

**From process to capabilities:  
Designing the business model and business process  
of an intermediary company**

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## Preface

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This report is the final master assignment of my study in Business Administration with the specialization in the field of Service Management. It is the result of a four months research project executed at "Hallbert Packaging", located in Kuala Lumpur. I performed this research project together with Kasia Hering; her knowledge in the field of International Management was a big contribution to this report.

The objective of our research is to improve the outsourcing process and to create a flexible platform of capabilities to handle multiple and diversified project requests. With a new designed business model several possibilities are created for Hallbert in order to manage different business scenarios.

During our master project in Malaysia we faced a lot of challenges in. For instance the language difficulties and cultural differences were very challenging during the execution of our research. However, it has been a great experience for us to overcome these challenges and to gain a lot of insight and know-how.

A special word of thanks goes to Kasia Hering. I am very grateful for her input in this research and for the time we spend together in Malaysia. I would also like to thank Mr. Schuil for giving us the opportunity to gain work experience in Malaysia by offering us this assignment. I would also like to thank our other colleagues, especially Mr. Polko, for their time and effort. Of course I would like to thank our supervisors Mr. Maathuis and Mr. Hicks of Twente University, for their advice, guidance and stimulating critics.

It is my belief that the implementation of the proposed recommendations will be of great importance for Hallbert. Especially when Hallbert chooses to expand their current business in packaging to a business focussed on more diversified products.

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Bregtje Hermans

## Management summary

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Hallbert is a company specialized in finding outsourcing solutions in Asia for European-based small and medium size enterprises (SMEs). Hallbert provides sourcing for a wide range of both paper and plastic bags for the retail industry. However, when opportunities arise, the company also sources for products in other markets as well. Because Hallbert can still be considered a start-up business, the organization and the way it operates are as yet somewhat unstructured. Now, with continuing growth, Hallbert is facing new and different challenges with the provision of outsourcing services. The central problem of the underlying study therefore becomes: *"Which business model and supporting operational processes will enable Hallbert to expand their business beyond packaging products toward more diversified products and outsourcing services?"*

In order to answer this research question, theoretical perspectives in the fields of business model, and business process design and outsourcing are reviewed and selected in order to be used as the theoretical framework in which this research evolves (*Chapter 2*). We collected data by means of semi-structured interviews, literature study, the comparison of Hallbert to similar organisations (benchmarking), and by means of participant observation.

In chapter 3 Hallbert's business is described. Subjects that are covered include Hallbert's vision, core capabilities and business challenges.

An analysis of the current and desired situation of the business model and process is given (*chapter 4 and 5*). In the current business model, Hallbert is focused primarily on outsourcing. In the desired business model Hallbert is more flexible and can focus on a more diversified array of products and markets, but without taking undue business risk.

The current and desired situation are compared in *chapter 6*. This comparison resulted in the following findings: First, Hallbert takes high risks by accepting responsibility for the whole sourcing process of products they are not familiar with. Second, the current business model is not flexible enough to easily handle different products. Third, a flexible business model needs to be designed where Hallbert can take a step back when they do not have enough product knowledge. Fourth, our recommendation is for a shift from a process-oriented to a capability-oriented business model, which can accommodate the need for enhanced flexibility. For this shift we develop a capability map showing all the potential outsourcing phases and capabilities. With this tool, Hallbert and their customers can jointly configure the sourcing of a particular product or service, and the role that each will play.

Suggestions for the current business model and business process are given in *chapter 7*. The main recommendation for the business model is to create a flexible business model that offers the customer a variety of services and that gives Hallbert the possibility to survive in the dynamic environment it is in, to look for interesting products, and to expand their business without taking too much risk.

The main recommendations for the process that are described in detail are; different steps for the outsourcing process, Service Level Agreements, Requests for Information, and After Sales Phase. Chapter 7 also provides Hallbert with information that may lead to a smoother implementation.

In *chapter 8* our overall conclusion is given. It also provides other recommendations for the management of Hallbert and advice for further research.

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## **I. Background and problem statement**

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### **1.1 Background and research objective**

Hallbert is a company specialized in finding outsourcing solutions in Asia on behalf of mostly European-based small and medium size enterprises (SMEs) which would not otherwise have access to such solutions. Hallbert was founded in 2005 by Jesper Halle and Bertil Schuil and is a spin-off of Firgos Malaysia; a retailer in paper and board. Both were working in the same discipline for many years and they decided to set up an outsourcing company since they became aware of the many business opportunities. Their belief was to support and outsource work activities from customers to Asia. Hallbert Packaging offers a wide range of both paper and plastic bags for the retail industry and focuses on connecting European SMEs to cost-effective producers from Asia.

Hallbert's main business is taking over the outsourcing processes on behalf of their European customers. But a distinction can be made between in-sourcing and outsourcing projects. In case of the in-sourcing projects Hallbert is responsible for the activities concerning packaging and die-cutting. And since Hallbert is a spin-off of Firgos, it benefits from having direct access to the needed resources. In case of the outsourcing projects, Hallbert uses third parties in Malaysia for the manufacturing process.

An important strength of Hallbert is their strategic location in Kuala Lumpur, close to their suppliers. Malaysia has a strong and well-developed packaging industry for both carton and plastics. An other strength of Hallbert is their knowledge about the culture and the local laws and legislation. These advantages of Hallbert enable companies in Europe to have access to low cost products, without having the difficulties of finding good suppliers in Asia and without coping with any cultural, language or geographical barriers, and especially the geographical distance.

Larger (e.g. international) companies will find their ways to Asia by themselves, but the European SMEs are lacking the infrastructure and recourses to do the same. For these companies Hallbert can be a solution. Due to strong business connections with Firgos, Hallbert is focussing mainly on packaging materials. However, when opportunities arise, the company also sources for products in other markets.

As stated above, Hallbert was only founded two years ago. With no clear business model in yet in place Hallbert's initial office was set up in Kuala Lumpur. Hallbert's first goal was to combine the network of knowledge and experience between the head office of Firgos in the Netherlands (specialized in packaging), Firgos Malaysia (paper and boards) and the know-how of Jesper Halle in the Scandinavian and Asian market.

Hallbert's main target groups are clients in the Netherlands, Belgium, Germany and Scandinavia with packaging needs. Requests for packaging products lead to Hallbert's in-sourcing activities. Requests for other products are positioned under the "umbrella" of outsourcing projects, although there is no clear structure of how these outsourcing activities are organized since Hallbert is currently accepting almost every project or request that may arise. As a consequence, the lack of a clear defined business model covering the different elements needed to organize a new business and the lack of a well-considered business plan leads to several challenges, as explained below.

## **1.2 Problem Formulation**

Hallbert is a start-up company that has taken advantage of some opportunities, and is now beginning to structure its business. It is a combination of outsourcing, trading and for a small part a production company that must be flexible enough to handle the challenges that come with international trade. In addition Hallbert needs to be able to handle the dynamic nature of emerging Asian markets.

Because Hallbert is a start-up company there is relatively little structure in the organization and in the way it operates. This is why the company is facing some challenges, especially difficulties during their outsourcing process.

The first of these challenges is that Hallbert has to make sure that the quality of the product meets the specifications of the client. Currently, quality checks are based on samples and on feedback but there is no structured process to control quality from the beginning till the end. Quality measurement is difficult because Hallbert does not always have the proper product know-how, or enough manpower, especially when they accept new project that involve products unfamiliar to them. The second challenge involves communication during the outsourcing process. This involves the need for good communication between Hallbert and the customer, and between Hallbert and the supplier as illustrated in Appendix 2, and the problems that arise from the acceptance of requests for sourcing of unfamiliar products.

Of course some of these difficulties can be expected because of the multicultural environment where Hallbert is operating, and the outsourcing business will always involve challenges with communication and quality control. Successful companies are the ones that handle such issues. Thus, we believe the roots of Hallbert's problems lie not with these challenges but in the foundation of the company itself, and the lack of a structured business model. A business model can be seen as the architecture of a firm and it gives a clear picture and direction for the firm's business. When the business model and enabling operational processes are not well developed, as is the case with Hallbert, inefficiencies and other problems are the result. Based on our participating in different outsourcing projects at Hallbert and the above analysis, we arrive at the following problem definition and focus of this thesis:

*"Which business model and supporting operational processes will enable Hallbert to expand their business beyond packaging products toward more diversified products and outsourcing services?"*

### *Definition of key terms*

An explanation of the term '*business model*' can be found in the definition of Hence et al. (2000). They describe a business model as 'a statement of how a firm will make money and sustain its profit stream over time.' At the operational level, in their opinion, the business model represents an architectural configuration. The focus is on internal processes and design of infrastructure that enables the firm to create value. Decision variables include production or service delivery methods, administrative processes, resource flows, knowledge management, and logistical streams.

