feng: Of course, if one of the shareholder or the employee with strong business ability leaves the company, the company will have a certain degree of loss, but the impact is not that great. But strictly speaking, our company does not have any critical work processes and key employees.

林：那你们公司的员工在离职之前也不用签订保密协议吗？据我了解很多公司都会要求离职人员签订 3 年内不允许在同行就职的保密协议。



Lin: Do your company employees have to sign a confidentiality agreement before leaving the company? As far as I know, many companies will ask the resigned employees to sign a confidentiality agreement that is not allowed to work in the same industry within three years.

封：我之前提到的这个行业的人员流动性非常大，而且一般员工掌握到的信息也是公司对外开放的信息不算机密，所以也没有必要签订保密协议。我们公司比较高级保密的是关于风险控制的技术，像大数据技术，包括和中央人民银行对接的信息。

Feng: As I mentioned before, the mobility of people in this industry is very high, and the information that employees generally have is also not confidential for the company, and it's opening to the outside world as well, so there is no need to sign a confidentiality agreement. Our company's more advanced confidentiality is about risk control technologies, like big data technology, including information that interfaces with the Central People's Bank.

林：那好的，我这边暂时没有其他的问题了，非常感谢您百忙之中抽空给我做采访。

Lin: Well, I have no other questions so far. Thank you very much for your time and kind.

封：你太客气了，还有不明白的可以再找我。

Feng: you're welcome, if you have any other question, don't hesitate to let me know.

林：好的，再次感谢您。

Lin: OK, thanks again.



### Letter of interview

Dear Mr. Li:

Hello! Thank you for your personal interview.

The company you work for that is an emerging small and medium-sized enterprise in our city. I have made outstanding achievements in talent introduction and business management. I also want to further interview you around your company's relevant outsourcing initiatives.

The interview outline is as follows:

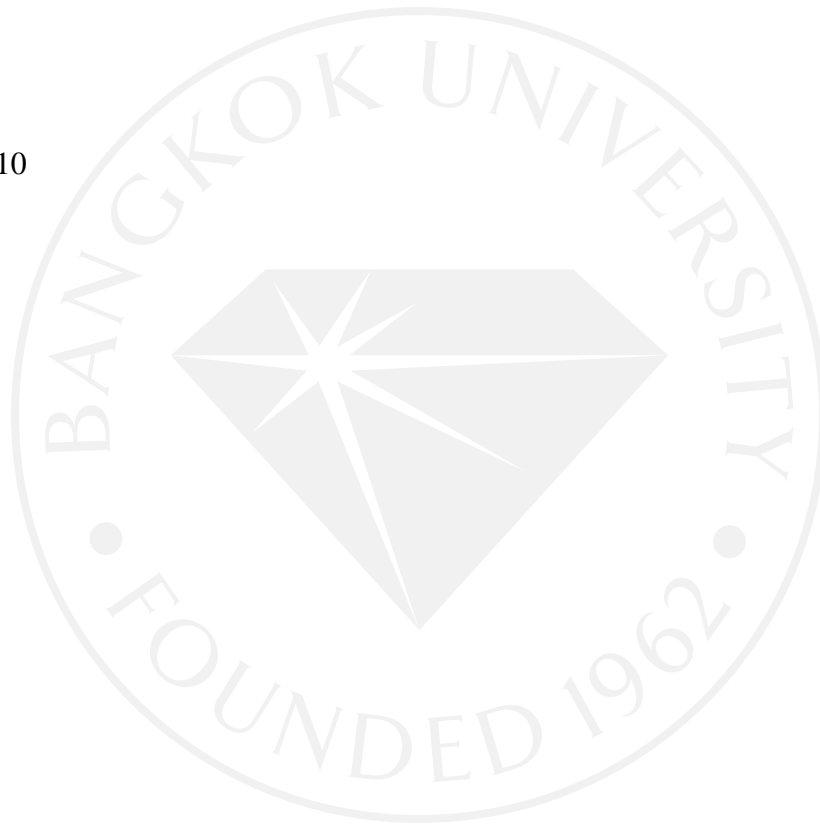
1. Explain your roles and responsibilities in the company.
2. What is the key expectation the company expect you to deliver?
3. Compare to other companies in the industry, how to say if you are delivering the quality service?
4. In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?
5. In the case that you need extra knowledge on some matters, how do you look for that knowledge? Who will you turn to to consult on that?
6. Is there any process or service that requires scare resources, for example, expensive equipment or high expertise that only specific person or company can deliver?
7. Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?
8. If you are to give up or give away controls on some process or services to other external party, what is your strategy to ensure that you do not sacrifice the quality of your process or service.

