Thesis Title:

Proposing a methodology for the outsourcing of the marketing function for SMEs and MEs: a case study approach.

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Statement:

This thesis is submitted in partial fulfilment of the requirements for achieving a Masters in Business Strategy and Innovation 2010.

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Dedication:

I would like to dedicate this Thesis to Mom and Dad who continuously inspire me to strive for success, regardless of the size of life's challenges.

To my dear wife Trish who has inspired, motivated and put up with me over the last two years.

To Helen and Larry Elwood my supervisor, who helped me along this journey and to Brian Morley of AnaCores for all his help.

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List of Abbreviations

ASIC	Application Specific Integrated Circuit
BFSI	Banking, Financial Services and Insurance
B2B	Business-to-business
BPO	Business process outsourcing
FMCG	Fast moving consumer goods
GIS	Geographic Information System
InGaAs	Indium Gallium Arsenide
IT	Information technology
IiBC	Innovation in Business Centre in Castlebar
IEA	International Energy Agency
MEs	Micro enterprises
NPV	Net Present Value method
NICs	(Newly Industrialized Countries)
TCS	Tata Consultancy Services
AMA	The American Marketing Association
CIM	The Chartered Institute of Marketing
RS	Remote Sensing
RBV	Resource-based view

SIP	Semiconductor Intellectual Property
SSO	Shared Services and Outsourcing
SIP	Semiconductor Intellectual Property

SSO	Shared Services and Outsourcing
SoC	System on Chip
SME	Small and Medium-sized Enterprises
SLR	Structured literature review
USP	Unique selling point
WERS	Workplace Employment Relations Survey
WSN	Wireless Sensor Network market
WWF	World Wildlife Fund
NPV	Net Present Value method

Abstract

Globalization and competitive difficulty have forced firms to reduce their costs and to be more dynamic. Consequently, organizations should concentrate on their core competencies and outsource their other functions. Outsourcing has taken on three forms: manufacturing outsourcing, IT outsourcing, and business process outsourcing (BPO). In this paper, we focus on (BPO) and the different areas that should be investigated before a firm engages in outsourcing.

Outsourcing has become a widespread business procedure that is having a significant influence on how many organizations run their global supply chains. In the face of this notoriety, undependable information from numerous highly regarded organizations suggests that many businesses fail to realize the benefits expected from their outsourcing activities. Spurred on by these observations, this study looks into those management practices during the outsourcing procedure that are key drivers of outsourcing performance. Analysis is used to investigate the sway that different processes like strategic evaluation, contractual completeness, and relationship management practices have on attaining anticipated outsourcing results. The analysis offers strong evidence that outsourcing performance is considerably predisposed by extensive strategic evaluation and hands-on relationship management practices. Furthermore, the influence strategic assessment has on outsourcing performance is not straightforward, but rather is in part mediated by the relationship between the parties. Finally, the results show that contractual completeness is a large part responsible for the successful and unsuccessful outsourcing efforts, and can be considered qualifying activity.

Chapter 1

1.0 Introduction

Companies face pressure from different areas e.g. banks and shareholders, and have to keep a handle on their costs. Many of them are faced with marketing decisions of the traditional type, whether to 'make' or 'buy', to outsource or to keep the activity in house. When companies decided to outsource some of their business functions, they sought to find a vendor that they would view as a partner; this signalled a shift from an adversarial relationship, one at "arms length", to a much deeper relationship where the two companies work together to achieve a common goal. Business marketers have had to embrace this shift in buyer perspective by investing in long-term buyer–seller relationships. Much of the focus in researching buyer–seller relationships has focused on the logic, choice of business partner and governance issues related to such partnerships. This thesis will look at outsourcing, outsourcing of marketing and vendor selection, the outcome will be a mythology that SME's and ME's can use when considering to outsource the marketing function.

1.1 Primary Objective

The primary objective of this study is to find out the reasons why companies outsource key areas of their business. Throughout the study the following questions will be addressed:

What tools do companies use when making a decision to outsource key areas of their business?

Why do companies make these decisions?

What motivates theses companies?

1.2 Secondary Objective

The secondary objective of this study is to find out what are the implications for companies who outsource key areas of their business e.g. marketing; the reason for outsourcing this discipline is varied.

1.3 Structure of the Thesis

I intend to propose a methodology that SMEs and MEs can use when they are considering outsourcing their marketing function. I will do this using a case study method; the case study will be on the company AnaCores Ltd., with whom I worked during my year in college. In Chapter 2, I will review the literature on outsourcing the different theories that have been proposed by different academics over the years. I will research outsourcing, marketing, and outsourcing of marketing and vendor selection. In Chapter 3, I will set out my research methodology which will include the case study on the company AnaCores and at the end of this case study I will propose a methodology which SMEs and MEs can use when deciding to outsource marketing. In Chapter 4, I will put forward my recommendations and conclusion.

The global Shared Services and Outsourcing (SSO) market is enjoying major growth as companies look to outsourcing as a way to reduce costs. A new report by global growth consultancy Frost & Sullivan estimates that the worldwide SSO market was worth US$930 billion in 2006 and forecasts that it will develop at a compound annual growth rate of 15% to get to a market size of US$1,430 billion by the end of 2009. The report outlines the global SSO interest across seven major business results based on a survey of Fortune 500 and Forbes 2000 companies:

The top results based on SSO spending in 2006 were the Banking, Financial Services and Insurance (BFSI) division at US$273 billion. The technology/ICT sector was the second biggest spender at US$233 billion, while the healthcare industry spent an estimated US$130 billion on SSO.

The BFSI and technology results together constituted over 50% of the total spend on SSO in the year 2006.

The other results covered include transportation and logistics (US$113 billion), energy (US$84 billion), fast-moving consumer goods (FMCG US$59 billion), and media and entertainment (US$39 billion).

The key drivers for SSO persist to be cost benefits through consistency, leveraging benefits of scale, and cost reduction. The study also observes that SSO operations, which are an integral part of business planning, need to become accustomed to straight up specialty models for businesses to achieve higher productivity and profitability.

Chapter 2

2.0 Literature Review

2.1 Definitions:

2.1.1 Outsourcing

Outsourcing refers to the concept of hiring outside professional services to meet the in-house needs of an organisation or an agency (Gupta, U.G. and Gupta, A. 1992).

2.1.2 Marketing a definition:

The Chartered Institute of Marketing, CIM, (2005), defines marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably". The CIM's has been considerable in the expansion of the British marketing frameworks that have the essential requisite that interventions must start with the intended customer (French & Blair-Stevens, 2006). The American Marketing Association, AMA, (2008), defines marketing as "*the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*".

2.1.3 Small and Medium-sized Enterprises (SME):

There are no single definitions of small and medium sized businesses. In some industries it might be most appropriate to define size by the annual turnover while in others it is more appropriate to use the number of employees. In addition to this, a small business in one industry might be a medium or even large business in another (Brooksbank, 2000). However, the definition used in this thesis is the definition provided by the European Commission:

“The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million” (Art. 2 p.1, s. 39).

2.1.4 Micro enterprises (MEs):

A micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million. (Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises [Official Journal L 124 of 20.05.2003]).

Outsourcing is one of the most recent management strategies to emerge in response to demands for more efficient ways to address organizational competitiveness. In an age where management carefully weighs the costs and benefits of every discretionary euro spent, finding evidence of the results of outsourcing is critical. In particular, research considering the context surrounding an outsourcing decision’s results is likely to be essential and useful to a company’s outsourcing management. However, despite the growing emphasis on outsourcing, researchers are unable to empirically and systematically pinpoint its impact on a firm’s performance metrics by using objective ‘hard data’ which come from audited financial reports. Most studies refer to outsourcing impact roughly as a conceptual combination of cost reduction, productivity growth and profitability improvement approaches. Subjective ‘soft data’, such as self-report data and perceptual data, are dominating the current outsourcing research literature. There are different theories that are used by organisations to decide if outsourcing is the right course of action:

2.1.5 Transaction cost theory:

This theory assumes that transactions are determined by production economics. Organisations are economic actors using the most efficient mechanism for transactions assets (Williamson, 1981)

2.1.6 Agency theory:

The theory argues that in a principal-agent relationship the agent cannot perfectly implement the goals set up by the principle (Jensen & Mechling, 1976)

2.1.7 Resource dependence theory:

The theory puts forward the assumption that all organisations are interactive with the external environment because organisations are dependent on the resources from the environment, such as labour, capital, information, or market (Aldrich, 1976)

According to Cheon et al. (1995) asset specificity, infrequency of contracting and environmental and relationship uncertainty are the determinants of the magnitude of transaction cost, which in turn provides a basis for the evaluation of outsourcing. Cheon et al. (1995) proposed that the adoption of in sourcing (behaviour-oriented contract) versus outsourcing (outcome-oriented contract) can be determined by the amount of agency costs, which are the sum of monitoring costs by the organisation, the bonding costs by the agent and the residual loss of the organisation. Using resource dependence theory, Cheon et al. (1995) argued that the dimensions of task environments determine an organization's dimensions of resources. Therefore, outsourcing for an organisation is the result of that organisation's dependence on critical resources that can be acquired from the external environment.

Lately, outsourcing and the difficulty associated with it has become an ever more prolific research area. For an outsourcing venture, in order to maximize profits, many researchers studied outsourcing contracts involving a client and a vendor from an organizational standpoint. Laffont & Tirole (1993) provided the most primary theories for contracts when a company decides to outsource or secure goods. Van Mieghem (1999) examined outsourcing circumstances for diverse types of contracts. In addition to these, far-reaching literature can also be found (Bajari & Tadelis, 2001; Barnes-Schuster et al.,2002; Cachon & Zang,2006).

One way that firms can evaluate if an outsourced contract is delivering value to the firm is by using the Net Present Value method (NPV) which is the normal technique for investment analysis (Jeffrey & Leliveld, 2004). The NPV method indicates that the consumer should outsource, as long as the worth of an outsourcing contract yields more profits than internal operations. However, we also need to be familiar with the occasions when outsourcing may be discretionary and the time to outsource may be variable.