In this research the definition of Davenport (1993) is used to define the term '*process*'. Davenport defines a process as a structured, measured set of activities designed to produce a specific output for a particular customer or market. It implies a strong emphasis on *how* work is done within an organization, in contrast to a

product-focus focus on *what* is done. A process is thus a specific ordering of work activities across time and space, with a beginning and an end, and clearly defined inputs and outputs: a structure for action. Taking a process approach implies adopting the customer's point of view. Processes are the structure by which an organization does what is necessary to produce value for its customers.

### **1.3 Research questions**

In order to gather the right information we formulated the following research questions. These research questions cover the phases of the design model we use as a guideline during this report. The phases in this model are the analysis phase, the design phase and the development phase which will be explained in chapter 2.1.

1. *What is the current situation of Hallbert's business model and business process?*
2. *How should the business model and the business process of Hallbert be designed?*
3. *What should be done to overcome the differences between the current and the desired situation?*
4. *What are the improvement areas and which solutions should be selected?*

In chapter 2 we present the literature that will guide us in answering the above research questions. This literature leads to certain sub-questions which we will answer during this research in order to support our recommendations for addressing the problem.

### **1.4 Research Approach**

The first step in finding a solution to the described problems is gathering information about Hallbert, its stakeholders and the challenges they face. In this paragraph we describe the research methods, sources and analysis instruments used to gather the required data.

#### *Inductive or deductive?*

Saunders et al. (2003) argue that the first step of a research design is answering the question about whether the research should use the deductive approach, in which you develop a theory and hypotheses and design a research strategy to test the hypothesis, or the inductive approach, in which you would collect data and develop theory as a result of your data analysis. Our research is based on the deductive as well as the inductive approach. First we will follow a deductive approach since we start with a predetermined theory upon which we have based our research questions. Then we will use the inductive approach to explore our data to develop theories from them followed by the related literature. The emphasis of this approach is to gain an understanding of the meanings people attach to events, to get a close understanding of the research context, the collection of qualitative data and the fact that the researcher is part of the research process. This is because we, as researchers, are not solely observing the business of Hallbert, but also participating in several projects to get a better understanding of the business Hallbert is operating in, and to be in the position to make direct observations.

### ***Data collection***

Data collection involves both primary and secondary data. Primary data is about data collected for specifically that purpose. Secondary data is about reanalysing data that have already been collected for some other purpose. (Saunders et al. 2003)

The primary data is collected by means of in-depth interviews with the management of Hallbert and its employees. Data is also collected by means of comparing Hallbert to similar companies. The biggest part of the primary data will be collected by means of 'participant observation'. This is where 'the researcher attempts to participate fully in the lives and activities of subjects and thus becomes a member of their group, organisation or community. This enables the researcher to share their experiences by not merely observing what is happening but also feeling it' (Gill and Johnson, 1997). Our role in this research corresponds mostly with the role of participant as observer. This means that we will reveal our role as a researcher (Akroyd and Hughes, 1992). Participant observation will be executed within Hallbert (Malaysia) and for duration of four months. The observation is for instant about the involvement in the various outsourcing projects and participating in business meetings.

The secondary data will be collected by means of literature review outsourcing, business models and other relevant fields.

### ***Conclusion***

This qualitative research is both inductive and deductive. We start with a hypothesis and look for literature and data in the direction of this hypothesis. After this we explore our data to develop theories which we will support by looking for related literature. The data we gather during this research is derived from respondents chosen by purposive sampling; we choose the elements that we think will provide us with data useful for answering our problem definition. The data gathering will mainly be performed by in-depth interviews, participant observation and literature research.

## ***1.5 Data collection***

### ***Research question 1***

This research question is answered by primary data gathered by 'participant observation' and interviews performed with the management of Hallbert as well as with employees. Information is gathered by interviewing the management of Hallbert. These interviews will be semi-structured. In semi-structured interviews the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview (Saunders et al. 2003). The interviews are conducted with Hallbert's employees. Language barriers and geographical distances have limited the opportunities to interview current suppliers. Interviews with customers will not be held because the management of Hallbert believes this is inappropriate. The secondary data is gathered by studying literature about business models, and international outsourcing.

### ***Research question 2***

This research question is answered by primary data gathered by 'participant observation' and the interviews performed with the management of Hallbert. Primary data is also gathered by comparing Hallbert to similar companies. The secondary data is gathered by studying literature about business modelling, business process modelling and outsourcing.

***Research question 3***

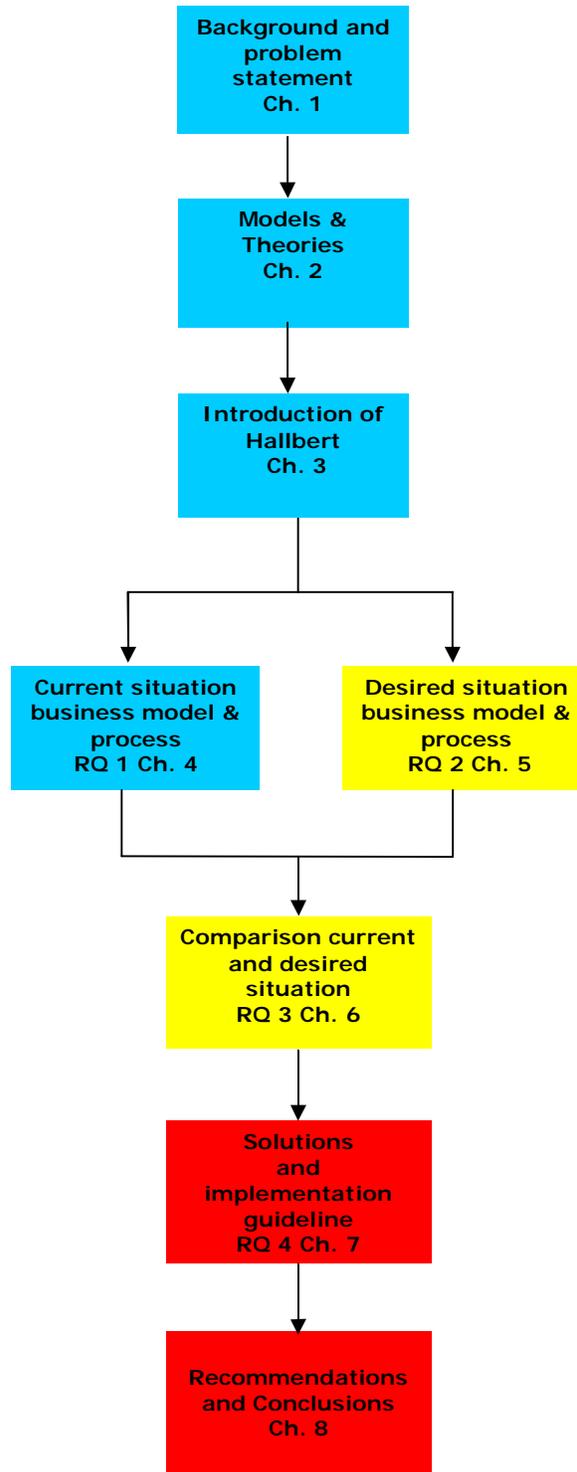
This question is addressed by developing possible recommendations for the different improvement areas in the business model and outsourcing process. These recommendations will be based upon the primary and secondary data collected in answering previous research questions.

***Research question 4***

The last research question is answered based on the experience of our own project participation and on the outcome of several meetings regarding improvement areas as discussed with our director Mr. Schuil. The choice for the recommendations is based on our own observations, relevant literature, in-depth interviews and on areas of interest as mentioned by the management of Hallbert.

### 1.6 Research structure

The figure below is a chart of the structure followed for this research. In this chart the design model we use as a guideline during this report is incorporated.



- Analysis Phase**  
*What is the problem?*
- Design Phase:**  
*How can the problem be solved?*
- Development Phase**  
*What are the recommendations that need to be implemented?*

## II. Models and theory

### 2.1 Introduction

After writing the research plan it is important to determine which theories and models will be used as a scientific basis for this study. These theories and models will be a guideline for writing this report and are derived from literature about international outsourcing, business modelling and business process modelling, as well as from benchmarking.

The aim of this study is designing the business model and outsourcing process of Hallbert so that it is better structured, yet still flexible enough to accommodate different products and markets. The ADDIE model (*Dick and Carey and others*) is used as a basis for our main model which will be a guideline for our research questions.