9. If you had given out control and decided to change your mind, how can you re-instate your process or service?

The above are some questions that I would like to know. Hopefully I can have the opportunity to meet with you. Thank you again for accepting my interview in your busy schedule. Wish your family a happy weekend!

Lin

2019.10.10



## 风控专员--采访

### Interview of Risk Control Specialist

林：首先请您介绍一下你自己包括职位什么的和具体描述一下主要负责的工作流程。

Lin: Could you please introduce yourself first, explain your roles and responsibilities in the company.

李：我在公司任职的是风控专员，主要负责公司客户材料汇总分析，上传平台系统，跟进平台信息。日常工作流程就是处理公司邮箱里面业务员收集上来的图片资料，经过初步的判断客户的资质情况后把客户的资料信息录入平台系统。后续进行跟踪审批结果，把成功审批的客户资料制作好合同发给业务员。

Li: I work as a risk control specialist in the company, mainly responsible for collecting and analyzing customer materials, uploading to the platform system and following up platform information. My daily work process is to process the pictures and materials collected by the financial specialists in the company's mailbox, and input the information of the customer into the platform system after the preliminary judgment of the customer's qualification. Follow up the examination and approval results and send the successful customer materials to the salesman.

林：如果有资质审核不过的话，会是因为什么原因呢？能请您说几个比较普遍的因素吗？

Lin: If there's a qualification check but the approval results is failed, what's the possible reason for that? Could you please tell me a few common factors?

李：客户年龄不符合、工作不稳定或者涉及到一些高风险的行业、客户的征信差、还有客户的大数据被拒绝是比较常见审核不过的原因。

Li: Customers' age non-compliance, unstable work or involving high-risk industries, poor credit, and the rejection of big data from customers are the more common reasons for review.

林：基于目前您谈到的您的职责和职位，您觉得贵公司期待您为公司创造怎样的利益呢？

Lin: Based on your current responsibilities and positions, what do you think your company expects from you to create benefits for the company?

李：1、效率是公司最注重的，这个需要对金融产品的规则非常熟悉，高效率可以给业务员的服务加分，提升竞争力。2、还有平台对于材料合格率和材料真实性有着严格的考核，每个提交上平台的客户需要打电话给客户沟通核实他所填写的内容真实性，此类的考核直接关系到公司的后续返佣提成。

Li: On the one hand efficiency is the company's most important concern. This requires very familiarity with the rules of financial products. High efficiency can add points to the financial specialists' services and enhance competitiveness. On the other hand there are also platforms that have a strict assessment of material qualification rate and material authenticity. Each customer submitting the platform needs to call the customer to verify the authenticity of the content he filled in. Such assessment is directly related to the company's subsequent return. Commission commission.

林：好的，明白了，然后我的下一个问题是，于同行相比，为什么说你们提供的是优质服务呢？

Lin: Alright, I got these. And my next question is compare to other companies in the industry, how to say if you are delivering the quality service?

李：我们的风控体系完善程度比较高。

Li: we have the relatively complete risk control system.

林：好的，据您所知，你有认识其他能提供同等服务的同行，但他们在成本和时间还有服务质量上都比你们的好？

Lin: In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?