Current literature has more and more applied real option models to capture entire values with a value of executive flexibility and has argued that the real options approach is much better than the traditional NPV approach in decision-making (e.g.Johnstone, 2002). In the literature of outsourcing or supply chain contract, the relevance of the real option theory has also been on the increase .Van Mieghem (1999) values the selection of outsourcing to advance financial achievement and supply chain management by analyzing where a customer and a vendor make a decision independently based on their investment capacity levels.

2.1.8 The reasons why a company would choose to outsource the marketing part of its business:

1. The cost benefits

2. Not having the relevant experience in house

3. To gain access to world-class capabilities

4. To free up internal resources for other purposes

5. To share risks

2.1.9 Preliminary review of literature

To identify current outsourcing-related material, two popular search engines for academic literature research were employed: Emerald insight and Scirus. This method yielded 219 Journal articles and 8 Books from Emerald and 125 Journal sources from Scirus; 123 of these were from Science Direct and 2 were from Sage Publications. These results came from entering into the search engines the sentence "Outsourcing of Marketing by SMEs".

The rationale for the proposed research is to find out two things: if SMEs in Ireland can gain competitive advantage by outsourcing; if they can't, what are the disadvantages of outsourcing. There is a lot of literature from all over the world written on this subject and there is a clear understanding in the literature of the importance of the outsourcing decision. There is a lot of literature written from all over the World on this subject. This includes a focus on such things as cost analysis, associated risks, supplier influences and a strategic perspective. The literature consistently warns about the importance of outsourcing and the difficulties involved in outsourcing. There are few practical accounts of a methodical approach to the outsourcing process to be found in the literature. For example, authors such as Jennings (1997) and Quinn and Hilmar (1994) identify issues including costs, core and peripheral activities, supplier relationships and technologies that should be considered in the outsourcing decision without proposing a framework that would guide a company in the process.

McIvor et al. (1997) describe how knowledge-based systems technologies and multi-attribute analysis can assist an organisation in evaluating its internal capabilities with that of external suppliers without providing sufficient detail on how cost analysis should be integrated into the decision-making process. Venkatesan (1992) describes the approach adopted at the US engine manufacturer, "Cummins Engine". This is not a detailed guide to the process but it does introduce the ideas of linking product differentiation, component families analysis and manufacturing capability as a way of deciding which activities should be carried out by suppliers and which by the organisation itself.

In the literatures outsourcing is explained as one of the prevailing strategies to enhance companies' competitiveness (Gilley and Rasheed, 2000) by allocating resources to companies' core competencies that lead to competitive advantages (Prahalad and Hamel, 1990) and giving the other activities or non-core activities, which are either not strategically important or not part of the companies' capability strengths, to the outside product or service providers that are more proficient and economical in doing those jobs (Quinn and Hilmer, 1994). Companies today are outsourcing a range of supply chain activities to external service providers. For example, McIvor (2003) found that a telecommunication equipment manufacturer was outsourcing logistics, product assembly and product development activities. This is presenting new challenges for academic studies to expand the current studies of logistics outsourcing into the entire supply chain and investigate how outsourcing works across multiple supply chain functions. As both supply chain management and outsourcing management today have become strategic level issues, how to view and manage the outsourcing of supply chain activities is crucial to improving the company's competitive advantage.

Welch and Nayak (1992) looked at Venkatesan work and took it a stage further when they suggested using a generic framework to help to evaluate the outsourcing decision. Their framework took the traditional cost analysis approach by considering strategic and technological factors in the decision-making process. They also took into account factors such as the competitive advantage of the process technology, its maturity and competitors' process technology positions which should all be considered in making the final sourcing decision. However, there is no practical demonstration of the benefits of the models, in terms of evidence from organisations that have adopted such an approach. Probert (1996) has attempted to rectify the situation by proposing a four-stage process to the "make or buy" strategic decision.

The various stages in his methodology are:

(1) Original business appraisal. The collection of data on companies, competitors and suppliers is very important, as is an appraisal of the strategic factors which effect the organisation. "A helpful framework for understanding the outsourcing process", Ronan McIvor (2000)

(2) Internal/external analysis. The recognition of the target market, manufacturing processes and cost allocations

(3) Evaluation of strategic options. This involves assessing the variety of options that was identified in (1) and (2)

(4) Choose most favourable strategy. This involves applying monetary decision support models to appraise the variety of sourcing strategies and to identify the most appropriate fit with the organisation's present and future operations

Probert (1996) applied the strategic "make or buy" methodology to six engineering manufacturing businesses and they reported confidently in terms of its effectiveness.

However, even though anticipated business results are indicated relating to 20-40 per cent improvements in revenue on capital employed and 30-60 per cent reported that of stock/lead-time reductions, no definite instruments of performance are provided which could be used to bear out these possible improvements. Cox (1996) in his relational competence analysis methodology, argues that the outsourcing choice involves a grasp of asset specificity that is entrenched in a capitalist rather than a productive view of the firm. A gainful trade can be reached through economising (reducing transaction costs) or through the expansion of totally unanticipated opportunities for manufacture and exchange (reconfiguring transaction costs). This involves redefining asset specificity in terms of "fitness of purpose" of skills, know-how and dealings in achieving a sustainable location for the supply chain. Primary skills, as defined by their significance to the sustainability of a margin, will always be guarded through in-house contracts.

Corresponding skills of intermediate asset specificity will be outsourced through close exterior contracts based on an assortment of forms of association. Low asset specificity skills will be outsourced through non-interfering contracts. A fundamental part of the relational competence analysis approach involves undertaking value chain positioning. This refers to the procedure by which the key decision makers inside a firm deliberately undertake market positioning in the course of an analysis of the entirety of supply and value relationships contained by their markets which is achieved in the course of the use of marginal cost analysis. The value chain within an organisation is very important and before an organisation makes any decision about outsourcing a complete analysis and mapping of the chain should be carried out. However, Cox does not provide detailed guidelines on how a company might carry out the process of determining whether an asset is of high, medium or low specificity.

It may not be very difficult to clearly distinguish whether an asset lies at each end of the spectrum, low asset or high asset specificity. However, it is less clear in determining assets of medium asset specificity and whether they are "relatively high" or "relatively low". This problem is further exacerbated when one considers the types of contractual associations (ranging from strategic provider alliances to favoured providers) that should be adopted all along the intermediate asset specificity section.

From a realistic standpoint, companies would have problems in making a distinction on which kind of relationship is appropriate for an asset of medium specificity. However, it is quite possible for a company to develop a core competency by integrating the skills of a provider in a procedure. Hamel and Prahalad (1994) argue that firms can develop core competencies by allying with and learning from partners.

2.1.10 The Outsourcing of Business-to-Business Marketing

Companies face pressure from different areas e.g. banks and shareholders, and have to keep a handle on their costs. Many of them are faced with marketing decisions of the traditional type, whether to 'make' or 'buy', to outsource or to keep the activity in house. When companies decided to outsource some of their business functions, they sought to find a vendor that they would view as a partner; this signalled a shift from an adversarial relationship, one at arms' length, to a much deeper relationship where the two companies work together to achieve a common goal. Business marketers have had to embrace this shift in buyer perspective by investing in long-term buyer–seller relationships. Much of the focus in researching buyer–seller relationships has focused on the logic, choice of business partner and governance issues related to such partnerships.

Outsourcing is seen as a practice by which an organization seeks outside vendors to perform a set of activities that will support its core business objectives. Outsourcing tends to cover a broad gamut of organizational activities which includes core projects such as new product development and supportive, but crucial, organizational activities such as marketing, IT infrastructure development, maintenance and support and as well as other activities such as training, payroll, accounting, data entry etc. The importance of functional outsourcing to businesses has been long recognized by companies who have used outsourcing as a key part of their business model. In the literature review outsourcing has been examined mainly by scholars in management discipline using a range of management theories; in marketing, it has been highlighted in specific activities such as new product development (Carson, 2007) and sales and marketing function (Mc Govern & Quelch, 2005) . They have shown a spotlight on important trends of this new millennium, outsourcing, of business-to-business marketing.

IBM's Indian operations for example, are "one of its most important global hubs for delivery of IT services to clients world-wide" and "one sixth of its global work force is now based in India" (Gupta & Wang, 2007). A recent survey found that outsourcing marketing activities is quite common and it reported that about 35 per cent of high-tech companies outsource their marketing to other companies (PR Newswire, 2006). The activities that were outsourced ranged from launching new products or services or implementing marketing initiatives, to the outsourcing of the entire marketing function of the company to a company that provides a turnkey marketing department (Vence, 2004).

There is a growing interest in outsourcing and its potential impact on businesses, yet there seems to be a problem integrating the learning from the different scholars and practitioners to understand the phenomenon of outsourcing and its benefits (Gottfredsen M, Puryear R., Phillips S. 2005). Developing an integrated plan is crucial for business marketers who are coming up against increasing competition from vendors from emerging markets. They feel the need to look at their own value chain activities in order to identify potential outsourcing opportunities to either cut costs or give them a competitive advantage. In pursuing their agenda to better understand outsourcing, marketing academics can find support from the body of literature that is already available in the field of buyer–seller relationships. Researchers have over the years recognized that collaborative exchange relationships emerge as buyers and sellers progress through development processes (Heide, 1994; Johanson & Mattsson, 1987). Dwyer et al., 1987, present a framework on buyer-seller relationship development that highlights the process, which moves through four interrelated phases: awareness, exploration, expansion, and commitment. Researchers dispute that these relationship phases explain relationship processes, behaviours and orientations, with different aspects of exchange producing thoroughly differing effects over time (Dwyer et al., 1987; Wilson 1995).

In the understanding phase, buyers unilaterally know a set of possible suppliers with whom they may do business. In the examination stage, buyers begin to test suppliers by negotiating contract conditions, setting product stipulations and placing small orders to establish if further association development is useful. In the development stage, buying firms make numerous purchases from suppliers or discuss long-term contracts and choose to seek remuneration from current exchange partners rather than from different suppliers. In the loyalty phase, both buyers and sellers unreservedly or openly pledge to set up stable relationships. They state a readiness to make sacrifices to uphold their relationships and a self-belief in the stability of the relationships. Importantly, relationship growth happens as an ongoing process and no individual hurdles will hamper progress from one phase to another; however, the theory of relationship development offers a version that explains how companies set up, expand, and preserve associations.