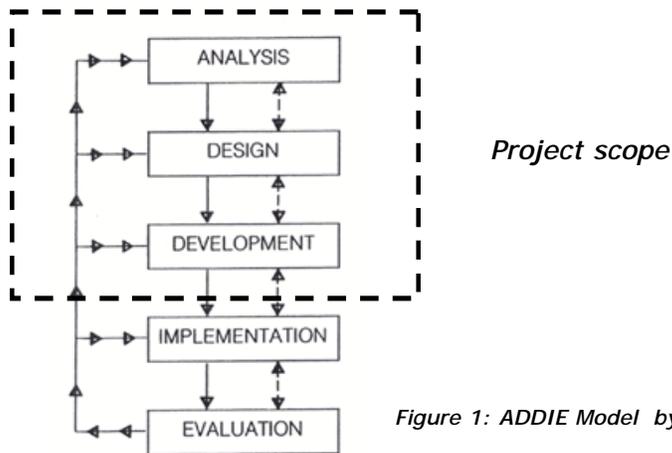


Figure 1: ADDIE Model by Dick Carey and others

The focus of the project consist of the analysis, design and development phase, and results in the following design model which forms the basis for our research structure and will be the guideline for this report. The phases in our model are connected because they are just like the phases in the ADDIE model not performed separately. During the Analysis Phase there is already thought about the Design Phase and during the Design Phase there is already a bit focus on the Development Phase.



#### Ø Analysis Phase

1. Analysis current business model and process (RQ 1)

#### Ø Design Phase

2. Defining desired business model and process (RQ 2)
3. comparison between current and desired business model and process (RQ 3)

#### Ø Development Phase

4. Development of recommendations and directions for implementation (RQ 4)

## **2.2 Current situation**

This chapter is the second step in the Design Phase of our design model and presents the theory and models that will be used to give a clear description of the current business model and the current outsourcing process of Hallbert (*chapter 4*). The research question for which the theory in this chapter forms the basis is:

*"What is the current situation of Hallbert's business model and business process?"*

In the first paragraph of this chapter the theory and models which are the basis for a description of the current business model are presented. In the second paragraph the theory that will be used for a description of the current business process is mentioned. The results of the mentioned theory in the first two sections are the sub-questions (2.3.3) that need to be answered in chapter 4.

### **2.2.1 The business model**

In order to describe how Hallbert's current business model is structured (chapter 4.1), the following framework is appropriate. This framework is based on six questions (components) that underlie a business model which are presented by Morris et al. (2005)

**Component 1** (factors related to the offering): How do we create value? (select from each set)

- offering: primarily products/primarily services/heavy mix
- offering: standardized/some customization/high customization
- offering: broad line/medium breadth/narrow line
- offering: deep lines/medium depth/shallow lines
- offering: access to product/ product itself/ product bundled with other firm's product
- offering: internal manufacturing or service delivery/ outsourcing/licensing/ reselling/ value added reselling
- offering: direct distribution/indirect distribution (if indirect: single or multi channel)

This first question concerns the value offering of the firm. Decisions here address the nature of the product/service mix, the firm's role in production or service delivery, and how the offering is made available to customers.

**Component 2** (market factors): Who do we create value for? (select from each set)

- type of organization: b-to-b/b-to-c/ both
- local/regional/national/international
- where customer is in value chain: upstream supplier/ downstream supplier/ government/ institutional/ wholesaler/ retailer/ service provider/ final consumer broad or general market/multiple segment/ niche market/ transactional/relational

This second question focuses on the nature and scope of the market in which the firm competes. To whom will the firm sell and where in the value chain will it operate? Customer types, their geographic dispersion, and their interaction requirements have significant impacts on how an organization is configured, its resource requirements, and what it sells.

**Component 3** (internal capability factors): What is our source of competence? (select one or more)

- production/operating systems
- selling/marketing
- information management/mining/packaging
- technology/R&D/creative or innovative capability/intellectual
- financial transactions/arbitrage
- supply chain management
- networking/resource leveraging

The term 'core competency' mentioned in the third component is used to capture an internal capability or skill set that the firm performs relatively better than others (Hamel, 2001) and these competencies lie at the heart of the business model (Applegate, 2001; Viscio & Pasternack, 1996).

**Component 4** (competitive strategy factors): How do we competitively position ourselves? (select one or more)

- image of operational excellence/consistency/dependability/speed
- product or service quality/selection/features/availability
- innovation leadership
- low cost/efficiency
- intimate customer relationship/experience

The fourth component competitive strategy factor is about core internal competencies that provide the basis for external positioning. The model must define how an entrepreneur intends to achieve advantage over competitors (Amit and Zott, 2001). The challenge is to identify leading points of difference that can be maintained.

**Component 5** (economic factors): How we make money? (select from each set)

- pricing and revenue sources: fixed/mixed/flexible
- operating leverage: high/medium/low
- volumes: high/medium/low
- margins: high/medium/low

Economic factors are stressed in the fifth component. According to Linder and Cantrell (2000) a core element of the firm's business model is its economic model. The economic model provides a consistent logic for earning profits. It can be approached in terms of four subcomponents: operating leverage or the extent to which the cost structure is dominated by fixed versus variable costs; the firm's emphasis on higher or lower volumes in terms of both the market opportunity and internal capacity; the firm's ability to achieve relatively higher or lower margins; and the firm's revenue model, including the flexibility of revenue sources and prices.

**Component 6** (personal/investor factors): What are our time, scope, and size ambitions? (select one)

- subsistence model
- income model
- growth model
- speculative model

In the last component concerning time, scope, and size ambitions, four kinds of models are described to choose from. With the subsistence model, the goal is to survive and meet basic financial obligations. When employing an income model, the entrepreneur invests to the point that the business is able to generate on ongoing

and stable income stream for the principals. A growth model finds significant initial investment, but also substantial reinvestment in an attempt to grow the value of the firm to the point that it eventually generates a major capital gain for investors. In a speculative model, the entrepreneur's time frame is shorter and the objective is to demonstrate venture potential before selling out.

### ***2.2.2 Business process***

After a clear description of the current business model of Hallbert, the current business process can be described. This description is based on the literature provided by Turmay (1996). According to Turmay the four basic building blocks of a business process are entities, resources, activities, and connectors. These building blocks can be used in order to describe and model the current business process(es) of Hallbert.

#### **Entities:**

Otherwise referred to as flow objects, tokens or transactions, these are the objects that are processed by resources. Examples of entities are customers, products, documents, orders, and calls. Entities may have attributes such as order quantity, priority, and due date.

#### **Resources:**

These are the agents that are used for adding value to Entities. Examples of resources are service representatives, automated process equipment, and transportation equipment. Human resources can be defined as members of departments and workgroups. Resources are allocated to activities and may have attributes such as cost and expertise level.

#### **Activities:**

Activities are linked by connectors to represent the flow of entities through the simulation model. Activities may be value added or non-value added. Examples of activities are branching, assembly, batching.

#### **Connectors:**

Connectors are used for linking processes and activities. Entities follow the connectors as they are processed by the model. Connectors are helpful for defining parallel flows and rework situations based on deterministic, probabilistic, or conditional decision rules.

### ***2.2.3 Sub-questions***

Based on above mentioned research question and literature we formulated the following sub-questions.

- a. How is Hallbert's business model currently structured?
- b. How are Hallbert's business processes currently structured?

In chapter 4 we will give an answer to these sub-questions in order to answer the second research question.

## **2.3 Desired situation**

After the internal analysis and the description of the current situation we will focus on the desired situation of the business model and business process. The design of the desired situation presented in chapter 5, is based on data gathered by comparing companies similar to Hallbert and by theory about outsourcing. The below described theory is used as a basis and/or as a tool to find an answer to the next research question:

*How should the business model and the business process of Hallbert be designed?*

### **2.3.1 Comparing similar companies**

The first step in answering this research question is to describe the desired business model. Benchmarking theory is a helpful tool in order to find out how Hallbert should design its business model and how to structure its business process. Because of time limitations and difficulty of gather information directly from competitors, our benchmarking is based on information available on the internet. The steps involved in our comparison process are based on the benchmarking steps mentioned by Kotler (2003):

1. Determine which functions to benchmark: we are focussing on the business model and business process of outsourcing companies.
2. Identify the key performance variables to compare: these variables are different products and markets, responsibility of the company, the quality control of the products, the efficiency of the business process and the communication between customer and supplier.
3. Identify similar outsourcing companies: we focus on companies that outsource (a part of) the business process of their customer in foreign countries.
4. Analyse the performance variables of the similar outsourcing companies: we analyse how the companies handle quality control, how efficient their business process is in our opinion and analyse the communication process between their customers and suppliers.
5. Determine best practices: determine which practices are appropriate for Hallbert and are likely to improve the way they do business.