李：同行中已经有功能比较完善的手机 APP 进行材料的收集，这样就可以省去了我们录单的环节，至于风控审核已经有了可靠的大数据分析处理。在我们公司也开始应用此类技术，所以我的部分工作已近逐渐的被技术取代。

Li: The mobile phone APP with relatively complete functions has been collected in the peers, so that we can save the link of our recording. As for the risk control audit, we have reliable big data analysis and processing. In our company, we have begun to apply such technology, so part of my work has been gradually replaced by technology.

林：好的。我觉得你们这个行业的工作人员需要关注或者说要了解的资讯非常多吧？一般来说，你都是怎么获取你所需要的资讯呢？什么新技能？是通过他人呢，还是什么渠道呢？

Lin: Got it. I think there is a lot of information that people like you in this industry need to pay attention to or have to know. In general, how do you get the information you need? Who will you turn to to consult on that?

李：我主要是公司的课件资料、每日的工作总结会议和培训获取到需要的咨询。

Li: I got the information or so call knowledge mainly the company's online course materials, daily work summary meetings and training to get the required advice.

林：就是有很多文件类的资料供你们查阅是吧？

Lin: So there are a lot of documents for you to read?

李：是的，有非常多的课件，而且课件的内容都是重要的，需要在电脑上面整合在桌面，方便随时查阅和传送给需要的业务人员。

Li: Yes, there are a lot of documents, and all of the documents are very important. It needs to be integrated on the desktop on the computer, so that it can be easily accessed and transmitted to the required financial specialist.

林：那你们公司有没有什么很重要的资源，昂贵的设备啊，比如说，只有某一岗位的特定人员或者公司高层才能给你们提供到的很专业的信息或者行业内的机密信息呢？

Lin: Is there any process or service that requires scare resources, for example, expensive equipment or high expertise that only specific person or company can deliver?

李：风控的内容和客户的资料就是最机密的资源了。

Li: The content of risk control and customer information is the most confidential 安 and scare resource.

林：那贵公司有没有某一个员工或者某一工作流程是只有特定的员工负责的，那个员工如果离职了，你们会受到很大的影响。

Lin: Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?

李：在我看来是没有的。

Li: It seems to me that we don't have that kind of process or service.

林：那你们公司的员工在离职之前也不用签订保密协议吗？据我了解很多公司都会要求离职人员签订 3 年内不允许在同行就职的保密协议。

Lin: Do your company employees have to sign a confidentiality agreement before leaving the company? As far as I know, many companies will ask the resigned employees to sign

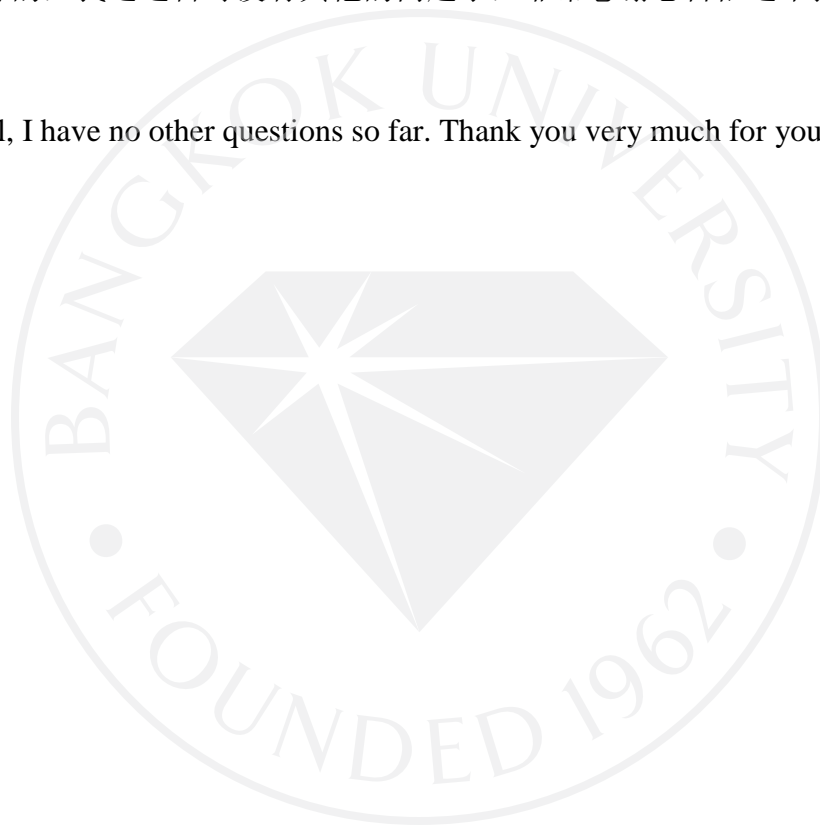
a confidentiality agreement that is not allowed to work in the same industry within three years.