Recognition of phases provides a useful arrangement to study how relationships extend over time. These include some great body of works carried out in the area based on transaction cost analysis (Willamson, 1979) power-dependence (Salancik & Pfeffer, 1974; Kumar et al., 1995) and the trust–commitment paradigm of relationship marketing (Morgan & Hunt, 1994). The work that has been done by these academics in the area of buyer–seller relationships is highly significant. Nevertheless, we should also seek to focus our attention on other fields of outsourcing which transcend both buyer–seller and channel relationships: the relationship between different suppliers in the distribution channel.

Companies have problem identifying firm boundaries when trying to understand how other companies come together to deliver value to end customers in a business-to-business, (B2B), outsourcing transaction, has been difficult (Thorelli, 1986). Companies are challenged by the importance of knowing if they are getting value for the money that they are paying the vendor to whom they have outsourced. The company who is providing the outsourced activity has to have a mechanism in place where it can show the client the successes of their marketing activities.

Some companies who outsource might have had that capability in-house before they outsourced it, e.g. a marketing department. The staff that worked in that department before the company decided to outsource might be offered jobs in the company that has won the contract to do the outsourced operation. This leaves many employees with the uncomfortable question of "Whom do I work for?" Some companies, as part of their outsourcing agreement with the vendor, might insist on the transfer of some staff from the original company to the vendor's company. This can be of great benefit to the vendor, as it will save on recruitment costs if the vendor has to hire more staff to complete the contract. This is also true in the case of outsourcing of other products and services where the buyer wants the vendor's workforce to be trained as if they were part of the buyer's organization. There is also a case to be made that where there is a dearth of talent a company might have no option but to outsource. In the context of outsourcing there may be potentially higher impact on the human assets of the organization.

The cost benefits of outsourcing has led numerous firms from the developed West to outsource specific activities (e.g. customer and technical services, data input, and other processing functions) to low-wage developing nations, NIC's (Newly Industrialised Countries) such as India and China. The availability of skilled labour has also led to an increase in the outsourcing of design and development to other countries and to the pursuit of strategic advantages of off shoring, rather than strictly cost- based advantages. However, despite real economic and strategic advantages for companies who outsource, companies are advised to be cautious in the use of outsourcing strategies because a number of outsourcing activities by certain companies have not led to them achieving the desired cost or strategic advantages. Companies who have done their homework prior to making the decision to outsource will have designed a process framework for the evaluation of outsourcing activities (Aron & Singh 2005; Farrell 2006). Marketing is an activity that requires some level of customer interaction and customer feedback is very important to companies as the clients who are using the product or services are on the front line and know how good it is and, more often than not, know how to improve it. Companies should look carefully, and review on an ongoing basis, the advantages and risks associated with such decisions. Unfortunately research examining the outsourcing of processes requiring customer interactions is sparse.

Outsourcing has traditionally been treated as a cost-saving practice (Bartell, 1998; Cook, Shen & Mc Bride, 2005). The main emphasis on cost saving in outsourcing is evident from the basic definition of outsourcing provided by American Heritage Dictionary: "The procuring of services or products, such as the parts used in manufacturing a motor vehicle, from an outside supplier or manufacturer in order to cut costs." The emergence of outsourcing follows from traditional economic logic. Companies were going to look for the next step or method that would give them competitive advantage over their competitors. Outsourcing of the manufacturing function increased in the 1960s and 1970s as countries with low wage costs developed comparative advantages in manufacturing and as firms in the West realized that marketing was more critical to gaining competitive advantages as compared to manufacturing. In recent decades however, the costs associated with telecommunications, transport, e.g. logistics and airfares, and the low cost coordination afforded by information technology means that other business processes are being outsourced as well.

Currently, with growing competitive pressures and progressing globalization, companies have to cut their costs and make new opportunities by the optimizing of internal and external resources. Internal forces within a firm force it to bind resources to a course of action, which may hamper flexibility and make it hard to change course (Leiblein et al., 2002). The complexity of these decisions has increased in recent years, fuelled by growth in competitive pressures, the speeding up of technical change and the sharing of knowledge across a variety of organizations and geographic markets (Hoetker, 2005). The outsourcing may be either planned or strategic. Strategic outsourcing looks for business development and competitive advantages rather than straightforward cost-cutting; therefore, a company could reach its strategic objectives by focusing on core behaviour to organizational success. Strategic outsourcing has a temporary application on minimizing operational costs or maximizing everyday operations output (Murphy, 2004).

Outsourcing has three evident types since it first developed:

(1) Manufacturing outsourcing
(2) Information technology (IT) outsourcing;
(3) Business process outsourcing (BPO), for example Marketing.

With the rapid growth and development of the services industry in the West, especially since the 1980s, information technology services led the trend towards greater outsourcing of services. Starting with simple tasks of data processing, outsourcing practices now embrace more sophisticated tasks such as Business Process Outsourcing (BPO), including some of the service marketing processes. Outsourcing of business processes, especially routine processes that require high numbers of labour hours, is now quite common in several industries across several countries. Outsourcing routine business processes and functions, especially in accounting, legal and information technology fields, enables firms to undertake these functions at lower cost and at a greater speed (Engardio, 2006).

The pharmaceutical industry has for some time taken outsourcing of the entire marketing of a product to a different level. Pharmaceutical licensing is a win–win situation for both the firms that license-in the patented product and thereby add to their pharmaceutical products pipeline, and to the firms that license-out, because additional market revenues are obtained without the added risks and costs of foreign market entry (Simonet, 2002). Firms in other industries now follow similar strategies as well, especially through licensing and joint ventures.

Outsourcing of business services that provides customer and technical services to the end consumer in particular is now quite widespread in industries that require high levels of routine post-sales service. It has been noted that even complex services can be outsourced to foreign countries (off-shoring); this can be achieved by bringing in skilled personnel from the offshore location. This is a common practice in the information technology industry. A good example is India where Indian firms such as Tata Consultancy Services (TCS) and Infosys have deployed thousands of their own employees to work in foreign firms in the West. (Arun et al., 2009).

2.1.11 The Client-Customer Relationship

The management of collaborative business-to-business relationships demands an understanding of how these relationships add value for the firm and a method to assess that value (Hogan, 2001). The expected value of a buyer–supplier relationship has been defined in different ways by previous research. In the first instance, expected value can be defined in a sense as output/input, but this does not count for the highly individual perceptions that the companies involved in the operation think they gain from working with another. Another definition is the perceived trade-off or ratio between multiple benefits and sacrifices that is gained through a relationship (Monroe, 1991). In other words to, it is a comparison between "what you get" or expect to get and "what you give" or expect to give (Zeithaml, 1988).

A second distinction can be made between the expected value for each company involved in the outsourcing, for the outsourcing jointly and the expected value made possible due to connections with further links in the supply chain. The conceptualization of expected value and the distinction between inside/outside the outsourcing relationships have been referred to as the first order/second order function (Hakansson, & Johanson, 1993), the primary/secondary function (Anderson, Hakansson, & Johanson, 1994), direct/indirect function (Walter et al., 2001 and Walter et al.,2003) or as efficiency/effectiveness/network functions (Moller & Torronen, 2003) of a relationship.

There has to be comprehensive approach to outsourcing value determination. First, the focus is always based on perceptions — which are individual as well as organizational (even if the organization does not formally define value). Secondly, an ability to see expected value which has been perceived through different lenses: there are buyer perceptions which are based on what the buyer sees and thinks are important or the value which is supplier related. There are supplier perceptions that are based on value related to their buyer associations. Finally, there are dual or joint outsourcing perceptions of value creation (Dyre & Singh, 1998) but only in enlightened outsourcing with mutual attraction, where joint value creation is understood (Zajac & Olsen, 1993).

Relationship-specific investments in a buyer–seller relationship increase with superior levels of contact quality. This relationship will differ as a buyer–seller relationship progresses during the four phases of a relationship, with stronger links in the inspection and growth phases than in the familiarity and loyalty phases.
Doubt is a feature of interface /network approach as the character and composition of a buyer–seller communication influences the degree of uncertainty in a relationship (Johanson & Mattsson. 1987). The view of Galbraith (1973) on information processing is that as uncertainty increases, decision makers must exchange and process greater amounts of information. Buyers search for signs to help reduce doubt (Frazier. 1983). Interaction- quality lessens buyer- doubt because successful exchange of ideas with supplier firms helps buyers lessen the doubts they have about particular suppliers. Previous interaction occurrence induces confidence that trading partners will provide dependable future performance (Larson.1992) and provides a basis for reducing doubt.

Customer indecision in a buyer–seller relationship decreases with higher levels of contact quality. This relationship will also vary as a buyer–seller association progresses through the four phases of a relationship, with stronger links in the examination and development phases than in the awareness and commitment phases. Mc Laughlin & Horan. (2002), said that the strength and length of a relationship are exaggerated by problem- solving methods employed in the relationship. Relationship-specific investments make a buyer–seller relationship more manageable, which means that conflicts must be handled within the structure of a relationship if the associates want the association to carry on. This means that disagreement resolution methods of a problem- solving nature are essential to ensure the protection of relationship-specific investments (Johanson & Mattsson. 1987).

Relationship-specific investments in a buyer–seller relationship will improve with superior levels of combined problem solving and improve further with advanced levels of strict conflict resolution mechanisms. These relations will differ as a buyer–seller association progresses throughout the four phases of a relationship, with stronger relations in the examination and development phases than in the understanding and assurance phases. Buyer doubt, in a buyer–seller relationship, decreases with higher levels of combined problem solving and increases with higher levels of strict conflict resolution mechanisms. Based on arguments that have been put forward, it can be said that since buyers and suppliers are in different positions in the supply chain, their perceived value to both parties cannot be assumed by them to be identical, and should therefore be discussed and modelled separately.

The first constituent is “cost reduction”; this seeks to influence the supplier's ability to decrease their joint total cost, enabling the buyer to contend on selling price. Walter et al., (2003) describes what they call “the cost reduction function” from a buyer’s perspective. The focus is on the supplier's ability to reduce the buyer's total product cost. Ulaga (2003), using a qualitative approach, identified annual price decreases as the most important aspect in buyer–supplier relationships. In the same study, the supplier's ability to help the buyer reduce supply chain costs is also considered a valuable asset. This situation, where a buyer helps a supplier to reduce their cost, is rare. Additionally, growing relationship benefits or lessening relationship costs can enhance customer-perceived value in company affairs. Based on thorough interviews with purchasing professionals, Ulaga (2003) documented six areas for relationship benefit, product quality, service support, delivery performance, supplier know-how, and time-to-market and personal interaction.