The criteria used in our comparison are derived from our own observations and are based on the difficulties that we faced during our participation in different kinds of projects:

- Products and markets: in what kind of different products and markets is the company operating?
- Responsibility of the company: what is the amount of risk the company takes in doing their business?
- Quality control of the products: in which ways is the company checking the quality of the products?
- Business process: how is the business process structured
- Communication: how is the communication with the customer and supplier organized?

### **2.3.2 Outsourcing literature**

Our recommendations for the business process are based on the results of comparing Hallbert to similar companies and outsourcing literature. Below described theory is about the outsourcing process and provides very useful insights and tools for process improvement.

To obtain a better picture of the whole outsourcing process, the model of Franceschini and Galetto (2003) is applied. This model is organized in four main stages (Figure 4).

1. The first stage is the internal benchmarking analysis. In this phase the customer identifies its company's core competencies, determines the products to be outsourced, and chooses the desired type of relationship.
2. During the external benchmarking analysis a supplier is selected, but it also includes designing the outsourcing relationship and setting its targets by defining service level agreements (SLA's).
3. In the contract negotiation phase the outsourcing relationship is formalized by means of contract negotiation.
4. In the outsourcing management phases the performance levels, check moments, and tolerated gaps between expected and realized performance are determined.

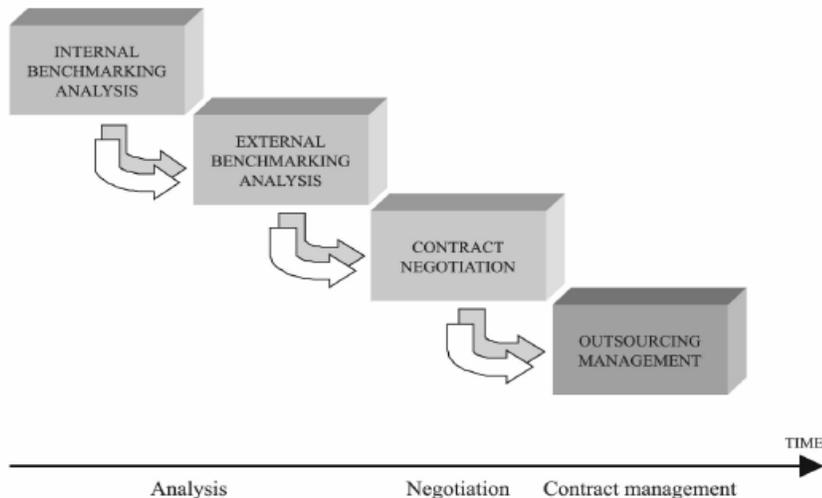


Figure 3: Franceschini's and Galetto's outsourcing process model

### 2.3.3 Business model design

In chapter 4 we describe the current business model of Hallbert. Consequently in chapter 5 we will design the business model for Hallbert concerning the desired situation. In order to do so we will use the results of outsourcing literature and the results comparing Hallbert to similar companies. As a basis for the business model we use the 6 components that underlie a business model provided by Morris et al. (2005) which are presented before in chapter 2.2.1.

### 2.3.4 Sub-questions

Based on above mentioned research question and literature we formulated the following sub-questions.

- a. How should the business model of Hallbert look like in the desired situation?
- b. How should the business process look like in the desired situation?

In chapter 5 we will give an answer to these sub-questions in order to answer the third research question.

## **2.4 Differences between current and desired situation**

After the analysis of the current and the desired situation a comparison can be made. In this comparison the gap between both situations is described and areas of improvement are given. The research question that will be answered here is as follows:

*What should be done to overcome the differences between the current and the desired situation?*

By answering this research question in chapter 6 (Comparison) the last step of the Design phase is executed. In this chapter there are no tools used like theories and models. The direction that is given for the recommendations in chapter 7 is based on the comparison between the current and desired situation and on our own observations.

### *Sub-questions*

Based on above mentioned research question we formulated the following sub-questions.

- a. What are the problems and the origin of the problems that form the gap between the current and the desired situation?
- b. What are the areas of improvement regarding the business model and business process?

In chapter 6 we will give an answer to these sub-questions in order to answer the fourth research question.

## **2.5 Improvement areas and solutions**

After comparing the current and desired situation and formulating the improvement areas, the next step is to come up with recommendations for the problem areas that have priority (chapter 7). Our last research question therefore is:

*What are the improvement areas and which solutions should be selected?*

Our recommendations are derived from our own observations, comparing similar companies, and literature about outsourcing and organizational change. In this last phase of the design model (Development Phase) also direction will be given for implementing the recommendations.

### **2.5.1 Organizational change**

In order to achieve a transition between the current and desired situation and to avoid resistance of change; there must be changes in attitudes, communication, employee involvement and commitment<sup>1</sup>.

The following specific tactics for overcoming employee resistance can be effective for implementation of change:

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<sup>1</sup> Treasa Hayes "Total Quality Management and Organisational Change" (1996)

- Communication and education
- Participation and involvement
- Facilitation and support

**Communication and education:** The aim here is to make employees aware of all aspects of the proposed changes and to convince them that such changes are necessary. "Communication and education are used when solid information about the change is needed by users and other who may resist implementation" (Daft 1995)

**Participation and involvement:** Involvement of employees is important when trying to change the organization. Kanter (1983) considers that people at all levels in the organisation need to be the 'change masters'. By allowing potential resisters to participate in designing change, they are enabled to understand it and become committed to it.

**Facilitation and support:** The visible support of top management helps to overcome resistance to change (Daft 1995) as such support indicates steadily to the employees that the change is important for the organisation.

### **2.5.2 Sub-questions**

Based on above mentioned research question and literature we formulated the following sub-questions.

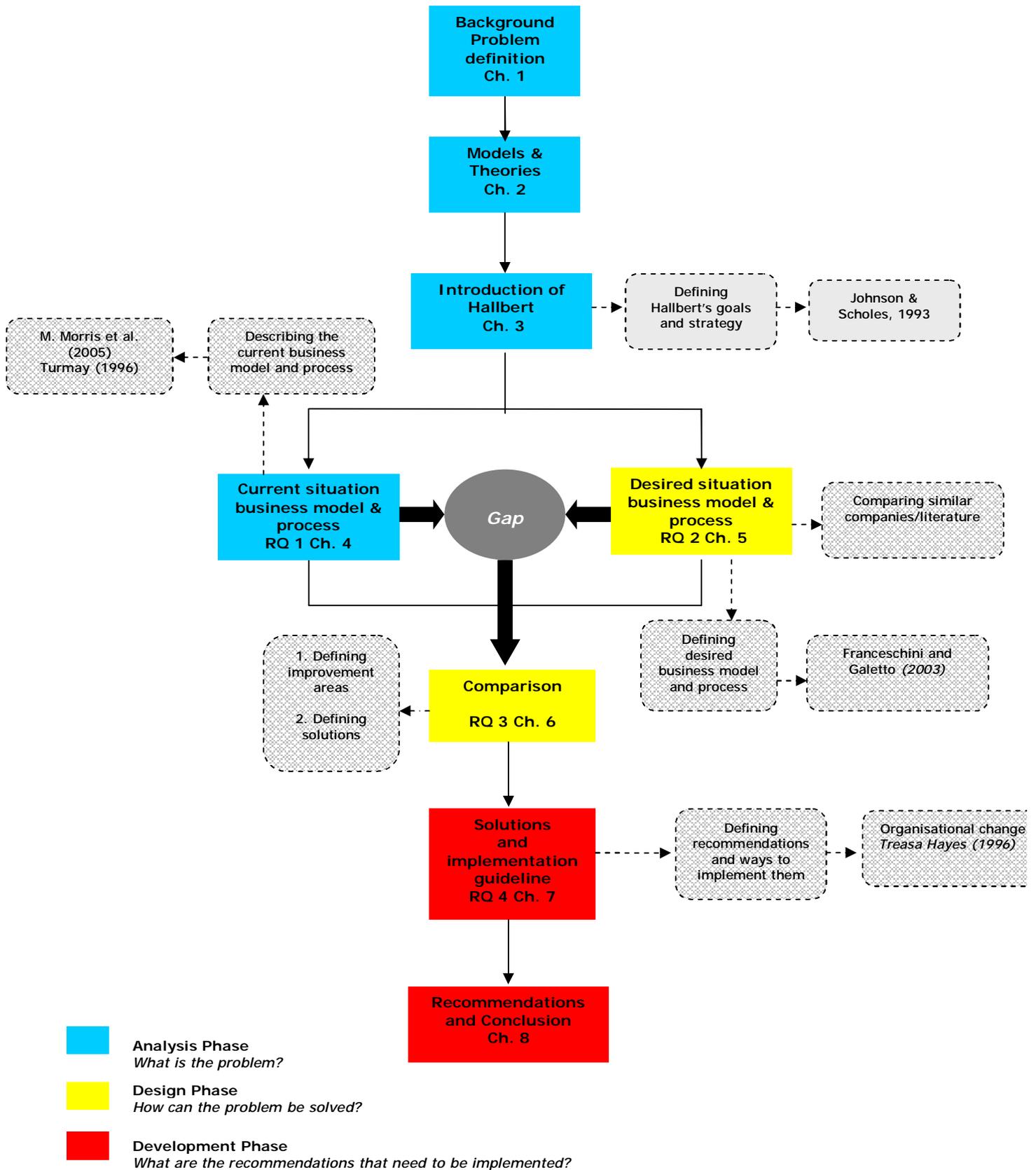
- a. What are the criteria (see chapter 7.) for the recommendations?
- b. Which recommendations are to be considered in order to improve the business model and process?
- c. Which recommendations have priority and why?
- d. How should these recommendations be implemented?