李：这个问题也不存在哦。

Li: We don't have this kind of issue either.

林：那好的，我这边暂时没有其他的问题了，非常感谢您百忙之中抽空给我做采访。

Lin: Well, I have no other questions so far. Thank you very much for your time and kind.



### Letter of interview

Dear Mr. Zhang:

Hello! Thank you for your personal interview.

The company you work for that is an emerging small and medium-sized enterprise in our city. I have made outstanding achievements in talent introduction and business management. I also want to further interview you around your company's relevant outsourcing initiatives.

The interview outline is as follows:

2. Explain your roles and responsibilities in the company.
2. What is the key expectation the company expect you to deliver?
3. Compare to other companies in the industry, how to say if you are delivering the quality service?
4. In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?
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7. Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?
8. If you are to give up or give away controls on some process or services to other external party, what is your strategy to ensure that you do not sacrifice the quality of your process or service.

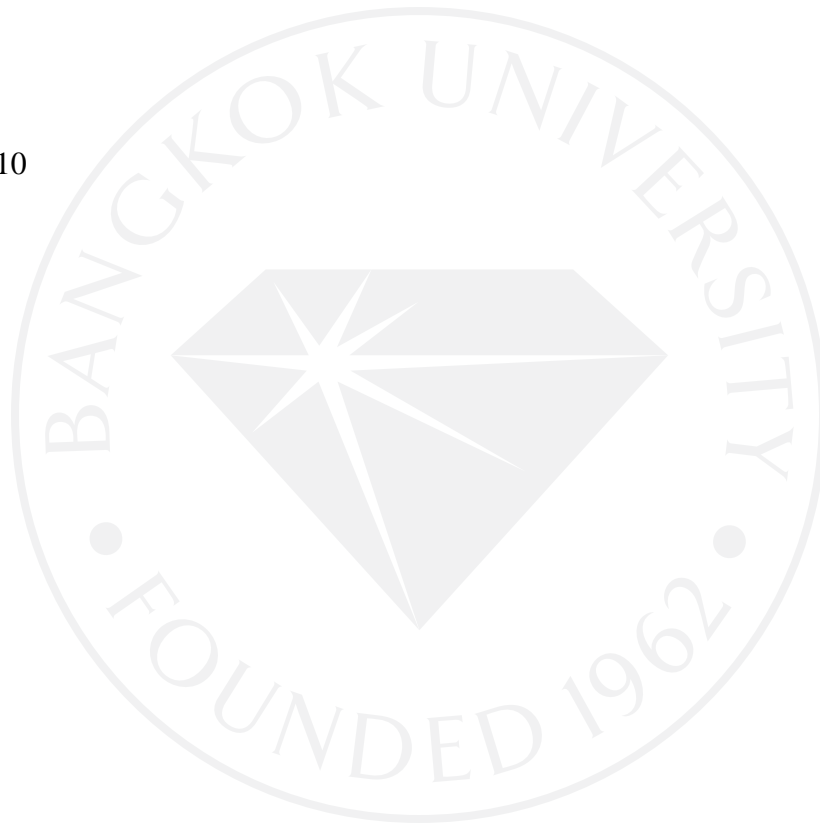


9. If you had given out control and decided to change your mind, how can you re-instate your process or service?

The above are some questions that I would like to know. Hopefully I can have the opportunity to meet with you. Thank you again for accepting my interview in your busy schedule. Wish your family a happy weekend!