A second component, “time compression”, identified by (Mason-Jones, & Towill, 1999), seeks to leverage the ability of the supplier to achieve higher market responsiveness in two areas: product development and supply chain execution. Time-to-market response, the unexpected end-customer demands and reducing inventory investments, all require time compression and coordinated planning. The supplier's ability to help buyers reduce time-to-market enables them to identify three phases in product development where this can be achieved: the design phase, the prototype development phase and the product testing/validation phase (Ulaga, 2003). Time compression in the supply chain directly results in supply chain inventory reductions and potentially to reductions in the Forrester/bullwhip effect (Forrester 1961).

The third component, “innovation”, seeks to leverage the supplier's ability to improve their product portfolios. A supplier's proactive ability to develop new or improve existing products Ulaga (2003) is seen as valuable by buyers (Walter et al., 2001). Also, innovation can be valuable for the suppliers by improving their technological competencies, as well as their ability to transfer knowledge (Walter et al., 2003). Finally, although innovation is often perceived as a key source of buyer-expected value, it is often not uniformly seen as such throughout the buyer organization. It is quite common that engineers will have different perceptions than those more directly related to product costs or to factory operations. Thus, there can be a lack of understanding in a company as to the value of innovation whether it is incremental or radical. The perception of people who are evaluating the innovation is that they can see the innovation adding to the value chain.

The fourth constituent, "access to new buyers/suppliers", seeks to leverage the supplier's ability to act as a bridge to new and potentially valuable supply chain associations. This allows the buyer to increase the number of customers and perhaps to work with new suppliers as well (Walter et al., 2001) as to describe what they call "the market functions" (Walter et al., 2003). "The market function" is concerned with the supply chain associate's ability to connect to new potential valuable suppliers or buyers. For example, if one of the companies who are touting for the business has a prestigious brand name, it can help create legitimacy (Oliver, 1990) and attract new buyers or it can help a supplier to open doors for its vendor (Walter et al., 2001).

The fifth component of buyer-perceived expected value derived from supplier associations is "competency development". A buyer might learn from the competencies of its best suppliers, learning and leveraging this learning with other suppliers. However, learning applies equally to the supplier's value perceptions (Dyer & Hatch, 2004). Essentially, a buyer is very attractive to the supplier if the supplier develops new competencies that can be leveraged in other relationships that the company might have with other suppliers. In fact, capability expansion has been discussed as a dyad-based source (an investment by the two companies in a favourable outcome) of expected value or as "relational rent" (Dyer & Singh, 1998). Known differently, there is proficiency expansion in the vendor itself (Möller et al., 2004) and the whole can be more than the sum of its parts. The larger the investments by the two companies in inter-firm data sharing routines and the more precise the information absorption ability, the greater is the likelihood for relational rent (Dyer & Singh, 1998). The example of Procter and Gamble working with Wal-Mart is a good illustration. Both firms have gained new competencies by working in concert and these competencies are not easy for competitors to copy. In fact, these joint competencies are so hard to replicate that it took many years for Wal-Mart to be able to replicate them with other suppliers. Dual competency improvement relies on both companies developing jointly. Wal-Mart and Procter & Gamble topped the "best of the best" in the industry for collaborating with trading partners to best meet consumers' needs, and reinforce their own performance, according to Cannondale Associates' PoweRanking survey. The firm's PoweRanking survey highlights companies that have focused on the "point of contact," and made collaboration with their trading partners an important strategy (FOOD & DRINK weekly, 2005).

2.1.12 The Reasons for Outsourcing

The primary reasons why companies engage in outsourcing, can be broadly classified into five areas as set out by Jiang, B. and Qureshi, A. (2006),

(1) To reduce costs.
(2) To increase productivity.
(3) To increase profits.
(4) To improve shareholder value.
(5) To control risk.

2.1.13 Cost reductions

The reduction of costs remains the primary explanation for the development of outsourcing. Companies evaluate outsourcing to determine if their current production and operational costs can be reduced and if the money saved can be reinvested in more competitive processes. Researchers have said that an important source of cost reductions is the outsourcing firm's access to economies of scale and the expertise that is unique to a large outsourcing vendor (Anderson and Weitz, 1986; Roodhooft and Warlop, 1999). The firms to which the contract has been outsourced are by their nature servicing many clients. Consequently, they often achieve lower unit costs than can any single company. Specialist outsourcing vendors can also have the resources to invest more in new technologies and innovative practices than can many outsourcing contract-granting firms (Alexander and Young, 1996). A good example of this are call centres; those which handle calls for many clients spread their fixed costs e.g. buildings and technology and thereby achieve economies of scale. Because such specialists deliver only this service, they can concentrate and focus on these areas and by doing so identify areas that are open to improvement. Crucially, they have the knowledge needed to act successfully on that awareness (economies of scale).

2.1.14 Productivity

Nohria and William (2003) found that the companies which gained the most from outsourcing were those who increased their productivity year on year, by more than the national average. During their research period, the mean productivity growth across all industries was about three percent per year; the outstanding companies in their study increased productivity by six to seven percent every year. There have been a number of studies that looked at explaining the relationship between productivity growth and outsourcing. Abraham and Taylor (1996) found that firms "contract out" services with the objectives of smoothing production cycles and benefiting from specialization. Ten Raa andWolff (2001) found a positive association between the rate of outsourcing and productivity growth.

Efficient firms will allocate their resources to activities for which they enjoy comparative advantage. Conversely, activities not enjoying such advantages are increasingly outsourced to external suppliers. The contracting out of the production of goods and services to a third party firm which has a competitive advantage in terms of reliability, quality and cost are emphasized by Perry (1997). The

Profit is the lifeblood of companies and is a very important criterion when it comes to evaluating the performance of the company. Profitability ratios are easy and quick tools which allow management and stockholders to see the return on their investments.

2.1.16 Improving stakeholders' value

After the company has entered into an outsourcing agreement, the company may see immediate returns if the stock market sees it as beneficial to the company as a whole, in an increase in the share price or a more favourable credit rating. The confidence of the stock market is very important to a company; if the stock market sees good, achievable synergies from an outsourcing contract between the outsourcing contract-granting firm's and the contract-receiving firm's capabilities the stock price will increase and so too will the value of the company (Bryce and Useem, 1998). The value of the company can also be increased by the management of the company focusing their attention more on strategic and innovative issues and less on the day to day operational issues which should be left to line management to deal with (Lei and Hitt, 1996).

One way of gauging if the outsourcing of a function within the company can create or protect the firm's value is by assessing the reaction of the stock market to the decision (Hayes et al., 2000). The markets will determine the valuation of a firm by reflecting it in the firm's market price. The company's market price is determined using the present value of a firm's expected future cash flows (Watts and Zimmerman, 1986). The stock market relies on new information to be able to revise expectations as far as future cash flows. In a market that is efficient, the stock price will react quickly to publicly available information (Beaver, 1998; Watts and Zimmerman, 1986).

2.1.17 Risk control

There are different reasons why a firm wants to outsource different tasks- maybe they are expensive or complex; perhaps they are not a core capability of the company. These tasks can be difficult for the outsourcing vendor too. If the decision to outsource is not preceded by a thorough risk assessment and careful strategic planning, it could result in failure that would mean considerable financial loss, decreased share price and company value and damage to the company's reputation and its brand. This would lead to the dismissal of top executives and in some cases the destruction of the company. Because of the risks involved when outsourcing the company needs to do a thorough risk assessment that will enable the stakeholders to make informed decisions and to draw up a contingency plan in case of problems.

The management needs to have a comprehensive risk assessment and strategy in place to deal with risks in a consistent way at operational level (Ward and Griffiths, 2001). The problem with a risk assessment is that a potential risk might not show up in the analysis; it might be buried deep in an outsourcing contract. Kliem (1999) said that even after the signing of an agreement, a lot of companies have to cancel their agreements, renegotiate them or hire new staff to do the task that was outsourced in the first place. The American Management Association found in a survey that they conducted, three quarters of US managers reported that outsourcing outcomes had failed to meet expectations (Barthélemy and Adsit, 2003). The risk involved increases with the complexity and value of the outsourcing contract and with that, more management time will have to be spent making sure the deliverables are achieved.

Chapter 3

3.0 Research Methodology

I intend to carry out my research through a case study and will approach the research through a qualitative rather than a quantitative approach. I feel that by reviewing the research that is out there and then applying it to a particular company it is easier for readers to grasp what I am saying. The quantitative approach would involve a lot of interviews with questioners and them proposing and answer from a statistical point of view. There are obvious limitations to going down the road of using a case study: my chosen company is small, has only one employee and has not been in business long. Nevertheless, this is the route I have chosen.

3.1 Quantitative and Qualitative Approaches

The difference between a quantitative study and a qualitative study is in the way information is gathered, used and analyzed. A quantitative study aims at measuring the degree to which something exists. A qualitative study, on the other hand, aims to identify the existence or absence of a special phenomenon (Kirk & Miller, 1986). When a quantitative study is conducted, the focus is more on statistical methods; this contrasts with qualitative studies where verbal analyzing methods are used.

When the problem is to understand people and answer questions about fundamental patterns, a qualitative method is preferred (Davidsson, et al 1994). Through discussions and interviews, the researcher can gain a great deal of in-depth information. The drawback of course is that it is very time-consuming and it can be costly to put such methods into operation. Conversely, a quantitative method enables the researcher to gather a great deal of information though not in as much depth or as all-embracing as with a qualitative method. I intend to go down the route of a qualitative method of research where I will suggest a vendor selection process for SMEs and MEs with regards to who to appoint as their preferred client when making a decision to outsourcing marketing. I will use a case study approach which I have conducted in the company AnaCores.