In chapter 7 we will give an answer to these sub-questions in order to answer the fourth research question.

### **2.6 Conclusion**

This theoretical framework of models, tools and theories is constructed in order to effectively combine theoretical and practical knowledge and insights for answering the problem definition and the stated research questions. The models used for the design model we created as a guideline, are the ADDIE model and the reengineering phases of McKinsey. Literature from different authors has provided useful theoretical insights for this study and is therefore selected to the different stages of the design model. In the next paragraph above mentioned theories are presented in a research framework which gives a clear picture of the structure of this report and the theories provided by different authors.

## 2.7 Research framework



### III. Introduction to Hallbert

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#### 3.1 Introduction

This chapter is mainly about the vision of Hallbert. A vision can be described as a business vision view of where a company wants to go. "It is an image of where the company is headed. This view sets up the overall strategy for the business and defines the goals of the business. The ultimate result of the business vision view is a definition of the desired future state of the company, and how that state can be reached. A vision statement is a short text document that outlines the vision of the company some years into the future" (Eriksson et al. 2000).

In the next section we depict where Hallbert stands as a company, where it wants to go and how the company is structured. This analysis is mainly based on the data we collected from the interviews we performed with the management of Hallbert. An other resource for useful data were our own observations.

#### 3.2. Current mission, goals and strategies of Hallbert

The internal analysis of a company is essential for developing a firm's strategic goal and strategic mission. For this analysis of Hallbert we have defined the following business statements based on the interview with director B. Schuil:

*Mission:* "to offer small medium European enterprises the infrastructure<sup>2</sup> and resources<sup>3</sup> they need to outsource their production process in Asia in order to be cost effective and to maintain competitiveness".

*Goal:* "to create a platform<sup>4</sup> with experience and knowledge to offer our customers the services and infrastructure they are seeking for".

*Strategy:* "to expand Hallbert's business activities into other Asian countries and to enlarge their core business from packaging to other kinds of outsourcing products, which will enable our potential customer base to access outsourcing possibilities in Asia".

The management of Hallbert has the intention to become a specialist in their field. Hallbert's main business and specialization is packaging, although all kind of different products are accepted at the moment. Currently Hallbert is in the start-up phase but it is growing ever since the first day they started their business. They expect to become a "healthy and solid" company within a time frame of three to four years. These expectations are based on intended budgets, profitable investments and revenue expectations. Although these assumptions are based on revenue expectations, the management considers the goals for the packaging branch as realistic. However, for the other outsourcing products the situation is uncertain. But to enlarge their core business from packaging to other kinds of outsourcing products, the management of Hallbert has the intention to hire in the future more industry-knowledgeable people for the non-packaging products.

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<sup>2</sup> 'Infrastructure' refers to the opportunity of having access to different kind of suppliers by means of contacts and having the possibility of meeting them.

<sup>3</sup> Manpower and materials

<sup>4</sup> 'Platform' refers to an easy accessible, virtual place of knowledge where demand meets supply.

The management of Hallbert has a strategy, but the problem at this moment is that it is not well formulated and/or clear for everyone in the company. The three directors (consisting of B. Schuil managing director, J. Halle responsible for the organization, and P. Schuil in charge of the Dutch management) have each of them a slightly different view on it. The view of the directors can differ from one another, because the objectives of the company are not clear enough. An explanation for this is that all 3 directors participate in the decision making concerning Hallbert's future, and another reason is that all of them live in different countries. As a consequence they do not always have the time to sit down together and talk through the objectives and strategy with relation to Hallbert.

According to B. Schuil, the strategy of Hallbert is to build 10 till 15 business units with two (or more) self-sustaining profit centres within five years from now. In addition further expansion of the business is intended for Malaysia and Europe as well as for China and, when feasible, Vietnam. In accomplishing this strategy Hallbert also has to deal with barriers to achieve their goals. However, these difficulties can also be seen as the challenges named in chapter 1.2.

### ***3.3 Core capabilities***

According to the definition of Teece et al. (1997) we can define Hallbert's core capabilities by describing the differentiated skills, the complementary assets and the routines.

The differentiated skills Hallbert has are mainly the knowledge of the packaging products and the experience in this market. There are not many other companies in the same business that have the same explicit knowledge and experience. Next to the knowledge of the packaging market, Hallbert's knowledge about everything that is related to outsourcing (cultural differences, shipment, language etc.) in Asia gives the company a competitive advantage. Another advantage for most of its customers is the fact that Hallbert has Dutch employees working for them in Kuala Lumpur. This is an extra service for the European customer because they do not have to deal with language differences.

Hallbert's complementary assets are the machines they own. These machines are meant for shrink wrapping and die cutting and give Hallbert the possibility to do the production of some packaging products itself.

The routine that makes Hallbert strong as a company is their presence in Asia as well as in Europe and their ability to have personal contact with the supplier in Asia and the customer in Europe. 'Presence' is according to Hallbert the critical success factor in order to expand their business activities into other Asian countries. When doing business in a foreign country you have to be there to understand the environment you are working in, maintaining the contact with your suppliers and be in control of the business processes.

### ***3.4 Challenges in this business***

Hallbert's drive to operate in this business are the opportunities they face. The main barrier, but at the same time the biggest challenge, is the "translation aspect": to transform customers wishes into a final product. When doing business in Asia you face different ways of communicating. For instance different attitude about the concept of quality and urgency. The major key questions therefore are:

How do you control quality, and in which way do you make sure that your suppliers will deliver exactly what your customers in Europe are expecting?

### ***3.5 A new change***

Before starting this outsourcing company Hallbert was not acquainted with all the aspect coming along in doing this business. Therefore we have asked the management director what they would do differently with the knowledge and experience of today. After 2 years of being in this business, Hallbert is now looking back at their starting situation with a different attitude. Knowing their position now they would do things different by hiring more quickly new employees, because more staff is not only about more work, but also about more knowledge. To survive in this business you need a background of experience and you need to be present all the time because of the time differences between Europe and Asia. What they also would do different is that they would also structure their business from the beginning.

### ***3.6 Conclusion***

Hallbert claims to be a trading/production company in the field of outsourcing specialized in packaging. However, in the day to day practice it is clear that the company operates in a much broader and riskier perspective. The company does not only focus on packaging but wants to take every opportunity they get. Hallbert takes the responsibility for the entire process, including quality control.

In the next chapter the current situation of the business model and business process of Hallbert will be defined. This chapter gives insight in how the company is doing its business exactly.

## IV. Current situation

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### 4.1 Introduction

In this chapter the first step in the Analysis phase is described. This step is about getting a clear picture of the current situation of the business model and business processes of Hallbert. This chapter also gives inside in the difficulties that arise during the outsourcing process. The sources used for data gathering in this chapter are Hallbert's management, Hallbert's employees, the current suppliers and our own observations. Next to these resources we use the theory from different authors as described in chapter 2.3.

### 4.2 Hallbert's business

Hallbert is a company that is a combination of a trading and a service company that also does the production of some products by itself. The trading and service part Hallbert executes is as follows:

- Ø When Hallbert receives a request from a company in Europe for a certain product, Hallbert tries to find a supplier in Asia for the production.
- Ø Once a proper manufacturer has been selected, Hallbert has to translate the wishes of the customer into the information the supplier needs for the production.
- Ø Furthermore Hallbert has to make sure that the quality of the product will matches the wishes of the customer.

Currently Hallbert carries total responsibility for the request of the customer, including responsibility for the quality of the products and also for the transportation of the products to Europe. So there is little or no direct contact between the customer in Europe and the supplier in Asia. The customer orders the product from Hallbert, receives the product from Hallbert and pays also directly to Hallbert. The payment includes the costs of production, transport *and* the services Hallbert delivers. The services provided by Hallbert are mainly:

- Ø taking over the communication process with the supplier/ manufacturer
- Ø quality control
- Ø shipment of the goods
- Ø (when necessary) taking care of the artwork for the client.