Lin

2019.10.10



## 金融业务员专员--采访

### Interview of Financial specialist

林：首先请您介绍一下你自己包括职位什么的和具体描述一下主要负责的工作流程。

Lin: Could you please introduce yourself first, explain your roles and responsibilities in the company.

张：我从事的是金融业务专员，主要就是拓展二手车商，销售公司的金融产品。日常工作就是走访市场寻求客户。如果有达成协议的客户，我就提供贷款预算，解答客户的疑问，收集客户的信息资料，后续通过审批后签署合同和收集贷后的材料。我工作上比较多的是走访推销的过程，接待客户都是标准流程进行的。但是走访客户是一项需要很强的销售和谈判技巧的工作，对很多业务员来说比较有难度一些。

Zhang: I am a financial specialist, mainly in the development of second-hand car dealers, sales of the company's financial products. My daily work is to visit the market to seek new customers.

If there are customers who have reached an agreement, I will provide the loan budget, answer the customers' questions, collect customer information, sign the contract after approval and collect the materials after loan with customers. Most of my work involves the process of visiting and selling, and the reception of customers is carried out by standard procedures. Meanwhile visiting clients is a job that requires strong sales and negotiation skills, which can be difficult for many people like me.

林：基于目前您谈到的您的职责和职位，您贵公司期待您为公司创造怎样的利益呢？

Lin: Based on your current responsibilities and positions, what do you think your company expects from you to create benefits for the company?

张：完成公司要求的业绩任务，我们有 KPI 考核，就是按照公司的指引去完成任务就可以了。

Zhang: We have KPI assessment to complete the performance tasks required by the company. It is necessary to complete the tasks according to the company's guidance.

林：好的，明白了，然后我的下一个问题是，于同行相比，为什么说你们提供的是优质服务呢？

Lin: Alright, I got these. And my next question is compare to other companies in the industry, how to say if you are delivering the quality service?

张：首先我们的平台是首个上市的金融租赁公司，提供的产品是市面上利率最低的，对于融资租赁公司而言，一个公司的实力在于融资的成本，而我们的能提供低利率产品主要是我们的融资能力要强于市面上的其他公司。其次我们的产品没有受到市场上的恶性竞争左右，坚持把好风控尺度，给商家和客户把控好风控尺度。例如市面上为了争抢业务，很多公司都标榜自己能做以零首付或者低首付提车，其实这些行为是对客户不负责的，这诱导一些客户忽略自己当前的财务状况，冒险消费。最后一点，我们提供更有保障的售后服务，因为是上市公司的平台，所以在后续抵御风险的能力是市面上比较强的，所以客户选择我们的产品会更加放心安心。

Zhang: Firstly, our platform is the first listed financial leasing company, which offers the lowest interest rate in the market. For finance leasing companies, the strength of a company lies in the cost of financing, while our low interest rate product mainly means that our financing ability is better than other companies in the market.

Secondly, our products are not subject to the vicious competition in the market, and we insist on the standard of risk control, so as to give merchants and customers the standard of risk control.

For example, in order to compete for business in the market, many companies boast that they can raise cars with zero or low down payment. In fact, these behaviors are not

responsible for customers, which induces some customers to ignore their current financial situation and take risks in consumption.

Last but not least, we provide more secure after-sales service. As a platform of listed companies, our ability to withstand risks in the future is relatively strong in the market, so customers will be more comfortable in choosing our products.

林：好的，据您所知，你有认识其他能提供同等服务的同行，但他们在成本和时间还有服务质量上都比你们的好？

Lin: In your knowledge, do you know anyone who can deliver the same service as you do, but better in term of cost, efficiency, and effectiveness?

张：有的，主要体现在时间成本上，他们表现出了更高的审批效率和拨款速度。这个是公司对于风控把控的考量。

Zhang: Yes, mainly in terms of time costs, they have shown greater efficiency in approving and allocating funds. This is the company's consideration of risk control.