3.1.2 Benefits of case studies

Benefits of the case study technique are discussed in point by point by Dowd and Davidhizar (1999). These include providing understanding of scientific dilemmas; revealing human intentions, thoughts and misinterpretations; providing models of professional practitioners' thoughts on scientific dilemmas; increasing students' ranges of strategies for problem solving; helping students to recognize problems and teaching them professional thinking; and providing expressive preparation for the real world. Case studies encourage enthusiastic learning; the use of case studies helps students to appreciation of complex and complicated issues (Kunselman and Johnson, 2004). Case studies are also helpful to teachers and instructors, allowing them to alter their attitude to teaching, renewing the appeal of lectures to students by having course material that students find more relevant and creating an advanced level of interest that can be projected from teachers to students (Kunselman and Johnson, 2004). For example, teaching the same topics in a lecture format can become superfluous and lose their sparkle. By contrast, developing case studies and discussing them with students brings originality, innovation and food for thought.

3.1.3 Limitations of case studies

Even though many beneficial outcomes are experienced in student learning when using the case method, there are also a number of restrictions and obstacles that may be encountered. As discussed in Grupe and Jay (2000), disadvantages of case studies include entrenched author biases, a thin focus on a quandary facing a single person or group and limitations in scope. Case studies are helpful in intricate situations which require problem-solving, but they are not suitable in teaching concrete facts. In addition, developing cases is time consuming and may be tricky. Cases require that faculty members have good questioning skills. Furthermore, they may become annoying for less prepared students or students who are used to more traditional methods (Billings and Halstead, 2005).

The reason for choosing a quantitative method is connected to the hypotheses and the purpose. Since the author wishes to investigate how SMEs and MEs in Ireland deal with outsourcing by testing the hypotheses, the optimum way would be to ask as many SMEs as possible. A quantitative study will allow the researcher to analyze a sample that can later be used to draw inferences of the population (Aczel & Sounderpandian, 2002). Because it is impossible to analyze all SMEs in Ireland, a quantitative study can allow the sample to represent the population. A qualitative method, which is very difficult to generalize in the same way, would imply an interview with every company in Ireland. This would be both time-consuming and unnecessary. With a quantitative method, information is gathered much easier, faster and in a more cost-efficient manner. It is also easier to present the data in such a way that it will give a good overview. Instead I will put forward a methodology where I will use a case study that will involve the company AnaCores. This case study will set out in a structured way the procedures that SMEs and MEs should use when they are considering outsourcing the marketing function of their company.

With ever-increasing globalization companies have to concentrate more on their outsourcing decisions. Companies have to look at outsourcing in a more tangible way and in so doing have begun to slot in outsourcing as a strategic weapon in their armoury. This article expands on this theme by highlighting the need for understanding this key issue from both business marketing and a sales perspective and by pointing to the latest research issues on the topic. The article is aimed at the SMEs sector and how important it is to go through the correct processes before making a decision should they consider outsourcing some aspects of their businesses.

As part of my research methodology I have used a structured literature review (SLR) as the core method. The selection of research methodology is based on the appraisal of four criteria, namely the nature of problems, purpose of research, and availability of time and resource and school suggestion. As the material of marketing outsourcing management is sparse and the material on outsourcing itself is not, the most critical work of the research is to understand what has been studied and to identify those unknown parts for future research. Thus, the ideal way is to review existing literatures and to make use of the electronic journal databases in the Galway-Mayo Institute of Technology library. The selection of structured literature review as the main methodology is also in line with both the school's and the supervisor's suggestions. Developed from systematic review, SLR provides a set of rigorous and explicit procedures to assimilate a large quantity of literatures. It focuses on answering specific questions with large quantity, high quality and relevancy and bias-free prior studies.

I feel the research is worthwhile by looking at some of the statistics on the use of outsourcing. One finding of the WERS survey (Workplace Employment Relations Survey) (Kersley, et al., 2006, pp 105-7) was that a similar amount of private and public institutions in the United Kingdom, 85 per cent and 86 per cent respectively, subcontracted services and these services were being carried out by staff who had previously worked in the organisations, staff who would have worked in the Marketing department for example. These positions were therefore outsourced. I will be concentrating on the outsourcing of marketing, as I will be doing a case study on the experiences of the company AnaCores which has outsourced the marketing of their product *Maui* and now wishes to bring the marketing in house. The *Maui* is a highly efficient electronic circuit for the portable generation of solar power (*Maui)* that the company is now seeking to commercialize. The target market for such power modules is the wireless sensor network market. One of the difficulties I foresee will be getting a sufficient amount of the SMEs in the area to respond to my questionnaire so I hope to avoid this and get a better response by networking with people I know and by contacting the local Chamber of Commerce.

3.2 AnaCores Ltd. Company Report

3.2.1Company Business – Background and scope of business activity:

AnaCores Ltd. is a company that was set up by Brian Morley in the Innovation in Business Centre in Castlebar (IiBC) in the West of Ireland. AnaCores as a company has two component strands to its business: a design service offering and it also has a separate product offering.

3.2.2 AnaCores Service Offering:

AnaCores offers mixed-signal design services and Semiconductor Intellectual Property (SIP) primarily to the Application Specific Integrated Circuit (ASIC) and System on Chip (SoC) design communities. Initial application areas have centred to-date on the design of high precision timing devices and converter and sensor circuitry. These are typically for use in applications such as computers, mobile phones and portable consumer electronic goods such as MP3 players. The mixed-signal design service and the SIP together currently provide the sole source of income for the company. The revenue generated from this part of the company's business allows it to fund AnaCores' other business activities.

3.2.3 AnaCores Product Offering - The *Maui*:

The second part of the company is based around the design and commercialisation of its own invention named as the *Maui*. Designed by AnaCores, the *Maui* is a highly efficient portable electronic circuit unit which generates solar power. AnaCores is, at present, actively seeking to commercialise the *Maui*. AnaCores have already identified possible target markets for these power modules. These include the Wireless Sensor Network market (WSN), the Solar Lighting market and the Portable Consumer Electronic Goods market.

3.2.4 Innovation within the company:

AnaCores though limited by the number of staff it employs (the company is made up of one man at the moment), has the advantage of being autonomous. Brian Morley, like most entrepreneurs, is very innovative and has a flexible approach to his work. This enables AnaCores to come up with new ideas or new methods of doing things. Innovation for companies going forward is not just recommended; it is an imperative as the world is becoming a smaller place and is running 24/7. Some global companies have strategic operations set up across the world which forward research on to the next time zone. For example the researchers in Japan work on an idea for eight hours there and then they send on their improvements to Ireland where researchers start work. When they are finished they send it on to Silicon Valley. The whole circle then starts again. This is an example of how small the world is and of how fast technology and innovation moves. It is therefore hugely important for AnaCores to have such a flexible and innovative leader.

3.2.5 My Brief when I worked with the company:

AnaCores set my own brief as the basis for my relationship with their company (this also forms the basis for this thesis).

My brief was as follows:

'To explore business opportunities within the marketplace for the "Maui", so as to find and propose further possible applications for the product (apart from ones already identified by AnaCores). This exploration will incorporate examination of current market competition, e.g. other solutions for harvesting of solar power'.

The brief extends to identification of, and proposal of, an appropriate means by which AnaCores can bring the "Maui" to market (e.g. by creation of business partnership with another suitable business). An outside company named Outsourced is marketing the *Maui,* at the moment but the management of AnaCores now wishes to bring this function in-house. This forms the basis for my thesis: "The Benefits and Limitations of the Outsourcing of Marketing for MEs and SMEs".

3.3 SWOT Analysis of AnaCores

3.3.1 Strengths:

The main strength of AnaCores as a company relates to the nature and type of activities carried out within its business, together with the saleability of its service and unique product offerings.

The very nature of AnaCores' business activities and particularly AnaCores' *Maui* product, allows it to operate and to compete in two of the worlds few currently growing markets: the "Green Technology" and "Smart Technology" market sectors. Currently both of these markets enjoy growth in size despite economic recession. The potential for growth in demand for AnaCore's service and product offerings is mainly due to a combination of tough economic pressures, shortage of energy and infrastructure resources and global warming issues. These issues, which prevail throughout many global markets, fuel demand for particular products as consumers and industry search for cheap and easy ways to generate power and find smart technological solutions to meet their needs in a cost effective, efficient and eco-friendly way. AnaCores' offerings tick all of these boxes.

Maui's clever innovative technology is designed to be portable, making it adaptable and suitable for use in products which are user-friendly and usable by virtually any one almost anywhere in the world, where ever the sun shines - even in outer space! These smart technological product features considerably enhance *Maui* appeal to the consumer, giving AnaCores the potential to create a unique selling point (USP) for its products.

Both of the above stated strengths, in turn, make AnaCores a potentially attractive investment opportunity for those who are looking to invest capital in both Green and Smart technology businesses, leaving AnaCores well-placed to grow its business in size in order to meet market demand, thereby increasing its potential profitability and return on investment for its shareholders.

AnaCores Company has a small workforce so its overheads are low. It is currently a one-person workforce. AnaCores' leader, Brian Morley, has unquestionable innovative and technological talent. These talents, combined with Brian's further strengths of an excellent work ethic, flexibility and the ability to adapt well, will greatly enhance AnaCores' ability to overcome any future challenges presented to it. This in turn will improve AnaCores' chances of achieving its ambitious business objectives and becoming a successful company.

3.3.2 Weaknesses:

Weaknesses of the AnaCores Company have a lot to do with the size of the business itself, the limited size of its product range and the level of competition that already exists in the marketplace for its product and services. There are also a lot of similar, well-established, branded products in the market which use Wireless Sensor Network (WSN) e.g. ZigBee, Bluetooth, WiFi and RFID.

The company is in its infancy so it is short on cash flow. This leaves it without the funding that is necessary to market the company's product properly. Ireland's current economic recession and bank crisis further restricts access to cash resources for AnaCores.

Because AnaCores' product, the *Maui*, is a technological product, the time pressures for getting someone to license their product before someone else brings a similar product to market is very great. This is because technological advances in product development and incremental change through innovation happen quickly. AnaCores runs a significant risk of failing with its product if it fails to get it licensed, protected and brought to market before its competitors do.