### 4.3 Current business model

The current business model of Hallbert is defined by the six questions that underlie a business model which are presented before in chapter 2.3.

#### 4.3.1 Six components that underlie a business model

According to component 1 (factors related to the offering) Hallbert creates value by providing access for the European SME's to the otherwise unavailable low-cost production alternatives in Malaysia. Hallbert is offering primarily packaging products but also other outsourcing products and services. For the packaging industry it offers mainly standardized products, but also customization products on request. Since Hallbert's core business is packaging, most of its products are offered by a narrow line. However Hallbert has the intention to offer in the future a broad line of products and services. Hallbert manufactures packaging mainly internally by means of insourcing with their own resources located in Penang, but they do also offer service delivery by means of outsourcing when it concerns non

packaging products. The last factor that add value to their services is the fact that Hallbert's products are mainly directly distributed from Malaysia to Europe.

Component 2 (market factors) is about to whom Hallbert creates value for. The type of organization of Hallbert is mainly Business to Business oriented. Secondly, Hallbert is operating in the international business with its productions facilities in Malaysia and with mainly European customers. The customer in this case plays an important role in the value chain<sup>5</sup>. This means that Hallbert tries to add value to its products by means of their service. Hallbert's defines its service offered to its customers therefore as the experience and knowledge they have in Malaysia. And finally, Hallbert is operating in the general market of packaging. but is also trying to set up multiple segments for different kind of markets.

Component 3 (internal capability factors) describes the source of competence. Hallbert has its own packaging production facilities located in Penang, but their selling and marketing activities are mainly conducted from their head office located in Kuala Lumpur. Hallbert's core business is mostly focussed on packaging. Secondly, Hallbert's supply chain management<sup>6</sup> is about taking over the responsibility of the supply chain from its customers for different kind of outsourcing activities. The last internal capability factor concerns networking and can be seen as a competence for Hallbert's business, due to its offices in China, the Netherlands and Malaysia, and last but not least it can offer its customers the infrastructure in Asia where they are seeking for.

Component 4 (competitive strategy factors) answers the question how do they competitively position themselves? First, Hallbert aims to have an image of operational experience and knowledge in the Malaysian market. Second, Hallbert's core service consists of taking over the whole outsourcing process from customer request till delivery of the final product. Third, Hallbert's main strategy is offering low cost products to its customers. And fourth, Hallbert aims at a personal long-term relationship with its customers as well as with its suppliers by means of repeat orders.

Component 5 (economic factors) stresses how the company makes money. Concerning mixed pricing and revenue sources, Hallbert is dependent on demand and supply. High volumes are only reached when it concerns packaging quantities in millions. And finally, Hallbert makes money by fees and by the margins on the goods they handle. This varies from low till sometimes 60 percent.

The last component 6 (personal/investor factors) is about the time, scope, and size ambitions of the company. Hallbert is utilizing an income model where it tries to invest to the point that the business is able to generate an ongoing and stable income stream for the principals and to become a "solid and healthy" company.

The current business model is divided into an 'outsourcing' function and into an in-sourcing function when Hallbert is doing the production by itself. From now on the focus will only be on the 'outsourcing' function because that is the part of the

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<sup>5</sup> The value chain is the entire series of organizational work activities that add value at each step beginning with the processing of raw materials and ending with finished products in the hands of end users. ( "Management" book by S.P. Robbins and M. Coulter, 2002)

<sup>6</sup> Supply chain management is the process of coordinating and integrating the flow of materials, information, finances, and services within and among companies in the value chain from suppliers to the ultimate consumer. (Book "International Business" by Ball et al., 2006)

business model where the problems that are mentioned in the problem formulation arise. (Chapter 1.2)

#### Current business model

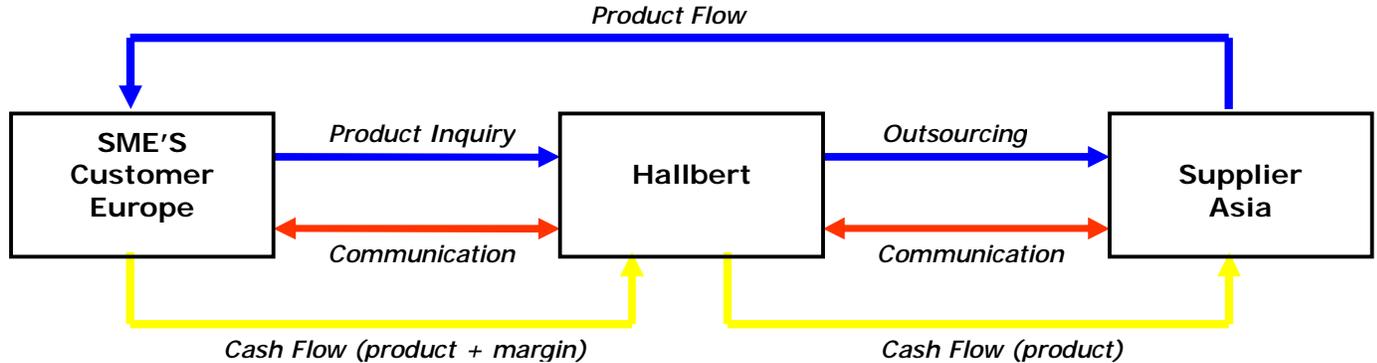


Figure 4: Outsourcing part of the current Business Model

#### 4.3.2. Problems in the business model

The main problem is that Hallbert accepts most of the product inquiries they get from the customers. Every request is interesting, especially when it looks profitable and when there is a chance for repeat orders. In regard to packaging products, Hallbert's core business, this is not a problem because of their knowledge about the materials and the market. But when Hallbert gets an inquiry for a product they do not know anything about, the outsourcing process becomes a lot more difficult.

The current business model is not suited for outsourcing different "unfamiliar" products because of the responsibility Hallbert carries. When something happens during the production process, Hallbert is responsible and has to pay for the expenses. Of course, failures and mistakes will occur more frequently when proper knowledge is not available.

Because Hallbert is a starting company, too high performance and financial risks can be very damaging. It certainly is bad for the reputation of the company and the relationship Hallbert wants to build with their customers. Long term relationships are very important because the repeat orders are the orders Hallbert can make money with. Repeat orders do not take as much time and effort as a first order.

#### 4.4 Current business process

In this paragraph the current business process of Hallbert is analysed. Based on the theory of Turmay (1996), a business process consists of four basic building blocks, which are Entities, Resources, Activities, and Connectors. These elements underlie the current business process of a certain outsourcing project illustrated in figure 5.

The Entities in the chart as depicted in the current business process of Hallbert are defined as customers, products and/or orders. The Resources are used for

adding value to the entities. For instance the service (e.g. taking care of the artwork for the customer and taking over the communication with the supplier/manufacturer) that Hallbert delivers to its customers during the business process. The resources Hallbert uses attribute to those entities (customers, products or orders) by means of low costs and or expertise level. The Activities are linked by connectors to represent the flow of entities through the simulation chart, and finally the connectors are used for linking processes and activities by means of the illustrated arrows.

According to these four building blocks and data collected by 'participant observation', we conducted the next descriptions of the current business process of Hallbert.

#### *4.4.1 The steps in the current business process*

The following steps are a reflection of what the current business process looks like when there are almost no difficulties in the operational process. The named steps are reflected in a business process model (*page 31*).

1. The first step in the business process is the acquisition of customer's orders and start of the business relation.
2. The second step in the process is the inquiry of the customer. If Hallbert accepts the request, the customer needs to send a sample and a list with specifications of the product. Unfortunately the customer does not always have a sample and/or a good description. So Hallbert needs to find out the exact wishes of the customer by itself.
3. After getting the specification of the product, Hallbert needs to find a manufacturer. Within Hallbert there is no database with information over potential suppliers so one of the employees has to look on the internet.
4. Potential suppliers are contacted and are asked to make a quotation based on the specification of the customer.
5. The best supplier is selected and then Hallbert has to make a cost sheet including costs for material and the shipment from Asia to Europe. The costs sheet is send to the customer.
6. When the customer agrees on the offer, the customer needs to send the art work to Hallbert, so that the supplier can make a sample. If the customer thinks the costs are too high Hallbert needs to make a new cost sheet or tell the customer that Hallbert is going to find an other supplier.
7. If the customer agrees on the sample provided by the supplier the production process will start. If the customer is not satisfied, Hallbert will tell the supplier that he has to make a new sample based on the comments of the customer.
8. Hallbert makes a production planning and schedule, and eventually book the shipping. Next to this Hallbert sometimes need to arrange the needed materials for the production. This is only if the requested product is made of paper or board.
9. The next step is the production of goods by the supplier.
10. After and sometimes during the production Hallbert performs a quality check.
11. If the quality of the products is fine Hallbert takes care of the staffing and packaging of the goods and the container fit.
12. The last step in the process is the shipment to the customer in Europe.