林：好的。我觉得你们这个行业的工作人员需要关注或者说要了解的资讯非常多吧？一般来说，你都是怎么获取你所需要的资讯呢？什么新技能？是通过他人呢，还是什么渠道呢？

Lin: In my opinion there is a lot of information that people like you in this industry need to pay attention to or have to know. In general, how do you get the information you need? Who will you turn to to consult on that?

张：没错，特别是最近公司的产品操作和流程上都有所变动，主要就是在操作流程上要进行改革，所以很多课件需要学习，就是网络课程。我们基本能在网络课程上找到我们所需要的资料。还有日常的流程更改通知是需要记录学习的。

Zhang: Exactly, especially the recent changes in the company's product operation and process, mainly in the operation process to reform, so a lot of courseware to learn, is the

network course. Most of the time we can find the materials we need in the online course. There are also daily process change notifications that need to be documented and learned.

林：那你们的网课是强制性要你们学习的吗？

Lin: So is there anyone push you to learn from the online course?

张：没有，我们还是很乐意从网络课程上汲取我们所需要的知识的。

Zhang: that's not truth, we are happy to get knowledge from online course.

林：那你们公司有没有什么很重要的资源，昂贵的设备啊，比如说，只有某一岗位的特定人员或者公司高层才能给你们提供到的很专业的信息或者行业内的机密信息呢？

Lin: Is there any process or service that requires scare resources, for example, expensive equipment or high expertise that only specific person or company can deliver?

张：因为我们卖的是虚拟的产品，所以没有很重要设备。至于资源嘛，就是手现有的客户群，客户的联系方式是一个销售业务员最宝贵的资源了。但是在公司当中没有那个特定的人员离岗就会影响到业务的进展，而且公司是扁平化的管理，主要是通过目标管理进行的日常工作安排，资金申请，假期审批等，所以这个只要相应的程序有人负责就不会影响到公司的运行。

Zhang: Because we are selling virtual products, we don't have the scare resources. But the existing customer base is our most important resource. The contact information of the customer is the most valuable resource of a financial specialist. However, there is no specific person leaving the post in the company, which will affect the progress of the business. Besides, the company is managed in a flat way, mainly through the daily work arrangement, capital application, vacation approval and so on, so as long as the corresponding procedures are taken charge, the operation of the company will not be affected.

林：那贵公司有没有某一个员工或者某一工作流程是只有特定的员工负责的，那个员工如果离职了，你们会受到很大的影响。

Lin: Is there any employee who is the owner of process or service that if he leaves the company, such process or service will be impacted?

张：嗯嗯，就是我们都是通过手机 APP 进行的管理，而且我们内部的文件都是共享在 QQ 邮箱和 QQ 文件共享平台上的。可以这么说每个业务员都可以独立完成客户的服务流程，所以如果有员工离职，也不会有很大影响的。

Zhang: Well, that's all we manage through the mobile app, and our internal files are shared on the QQ mailbox and QQ file sharing platform. It can be said that each financial specialist can complete the customer's service process separately, so if there is an employee leaving, it has no great impact actually.

林：那你们公司的员工在离职之前也不用签订保密协议吗？据我了解很多公司都会要求离职人员签订 3 年内不允许在同行就职的保密协议。

Lin: Do your company employees have to sign a confidentiality agreement before leaving the company? As far as I know, many companies will ask the resigned employees to sign a confidentiality agreement that is not allowed to work in the same industry within three years.

张：没有，我们公司没有什么内容是需要保密的。例如市面报价，还有利润分配等，都是按照市面上的常规分配的，市场是决定的因素。

Zhang: Not at all, there is nothing in our company that needs to be kept in secret. For example, market quotations, as well as profit distribution, are all distributed according to the market, and the market is the determining factor.

林：那好的，我这边暂时没有其他的问题了，非常感谢您百忙之中抽空给我做采访。

Lin: Well, I have no other questions so far. Thank you very much for your time and kind.



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