3.3.3 Opportunities:

Opportunities for the AnaCores Company are vast; the success of mobile phones in the developing world has a lot to do with the lack of infrastructure for fixed line phones and electricity power lines within these countries. Legislation change or change in government policy can alter the fortunes of the company, resulting in either positive or negative outcome for AnaCores. For example, insistence by a government or the EU on an increased or decreased percentage use of electricity generated from solar panels can drive up or down demand for AnaCores' product/services.

3.3.4 Threats:

The threats to AnaCores Company mostly come from its competitors, who develop, produce and sell similar products in the market. The technology industry also changes very quickly. Take for example the Kodak Corporation which invented digital cameras. This invention has revolutionised photography and in doing so, Kodak has effectively made 35mm film (previously Kodak's main product) become largely obsolete. Kodak has had to adapt and they now generate most of their revenue from licensing their invention to mobile phone companies who wish to install a digital camera in their phone products. As with this example, any other company could similarly come up with new technology that could make AnaCores' *Maui* obsolete.

3.4 WSN and its uses

WSN is regarded as one of the most important technologies in the 21st century. If we consider the Internet as connecting human beings through computers, the wireless sensor networks connect human beings with the physical world. With the advances of microelectronics, the intelligent low-cost, low-powered small sensor nodes can be developed to sense almost anything that is of human interest to human beings, for example the phenomenon of hazardous volcanoes in Iceland and earthquake. A WSN consists of a large of number of sensor nodes, which are densely deployed and connected through wireless links in a self-configured and self-organised manner. Such sensor networks would enable numerous new and exciting applications and bring another technological evolutionary wave to penetrate every aspect of our lives: home, health, environment, military, agriculture, transport, manufacture, entertainment.

Environment and animal research and monitoring are a natural application for WSN. Cheap, smart devices networked through wireless links and connected intimately with the physical environment can enable detailed and localized data collection at scales and resolutions that are difficult or impossible to obtain through traditional instrumentation. The tagging of endangered animals has been going on for the last thirty years; historically, a big challenging issue for those involved in the tagging process has centred on the fact that the power pack that is attached to the tagging collar has limited power life and so must be changed regularly. The changing of the power pack results in having to repetitively tranquillise the animal over the monitoring cycle using a dart. This darting process puts a lot of pressure and stress on the animal. The darting of animals in the wild also involves a lot of cost and manpower e.g. helicopters and fencing, specialists marksmen and vets.

3.4.1 The *Maui* and WSN

In more recent times, many networked systems have now been successfully developed for such applications as the example given above. These systems have brought significant benefits to the scientific and social communities. Remote Sensing (RS) is a technology for acquiring and interpreting images from aerial or satellite platforms. RS can complement WSN operations by assisting in processing information about habitat and landscape conditions. Through a Geographic Information System (GIS), we can query, process, graphically represent and analyse the information obtained from WSN and RS. The seamless integration of these technologies will provide an efficient and powerful tool for measuring and understanding the dynamic physical world.

The *Maui* can be used to achieve this in two ways: the collar can be fitted with solar panels; it can also be fitted with sensor nodes which could monitor biological activity of an animal and transmit through satellite to a base station.

Although AnaCores as a company is in its infancy it has managed to invent a product that is very relevant to what is happening in the world today. The cost and supply of oil and other scarce commodities are currently subjects of huge global discussion. Therefore, a product that harnesses power from a free energy source (the sun) and can operate in out-of-the-way areas without having to be wired back to a monitoring and power source is highly advantageous. WSNs are finding increased acceptance in areas such as building automation and in industrial applications. Advantages of WSN solutions over the equivalent wired solutions are overwhelming. In terms of cost, it is estimated that a 25 node sensor network as would be typically deployed would cost in the region of €20K, whereas the equivalent wireless network would cost €200-€300. Also, wireless solutions are useful for hard-to-reach or hard-to-wire applications typically found in old buildings such as museums, factory floors and remote job sites. One example of where this technology is being used at the moment is in the sewers of Toronto in Canada. The wireless sensors are monitoring the flow of sewage through the system and the sensor is powered by a solar panel placed above ground on a pole; this also houses a transmitter which transmits to a base station if the flow stops.

Further examples of WSNs can be found in smart home applications such as wirelessly networked thermostats and hygrometers for measuring humidity, which give fine granularity in the proper distribution of heating and cooling. A vast variety of other application areas for WSN exist within other areas such as agriculture, retail, security/defence and healthcare and biomedical industries. Devices such as MP3 players, cell-phones and digital cameras are starting to incorporate solar panels as a direct power augmentation source; this helps to bolster their product's environmentally friendly credentials and to expand the range of use for these products. In addition, the carbon footprint of a device would be significantly lowered by the introduction of auxiliary solar power directly to the appliance. However, solar lighting is in its infancy so far and exists primarily as outdoor ambient lighting source.

The Sharp Corporation of Japan have been at the forefront of the solar power harnessing industry for the last 50 years. To boost the efficiency of triple-junction compound solar cells, it is important to improve the crystal quality in each photo-absorption layer (the top, middle and bottom). It is also crucial that the solar cell be composed of materials that can maximize the effective use of solar energy. Sharp has succeeded in forming an Indium Gallium Arsenide (InGaAs) bottom layer with high crystal quality by using its proprietary technology. As a result, the amount of wasted current has been minimized, and the conversion efficiency, which had been 31.5% in Sharp's previous cells, has been successfully increased to 35.8%.

Sharp has achieved the world's highest* solar cell conversion efficiency of 35.8% using a triple-junction compound solar cell. Unlike silicon-based solar cells, the compound solar cell utilizes photo-absorption layers made from compounds consisting of two or more elements such as indium and gallium. Due to their high conversion efficiency, compound solar cells are used mainly on space satellites. Since 2000, Sharp has been advancing research and development on a triple-junction compound solar cell that achieves high conversion efficiency by stacking three photo-absorption layers. As solar panels improve in efficiency and the cost of LED lights reduces, one can expect to see the addition of solar lamps which are suitable for indoor use and capable of being charged during the day to provide low-level domestic lighting at night-time. We are also already beginning to see the emergence of solar powered charging of items like mobile phones. This will lead to reduction in energy utility bill costs as well as a reduction in harmful environmental impacts with a reduction of carbon footprint

*As of October 22, 2009, for non-concentrator solar cells at the research level (based on Sharp survey).

Solar auxiliary power packs can provide emergency power for portable electronic devices such as laptops, cell phones, digital cameras and MP3 players. The high rate of evolution in the market has brought about growth in the volume of products that have high-energy demands. This is evidenced for example by the power-hungry status that handheld devices have embraced over the last three to five years. The battery power source has not maintained pace with this evolution and is therefore challenged to maintain sufficient run-time for these applications. Reliance on adapters defeats the 'portable' tag which these consumer devices enjoy. The rechargeable and alternative energy auxiliary power pack market is expected to be worth €300m in 2012.

A solar battery charger allows you to charge batteries during the day and then use them to power your equipment during the night. These, as well as other portable solar equipment, have become a solution for hikers, campers, photographers, emergency workers, mountaineers, backpackers, cyclists, horseback riders and anyone who will be away from the power outlets when they need to run or charge their electronic devices. Like other similar equipment, they can be used to run or charge laptops, cameras, cell phones, batteries, lights, MP3 players, GPS devices and other electronic equipment. The advantage of a solar battery charger is that it can help you create and store power for later use whether at night, indoors or in bad weather.

Portable solar chargers also form a vital part of any home or car emergency survival kit. Emergency solar power might help save a life in case of accident, injury, natural catastrophe or any other emergency where you might be cut off from the power grids but have an urgent need for electricity. These chargers can form part of wilderness survival kits, emergency kits and even natural disaster survival kits. Solar-powered devices are also, of course, eco-friendly. They create electricity with what is known as "green energy", "clean energy" or “renewable energy”.

The definition of Renewable Energy Sources used by EU legislators coincides with the IEA definition, (International Energy Agency).

Bio-waste is limited to biodegradable fraction. Article 2 of the EU directive 2001/77/EC provides the following definition of renewable energy sources:

> (2)(a) ‘Renewable energy sources’ shall mean renewable non-fossil energy sources (wind, solar, geothermal, wave, tidal, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases); further specifying biomass:
> (2)(b) ‘biomass’ shall mean the biodegradable fraction of products, waste and residues from agriculture (including vegetal and animal substances), forestry

and related industries, as well as the biodegradable fraction of industrial and municipal waste

3.5 Marketing of the *Maui*

When I started to look at ways to market this product I began to find out that there were a lot of similar products in the market place. The Unique Selling Point (USP) of the *Maui* is that it can be produced at a low cost: *Maui* works using only one chip. Similar products have multiple chips and the cost increases in scale according to what the client wants the product to do. If the client wants a smaller but more powerful solar panel, the price goes up. The more functions the client wants *Maui* to perform, the greater the cost of production.

With technology innovation products, the window of opportunity available for the product to flourish is quite short. So, in order for AnaCores to quickly exploit these opportunities, the product has to be physically brought by AnaCores to potential partners or users and demonstrated to them in order to sell it. Travelling to Technology Trade Shows is expensive and time consuming but potential customers have to get to know about this product and its capabilities sooner rather than later while it remains unique.

The use of Trade magazines and journals is another way of showcasing the product; getting some editorial is essential. This important editorial coverage could for example be potentially achieved by sponsoring the use of the *Maui* product by the WWF (World Wildlife Fund) in their attempts to track the movements of the Giant Panda in the wilds of China.

The company also needs to have a website but use of the website alone will not be sufficient to spread the word about the product to its potential target market. The website in all likelihood will most likely be used by potential partners or customers to get more information about the AnaCores Company and how to contact it. In order for AnaCores to make the *Maui* successful, it must consider how it can successfully market its anchor product by optimising use of the limited resources available to the company. The outsourcing of marketing is one such option for AnaCores to consider.

3.6 Outsourcing

In outsourcing relationships it is necessary for attention be focused upon the relationship ensuring that both parties are happy. The relationship between the client and the vendor is very important and each needs to be comfortable with the outsourcing agreement and with how they both benefit from the time they invest.