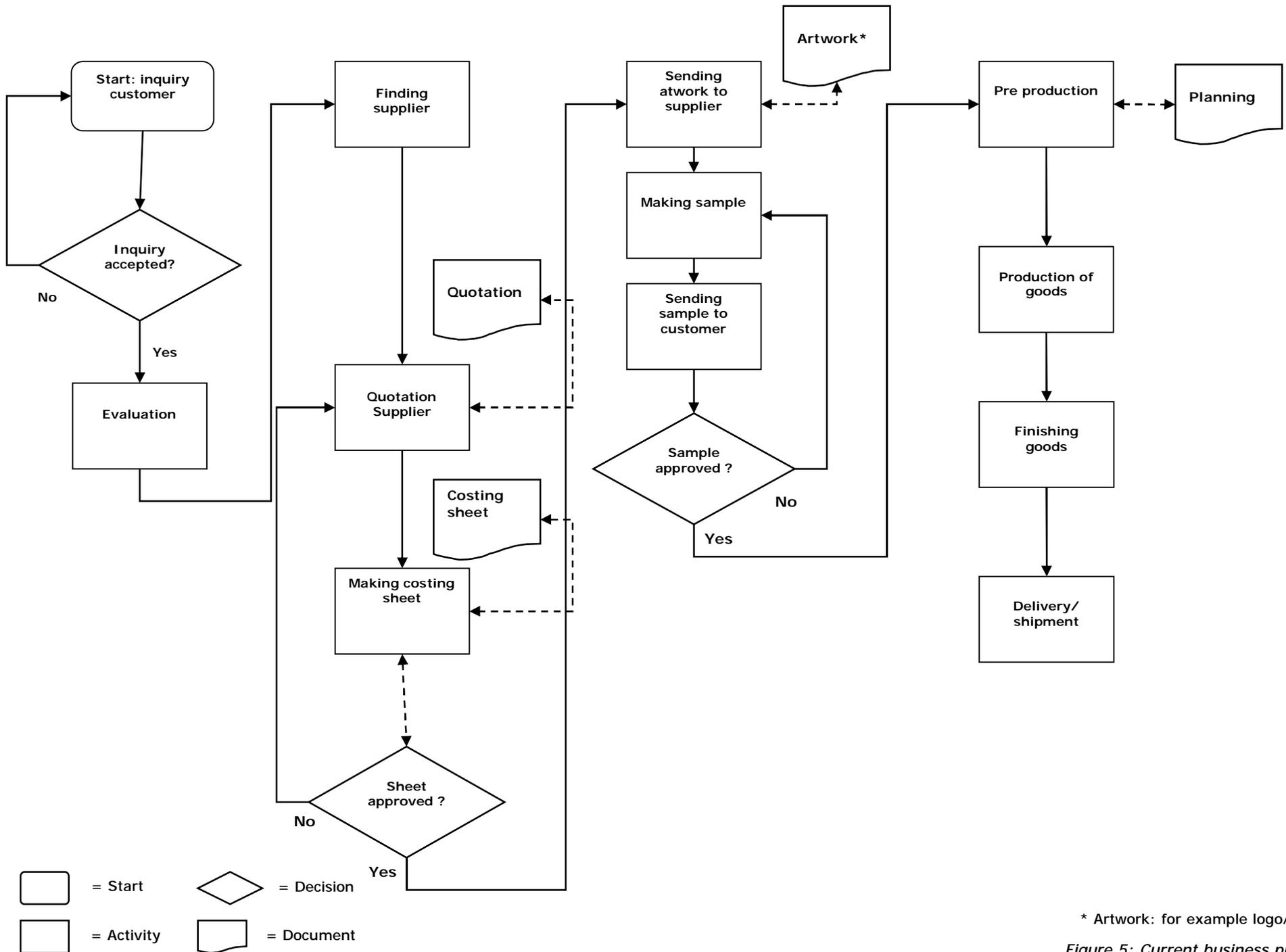
The next description of the current business process is an example of the operational process when there are a lot of difficulties involved. During this

process the difficulties with translation from customer to supplier really arise. This description is based on a project (we performed by our selves) where the customer in the Netherlands was interested in puzzles, a product Hallbert did not know anything about.

1. The first step in the process was the inquiry of the customer. In this case the customer was a friend of Bertil Schuil so there was no real acquisition step in the project.
2. The second step in the process was that the customer sends some pictures to give Hallbert an idea about what the puzzles should look like.
3. With that information we started with the search for a supplier on the internet. We found a couple of supplier in Malaysia that we contacted by e-mail because contact by phone is sometimes hard because of the language difference. Two suppliers responded.
4. The next step is that we explained what we wanted from them and we asked for a quotation. Before we got the quotation a lot of e-mails were send because the suppliers needed a lot of information we did not know anything about. This step was very time consuming. During this step we found out that one supplier could not offer us what we where looking for.
5. After getting the quotation from the supplier we started calculating and send the quotation to the customer. Because the customer also had some of questions and new ideas that they wanted more information about, a lot of e-mails were send. Not only to the customer but also to the supplier because we needed to know whether the supplier was able to produce different shapes and quality. Again a very time consuming phase.
6. After getting the most things clear from both customer and supplier we asked the supplier for some samples that we could send to the customer in The Netherlands. Unfortunately the supplier did not understand our demands for a high quality puzzle because the quality standards in Asia differ from the European quality standards. Result was that the supplier sends us puzzles of a lower quality. The customer was not really happy and started doubting whether the supplier could make high quality puzzles at all.
7. To know for sure that the supplier could provide us the quality we needed, we decided to visit him. The conversation we had was sometimes hard because of the language differences. From this conversation we learned a lot about the process of puzzle making and we learned that the supplier was able to produce the puzzles we needed. If we planned this meeting earlier, we could have saved a lot of time and frustration.
8. The next step was that the customer asked for die cut lines because they had to start with the design of the puzzles. We contacted the supplier and he e-mailed us the die cut lined. Unfortunately he used a computer program we did not have so he had to make the die cut lines again in an other program. After receiving the right files we send it to the customer in The Netherlands. The customer in The Netherlands thought the die cut lines were not clear enough so we had to ask the supplier to make other ones. When we received these and send them to the customer again the customer told us that they needed some kind of logo in the die cuts. We had to ask the supplier to do it all over again.

After this last step we had to go back to The Netherlands so we could not finish the whole puzzle project. But above descriptions provide enough information to see that the outsourcing process can get very difficult.

Business process



□ = Start      ◇ = Decision  
 □ = Activity    □ = Document

\* Artwork: for example logo/ picture

Figure 5: Current business process

#### *4.4.2 Challenges and problems in the business process*

1. It can be difficult for Hallbert to get a clear picture of the exact wishes of the customer because Hallbert does not have the product knowledge they need to get things clear from the customer.
2. It often happens that the customer does not know what he exactly wants and what the possibilities are. The process of finding out customer's wishes is very time consuming because it is not structured. There are no standard procedures in this phase.
3. The customer often does not know exactly what the outsourcing process looks like, that the outsourcing process is very time consuming and that a lot of difficulties are involved. The customer should be made more aware of this, in order to prevent frustrations. On the other hand: it is of course the responsibility of Hallbert to execute their own planning. They are the outsourcing specialists so they have to now how to deal with the challenges in the outsourcing process.
4. Hallbert has to make clear to the supplier what the exact wishes of the customer are. But Hallbert sometimes does not know itself what the possibilities for the customer are. This makes it very hard to get a clear picture of the wishes of the customer. This process is very time consuming because the supplier first has to explain what the possibilities are to Hallbert and then Hallbert has to explain everything to the customer. During this translation from customer to supplier a lot off e-mails are send and phone calls are made.
5. The search for good suppliers is mostly done by looking on the internet. Internet is a good medium for finding suppliers but it can be done faster when a database is build with information about all the suppliers with who Hallbert had contact before.
6. Hallbert often does not now how difficult and complex a project can be. The result is that Hallbert fails when it can not meet customer wishes concerning predicted project lead time. For instance, a customer designing jewellery, called Bibi is approaching Hallbert to outsource its whole supply chain to Malaysia. Although Hallbert does not know anything about the jewellery market and how it works it agrees to outsource the whole process of its jewellery line. In the mean time Bibi expects regular feedback from Hallbert about its progress, but what happens is that Hallbert is facing difficulties with this project. First Hallbert does not really know what Bibi has in mind exactly and what the possibilities are. Secondly, it appears for Hallbert that it is not so easy to find suitable suppliers for manufacturing the different parts required for the jewellery. And third, Hallbert is so busy with other running projects that it has no time and or the manpower to assign someone responsible for this project. As a result, the customer is disappointed in the service Hallbert delivers and does not know if their expectations can be met.
7. The quality of the products is not always as the customer requires because it often occurs that suppliers have a different attitude towards quality, urgency and or efficiency. At this moment quality checks are carried out by means of samples and or visits when the plant of the supplier is nearby, but there is no standard procedure for quality checks. There is also no clear control over outsourcing activities from partner suppliers.