The global Shared Services and Outsourcing (SSO) market is enjoying major expansion as companies look to outsourcing as a way to reduce costs. A new report by global growth consultancy Frost & Sullivan estimates that the worldwide SSO market was worth US$930 billion in 2006 and forecasts that it will develop at a compound annual growth rate of 15% to get to a market size of US$1,430 billion by the end of 2009.The report outlines the global SSO interest across seven major business results based on a survey of Fortune 500 and Forbes 2000 companies.

The key drivers for SSO continue to be cost benefits through consistency, leveraging benefits of scale and cost reduction. The study also observes that SSO operations, which are an integral part of business planning, need to become accustomed to straight up specialty models for businesses to achieve higher productivity and profitability. Areas such as transportation and logistics, energy, FMCG, and media and entertainment, for instance, have developed successful SSO working models for non-core functions such as IT services, finance and accounting, HR services, procurement, customer support and call centers.

In today's extremely aggressive environment, Business Marketers and Purchasing Managers increasingly rely on IT to carry out their procurement actions and interactions with vendors; they also rely on IT for other business processes to make logistics and operations decisions (Kotabe & Murry, 1999). Since outsourcing business processes and IT infrastructure means industrial marketers' information may reside outside their organization, managing such information can become difficult. There is the possibility that it will ultimately influence how they present their business buying and marketing decisions. Additionally, not only are industrial marketers accountable for their outsourcing decisions, they are responsible for them. They consequently must think carefully about the accomplishment implications of outsourcing IT and business processes to other organizations. Because of these, various industrial marketers are likely to get involved in such outsourcing decisions in addition to manufacturing outsourcing (Kotabe, et al., 2008).

3.7 Methodology for Vendor selection of the Marketing function

3.7.1 Outsourcing process: 7 critical elements

I am proposing a methodology for SMEs and MEs which they can follow when considering outsourcing their marketing function. I have based this on the time I have spent observing the company AnaCores Ltd., which is based in Castlebar in the west of Ireland and is run by one man. SMES and MEs by their nature have small workforces so they are limited by the amount of time they can spend on different tasks. The methodology I am proposing is a list of topics that I consider to be very important to these companies when they are considering outsourcing. Hopefully, if they follow the steps and answer the questions posed, they will choose the right vendor for their company.

3.7.2 Strategic appraisal

Strategic appraisal reflects the degree to which the outsourcing team performed a comprehensive evaluation of the strategic implications of outsourcing the business activity. The level to which firms successfully carry out a strategic evaluation is reflected by their assessment of both an ability viewpoint and from a risk point of view. The capability or resource evaluation is grounded in the resource-based view of the firm, while the strategic risk assessment is guided by transaction cost theory (Aron et.al. 2008).

The resource-based standpoint stipulates that when demarcating firm limits an organization must think about the level to which the firm's resources and capabilities add to the development of a sustainable competitive advantage (Barney, 1999). Companies must cultivate a methodical insight of their core competencies and how a specific business activity is connected to the successful accomplishment of broader strategic objectives when deciding whether or not to outsource a particular business activity (Insinga and Werle, 2000). Therefore, a systematic evaluation of the current and possible strategic value of a firm's capabilities is a significant feature of the overall strategic appraisal.

The transaction cost viewpoint suggests that organizations must think about the costs and resources necessary to effectively work with an outside party and lessen the risks inherent in external sourcing. Frequent risks often linked with the use of an independent outside organization involve supplier dodging due to defective observation (Alchian and Demsetz, 1972), the provider acting opportunistically in the presence of transaction specific investments (Williamson, 1979), and inappropriate application of common intellectual property (Aron et al., 2005). Therefore, strategic appraisal is modeled as a multidimensional philosophical hypothesis. This conceptualization is supported by previous studies, which recognize the corresponding nature of the resource-based view of the firm and transaction cost theory (Ahmadjian and Lincoln, 2001; Leiblein and Miller, 2003) for describing solid boundary decisions made in practice. Therefore, companies should look at their core competencies and their strategy carefully before making a decision.

3.7.3 Competence appraisal

Competence appraisal is the degree to which the outsourcing panel evaluated the strategic value of the capabilities and resources associated with the business activity, bearing in mind the organization's present and expected sources of competitive advantage (Insinga and Werle, 2000). It is broadly suggested that an organization's capabilities at performing a function or activity must be evaluated when making outsourcing decisions (Barney, 1999). This capability evaluation must consider not only how well an organization performs but also the strategic importance of the activity or function (Barney, 1991; Dierickx and Cool, 1989; Wernerfelt, 1984). The strategic value resulting from being a superior player in a certain area must be considered. This idea is the essence of the resource-based view of the firm (RBV) and also reflects what Prahalad and Hamel (1990) have named the organization's core competencies. Quinn and Hilmer (1994) also suggest that organizations must concentrate on developing a few core competencies internally and consider outsourcing the rest. This strategic application can potentially open up capital to be concentrated in areas that are expected to generate competitive advantage. The capability evaluation must also think about what skills or capabilities may be vital to competitive differentiation in the future (Eisenhardt and Martin, 2000; Holweg and Pil, 2008). As markets develop, capabilities that are non-core today may become core in the future (Helper et al., 2000). The company, by doing a competence evaluation, makes sure that what the company wishes to outsource is not one of their core competencies.

3.7.4 Strategic risk assessment

Strategic risk assessment represents the level to which the outsourcing team evaluated the plethora of strategic risks linked with outsourcing the business activity. With outsourcing there is a multiplicity of strategic risks that have to be assessed. First, organizations are allowing proprietary information to become available to an external organization (Kogut and Zander, 1992). Therefore, firms must think about the ramifications to intellectual property when choosing to change to an external sourcing structure (Gottfredson et al., 2005). Walker (1988) regards this worry as ''diffusion risk'' while Aron et al. (2005) refers to it as ''poaching''. A second strategic risk is supplier shirking or moral hazard (Eisenhardt, 1989), which arises due to goals not being set from the start and a flawed propensity to scrutinize all of the providers' actions (Alchian and Demsetz, 1972; Aron et al., 2005). Lastly, transaction cost theory asserts that in the existence of indecision, transaction specific assets, and contractual incompleteness, companies must closely assess the risk of providers performing opportunistically (Klein et al., 1978; Williamson, 1979). This according to (Holmström and Roberts, 1998) has become known as the archetypal ''hold-up'' difficulty. This range of concerns must be explicitly assessed as part of a comprehensive strategic evaluation. Risk management is a very important discipline in today's world there are so many risks involved when a company decides to outsource one of its functions; these risks need to be highlighted and given a weighting as to their impact if they happen. Crucially, the company needs to have a plan "B".

3.7.5 Contractual completeness

Contractual completeness is the degree to which the outsourcing firm and selected supplier expand a contract that successfully coordinates assets and addresses recognized inter-organizational risks (Williamson, 1979). Poppo and Zenger (2002), state that a more multifaceted agreement specifies "promises, obligations, and process for dispute resolution." Lucrative contracting practices, such as logical service level agreements and performance contracting with well-documented penalties and reward structures, are suggested to present benefits in terms of improved target involvement and reduced strategic risks (Alexander and Young, 1996; Barthélemy, 2001, 200).

More explicitly, it has been recommended that a more inclusive contract serve two primary objectives: coordination and control (Mellewigt et al., 2007). The creation of coordinating supplies outlines how each party's assets will interface across firm borders (Mellewigt et al., 2007). Coordination provisions spell out mutual prospects as well as delineating roles, rules, programs and procedures that allow the joint effort to accomplish communal goals (Mayer and Argyres, 2004). The intention of contractual restraint provisions is to create outcomes more predictable (Poppo and Zenger, 2002) and to alleviate the relational danger associated with an inter-organizational understanding (Mellewigt et al., 2007). The compilation of a comprehensive contract might take time and money when involving the legal profession but this will be money well spent if things start to go wrong.

3.7.6 Association management

Association management represents the level to which the outsourcing firm has strived to set up and preserve a commonly advantageous association with the supplier or vendor. The supply chain literature has provided empirical foundation for relationship management being modeled as a multidimensional philosophical hypothesis (Benton and Maloni, 2005). Successful cooperation often entails investment in association exclusive processes, procedures and technologies (Dyer and Singh, 1998). Firms are usually reserved about investing in relationship specific resources. The exception to this approach arises when the exchange is characterized by high levels of trust and mutual commitment (Zhao et al., 2008). On the other hand, making relationship specific investments expresses faith and concern, which gains loyalty from the other party (Anderson and Weitz, 1992; Das and Teng, 1998). The relationship with the vendor is a very important aspect of the decision to outsource. Trust between the partners in this process is essential for it to succeed as the better the relationship between client and vendor, the more successful the outsourcing will be.

3.7.7 Relationship promise

Relationship promise is the level to which the outsourcing firm feels pledged or obliged to the improvement and preservation of a firm relationship with the supplier or vendor (Prahinski and Benton, 2004). Anderson and Weitz (1992) describe relationship promise as ''a willingness to make short-term sacrifices to maintain the relationship." For outsourcing relationships to work, it requires a strong dedication from both parties (Anderson and Weitz; 1992 Dwyer et al., 1987). Even though longer-term relationships can bring important benefits, the road will not always be smooth. Helpful relationships are often characterized by considerable levels of insecurity (Ring and Van de Ven, 1994). Therefore, it is vital that all involved satisfactorily value the relationship and work to maintain it and that they spend funds where necessary (Morgan and Hunt, 1994). Without commitment from both parties, it would be easy to retreat into traditional adversarial thinking. For this reason, the outsourcing literature has cited the need to have involvement from top management as well as mid-level management in the relationship management process (Kakabadse and Kakabadse, 2003). Eventually, the organization must view the commitment as a partnership (Dwyer et al., 1987; Prahinski and Benton, 2004). The driving question should always be "How do we maximize the total system value?", rather than "How can we maximize our portion of the pie at the expense of our provider?" If this mentality is not maintained, objective position will wear away and opportunism will likely follow.

3.7.8 Collaboration

Collaboration represents the degree to which the outsourcing firm works with the supplier to preserve flexibility, to plan strategically and in cooperation and to work through problems as they crop up (Prahinski and Benton, 2004). One trademark of collaboration is all-embracing information sharing. Everyday sharing of important, and occasionally proprietary, information allows the trade associates to finalize tasks more efficiently (Mohr and Spekman, 1994). As the association becomes more strategic, the kind of information shared with the supplier becomes more significant, frequently including long-term forecasts, development information, and upcoming product designs (Noordewier et al., 1990). Strictly connected to plentiful information exchange, is the idea that true buyer–provider partnerships work collaboratively in many areas.

Collaboration entails combined efforts by the two organizations. Widespread collaborative initiatives comprise joint problem resolution or constant upgrading (Cannon and Perreault, 1999); joint strategic planning (Dwyer et al., 1987); and joint product or service development efforts (Yeung, 2008). Lastly, as noted in Dwyer et al. (1987), "divergence of goals and role preferences" is to be expected as circumstances change and the relationship evolves. As declared by Anderson and Narus (1990), "When partner firms use disagreements as a means of 'clearing the air' of potentially harmful tensions and ill-will, conflict can have functional and productive consequences." Therefore, strong inter-organizational relationships are achieved by a major supportive direction in which both firms can benefit from their shared labours.

CHAPTER 4

4.0 Conclusion and recommendations

An SME or ME may have chosen a company as their outsourcing partner for a number of spoken reasons, excellent references and sound financials or because of a proven track record of experience in a particular discipline. But let us face it – when you look at the competition and the key differentials that set one company apart from the rest of the outsourcing pack, there really are not many things that make one outstanding outsourcer "really" different from another. It is likely that prices, availability or experience played a large part in the company's decision of which outsourcer to hire. Choosing to outsource or to continue to outsource to a particular vendor is clearly a vital and expensive decision. However, any person thinking these decisions are based solely on cognitive reasons such as financials, track record, references, etc. is incorrect. The choice could have also been made based on something as trifling as the contact forged during the exchange process or on the character of the salesperson and others with whom the company's decision-maker came into contact. The preference of outsourcing candidates is no longer made on a cost-cutting basis.

Other factors, like those we mentioned in the last chapter, like being in line with corporate strategy, relationships and accomplishments of the vendor perform an important role in determining outsourcing candidates (Zhu et. al. 2001). Outsourcing is a sensitive decision too, particularly for the first time outsourcer, and the success and longevity of an outsourcing agreement depends to a great extent on the success of the client/vendor relationship. Firms must follow a certain route or path of capability growth. This path not only defines what choices are available to the firm today, but it also puts limits around what its internal range is likely to be in the future. It can certainly be said that outsourcing, which often involves the disposal or transfer of human and physical resources, can have an impact on this path or flight of competence development. Organizations must also fully consider the strategic risks to which it is exposing itself when it outsources.

When a company considers outsourcing for the first time, it will unquestionably have many questions. The client will want to know he is getting the best price and ensure that the vendor's performance and service levels will enable his company's products to sell in the open market. The company may also be worried about losing the balance of power in the relationship with his vendors and with how he will recover staff and intellectual property if the outsourcing arrangement is not successful. The client may be worried about the effects outsourcing a particular business function may have on customer services, as well as the impact such a move may have on the community in which his company operates (Zhu et al., 2001).

Furthermore, there are often employees' jobs at risk when companies enter into outsourcing decisions. The reason for outsourcing is often to reduce costs, thus redundancies might be unavoidable if jobs and skill sets overlap between the client and the outsourcing service provider. As a consequence, the company may want strike a deal with the vendor about them taking on the staff that is surplus to requirement. Companies may negotiate the best deal for their employees who are being laid off. It may be beneficial for the company to work with the vendor in order to keep employees well-versed with as much pertinent information as possible once the agreements have been made. Achievable ways of doing this include posting regularly asked questions and making senior executives accessible to those employees who may be liable to lose their jobs by the outsourcing decision.

4.1 Successful relationships lead to successful outsourcing arrangements

Business is about relationships and the most successful outsourcing relationships are those in which the outsourcer has become "like family" to the client. Douglas Freeman, CEO of NetBank Inc. of Alpharetta, Ga. said that: "It's five times as hard to manage outsourcing as it is to manage people who work for you" (Malhotra, 2002). There is no one-size-fits-all method that guarantees good results. On the other hand, many executives and outsourcing providers lack an inclusive approach for designing an efficient relationship. The makeup of the relationship connecting the outsourcing organization and the outsourcing provider is a critical factor in realizing the expanding potential of business process outsourcing (Linder and Cantrell, 2002).

The foundation for the successful outsourcing vendor/client relationship begins with the drawing up of the contract. The contract ought to deal with, of course, the precise products and services to be delivered, how and when they will be delivered, the terms of payment and what the vendor will provide if they fail to live up to the contract. It is also suggested that you and the client specify in the contract that should any conflicts arise, there is a conflict resolution section in the contract detailing how conflicts will be resolved. In addition, it should be ensured that the contract details the precise targets that must be met by the vendor and establishes an arrangement for monitoring these targets regularly throughout the relationship. Both the vendor and the client must be in agreement concerning the range and composition of the project and the contract helps to ensure this important element of any successful working relationship. The contract itself must be perceived by both parties as fair and commonly advantageous. This awareness is necessary in order for trust, which is very important to an ongoing long-term strategic relationship, to develop (Deckelman, 1998). Numerous times outsourcing contracts do not do well because the hope of the client and the abilities of the vendor are not accurately established at the beginning of the relationship. Completely defining the expectations and abilities of both parties, and thereby lay to rest naive or misunderstood hopes, is vital to the success of a client/outsourcer relationship (Lynch, 2001).

As might be expected however, situations will crop up during the course of a multi-year outsourcing arrangement that even vigilantly crafted and planned contracts do not cover (Horwitt, 1996). It is thus essential to slot flexibility into an outsourcing contract.

> "In the old days, there used to be fixed scope and fixed price . . .
> But now outsourcing is a living, breathing arrangement" (Malhotra, 2002).

4.2 Conclusions

This report identifies relevant fundamentals of the business outsourcing process. There are three key contributions of this report:

1. A thorough multi-stage methodology was proposed to treat and authenticate the original question of why SMEs and MEs outsource marketing and what the benefits and limitations are of doing so

2. Outsourcing management teams must concentrate on the enhancement of a supportive and jointly dedicated relationship with the provider if they are to completely fulfill their operational potential
3. The clear-cut effect of strategic evaluation on an outsourcing operation is indirect rather than direct. The exact value of a more wide-ranging strategic evaluation lies in its upfront effect on relationship management which in turn precisely influences outsourcing performance. Though broadly sought after, a more comprehensive contract cannot be relied upon to guarantee enhanced outsourcing performance.

The methodology proposed is compiled from the available research but this does not mean that things in the industry are static; there is a need for understanding other fundamentals of the outsourcing process which importantly influence performance. This evolving subject offers many complexities that must be more completely understood. One example of this is work done by Aron et al. (2008) which offers preliminary insights into how advances in information technology are allowing outsourcing firms to achieve more authority over their vendors which results in enhanced levels of process quality.

The contract between the client and the vendor is very important but there is no one-size-fits-all scenario as every business is different. Future research could look at specific outsourcing environments where the contract plays a significant role in determining performance outcomes; this research could highlight areas that are common to different industries to make the contract compilation easier. On the other hand, future researchers could examine whether a more complete contract, when used in combination with other enforcements such as monitoring, inspections audits for example, would considerably shape performance outcomes. Furthermore, there are time and again considerable employee associated issues that crop up with outsourcing and make difficult the completion of the new sourcing agreement. In the future researchers could look at these areas in a more focused way. For instance, someone could study the effect on staff members who have been laid off because of outsourcing. The staff of companies like Dell and Aviva who have outsourced sections of their businesses, or the whole business as in Dell's case, to a foreign country encountered a situation where they were in essence training foreign staff to take their jobs.

Appendix A

Appendices 1

1.1 My work placement Diary at AnaCores Ltd.

March 10th

I met with Brian Morley at his office in the Innovation in Business centre, Castlebar. We talked about the company AnaCores and what it does and then we talked about the product he had invented called the *Maui.*

The *Maui* is a highly efficient electronic circuit for the portable generation of Solar Power. He has invented this product and now he wants to commercialize it. The other part of the business, which is the bread and butter end, is where he works as a designer of mixed-signal e.g. Semiconductor Intellectual Property (SIP) and Application Specific Integrated Circuit (ASIC) and System on Chip (SoC) design communities. This work is outsourced to him from other technology companies. We talked about the brief and what value I could add during my period of collaboration with him. Brian proposed that I could design a web site for the company. I explained that this was beyond my scope of knowledge/training and that the proposal was outside my capability. We agreed instead that I would look at the market for the *Maui* and come back to him next week.

March 15th

I went to Castlebar again and met with Brian Morley. We spoke about the *Maui* and ways of marketing it. I came up with some ideas about ways in which the product could be used in industry, ideas that Brian hadn't thought of. We discussed how and where I could best carry out this research for AnaCores and we agreed that the office in Castlebar is small and travel to Castle bar was not necessary. We therefore decided that I should use the library and its databases in GMIT to carry out my research. The Internet would be used by both of us to communicate through e-mail.

March 24th

I started doing some research on the Internet into wireless products that are powered by solar panels. One idea I came up with was fitting a solar panel to a rucksack, which would power up lithium batteries in an aluminium frame built into the rucksack. Then I thought that we could build LED lights into the frame to give light at night. This would be suitable for use in a tented environment. After further investigation, I discovered that somebody had already patented the idea of the solar panels on the rucksack, so there was no point pursuing that idea. I then started to explore the possibility of outsourcing AnaCores' Marketing and through research and investigation I identified potential challenges associated with it.

March 31st

I explored opportunities for new areas of the market for the *Maui*: I identified potential uses for the *Maui* in life saving equipment such as defibrillators; the *Maui* could also be used in the security industry for use in alarms and motion detectors or for use in hidden cameras e.g. cameras watching areas where people "fly tip". The *Maui* could enable cameras to record and transmit and detectors to operate without having to have their batteries replaced. Quite simply, because of its USP (reduced size and cost of production) the *Maui* could be targeted at all existing producers of solar powered devices, particularly producers of small solar/hybrid energy powered devices and chargers (e.g. iPod/iPhone recharging skins). It can also be targeted at producers of remotely located devices that have consistent access to daylight and that could benefit from either dual (battery/solar use) or from solar power only use.

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