#### *4.5 Other challenges*

Next to the problems in the business model and the challenges and problems in the outsourcing process, other challenges came up during participant

observation. The difficulty is that these challenges are perfectly normal. When a European company is doing business with an Asian country challenges as mentioned below can be expected. It's the way a company handles these challenges what makes the company successful or not. The challenges for Hallbert are as follows:

1. Hallbert communicates with its customers and suppliers mainly by e-mail, phone and/or by Skype. The phone and Skype are good and quick ways to communicate. The problem is that the information that is communicated is not written down. This is when e-mail becomes very useful. The problem with e-mail is that it can be a very time consuming way to communicate, especially when you try to understand the wishes of the customer about a product you are not familiar with or when you have to explain this wishes to the supplier. The employees of Hallbert don't know exactly when to use which way to communicate. This results in ever lasting conversations by e-mail and in issues talked about through phone that are forgotten or remembered wrongly.
2. A big challenge is the language and cultural differences between Malaysian suppliers and mostly Dutch customers. Although the business language is English, the different cultural related dialect makes it, especially in the beginning, very difficult to understand each other.
3. An other challenge is that the customer from Europe is very straight forward and wants everything they ask for as soon as possible. The Malay people are just the opposite. They are very careful with there words, they say 'yes' to everything and they are not very fast when you ask for something. It is often hard to find the balance between the 'impatient' customer and the 'slow' supplier.
4. There is not always proper communication between employees about the current status of projects. As a consequence not everyone knows from each other who is responsible for what, followed by misunderstandings and irritations.

#### **4.6 Conclusion**

In the current situation Hallbert does not have a clear and structured business model. In doing its business, Hallbert is not only focussing on packaging products but also on products where they do not have any experience with. With packaging products they have a lot of knowledge, experience, and easy access to their resources. With non packaging products however they are facing many problems. These problems arise mostly due to the lack of a structured business model that is flexible enough to handle different products.

When we look at the business process we see that most problems arise when Hallbert does not have enough product knowledge. Hallbert has the advantage that it has good contacts with its current suppliers. When something goes wrong during the business process or when Hallbert fails to give the right information, the supplier is still willing to make adjustments and or fix problems promptly. However in the future when Hallbert wants to accept different product requests it might be difficult to deal with these problems when relationships with new suppliers are not yet established. In addition Hallbert fails to guide themselves and the customer in a structured way through the different steps of the outsourcing process. It is therefore important not only to decide which role or function they want to play, but also to develop a structured business process in order to become more capable to handle different products requests and to be in control over the whole outsourcing process.

## V. Desired situation

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### 5.1 Introduction

In this chapter the desired situation for Hallbert is described. Resources used in doing so are the interviews performed with the management of Hallbert and data derived from 'participant observation'. We studied outsourcing literature and we also compared Hallbert to similar companies to get a clear picture of the possibilities for the business model and process. The research question answered in this chapter is:

*"How should the business model and the business process of Hallbert be designed?"*

This research question will be answered according the following sub-questions:

- What should the business model of Hallbert look like in the desired situation?
- What should the business process look like in the desired situation?

We have derived some preconditions from this analysis regarding the design of the desired business model and business process (chapter 5). These preconditions are:

- Focus on 'packaging' products but include the possibility to do business in 'non packaging' products.
- Minimize the risk of a bad reputation and losing a lot of money when something goes wrong in the business process.
- A smoother translation process of customers wishes in to final product.
- Good and structured quality control of products.

### 5.2 Outsourcing literature

To obtain a better picture of the whole outsourcing process, the model of Franceschini and Galetto (2003) is studied. This model is organized in four main phases. The first phase is the 'internal benchmarking analysis'. In this stage the customer identifies its company's core competencies, determines the products to be outsourced, and chooses the desired type of relationship. In the second phase, the 'external benchmarking analysis' a supplier is selected, but it also includes designing the outsourcing relationship and setting its targets by defining service level agreements (SLA's). In the third phase, the 'contract negotiation phase', the outsourcing relationship is formalized by means of contract negotiation. Finally in the 'outsourcing management phase', performance levels, check moments, and tolerated gaps between expected and realized performance are determined. These phases will form a guideline for the desired business process.

### 5.3. Comparing to similar companies

Benchmarking theory formed the basis for our comparison of the current business model and process with similar companies. Many companies were approached with a request for a personal interview with them. However, none of them was interested to provide information about their business model, respectively business processes. Therefore (and because of the time limit) it was impossible for us to perform real benchmarking. Instead of benchmarking we compared the information founded on the websites of the similar companies to Hallbert. We picked the companies based on there outsourcing activities The companies we involved in our comparison are: IFS, BPO Services, Bridge, Tonasco, Far East Manufacturing, AMS Group BV, Demetra and Stylus. The

results of this comparison are mentioned below and can be found in detail in Appendix 4.

For comparing the different companies with Hallbert key performance variables are formulated. The key performance variables used for the comparison of the business models are the different products and markets a company is focusing on. We also focus on to what extent a company is responsible for the products in the outsourcing process. The key performance variables for the business process are the quality control of the products, the efficiency of the business process and the communication between customer and supplier.

From analysing the comparison we conclude that most of the investigated company's operate in the Asian Market, focus mainly on a specific part of the market they are operating in. Most companies also have a clear function. 'Demetra' for instance is focusing on the Chinese market and is executing its business by means of consulting support and procurement activities. In addition some of the companies structure their business model by taking total responsibility during the outsourcing process. 'Far East Manufacturing' is a company that takes total responsibility for the whole outsourcing process. However, other companies choose for a consultancy role or outsource by means of service level contracts, in which responsibilities of each party involved are described.

During the business process a step by step approach is often used by the different companies in order to make clear what the customer can expect from the first meeting till the delivery of the product or service. During this phase the quality aspects are highlighted with the emphasis on quality checks, service level agreements, witness points and or approval of customer after every step in the business process.

Communication between customer and supplier is described by most companies as an essential aspect in an ongoing relationship. To achieve good communication not only knowledge of the culture or language is important, but also being able to anticipate in the different problems, for instance in miscommunications that might come along. Some of the companies seek for regular feedback during the development phase, while others make use of one single contact point during the whole outsourcing process.

Above named conclusions are used as a tool for designing the desired business model and business processes of Hallbert as described in our recommendations of chapter 7.

#### ***5.4 Analysis desired situation***

Based on the data derived from the management of Hallbert, the desired situation should provide Hallbert with the possibility to focus on different products and markets. The management of Hallbert agrees on the idea that they have to make a decision about when and to what extent they want to be in charge of the whole outsourcing process. For expanding their business to other products and markets the management agrees that they should take a step back and perform some other, less risk full function.

Based on the results of the comparison with similar companies we see that all the companies have a balance between the responsibility in their business and the

products and markets they are focussing on. The companies that take a lot of responsibility are focussed on a specific product or service where they have all the knowledge about. The companies that take less responsibility, take less risk, need less specific knowledge so they can focus on a broader target market.

So, if Hallbert changes its role from taking over the entire outsourcing process to a role that is more flexible in responsibility and what can be different in every situation, they can focus on more products and markets without taking too much risk. From that point they can always decide for a certain interesting product to become a specialist and then do the complete outsourcing process for this product in the future.

In the desired situation there is not only a change in the business model but there are also a lot of changes in the outsourcing process. This process should be far more efficient and less time consuming. The best tool here for is good and clear communication between both parties. Most of the communication is now done by e-mail or by Skype, but personal meetings are also important in the start up phase. By having personal meetings both parties have the chance to make clear to each other what is expected and misunderstanding can be avoided if certain aspects are not clear. Next to efficiency, the desired outsourcing process should also be more focussed on the quality of the products. Of course, good and clear communication also has influence but rules, agreements and well formulated policies are even more important.

### **5.5 Conclusion**

Comparing similar companies to Hallbert shows which role(s) Hallbert can choose to play. Because Hallbert wants to focus on a broader market than only the packaging market, Hallbert should change their current role into a more flexible and risk reducing role. Like this Hallbert can focus on more different products without taking too much risk.

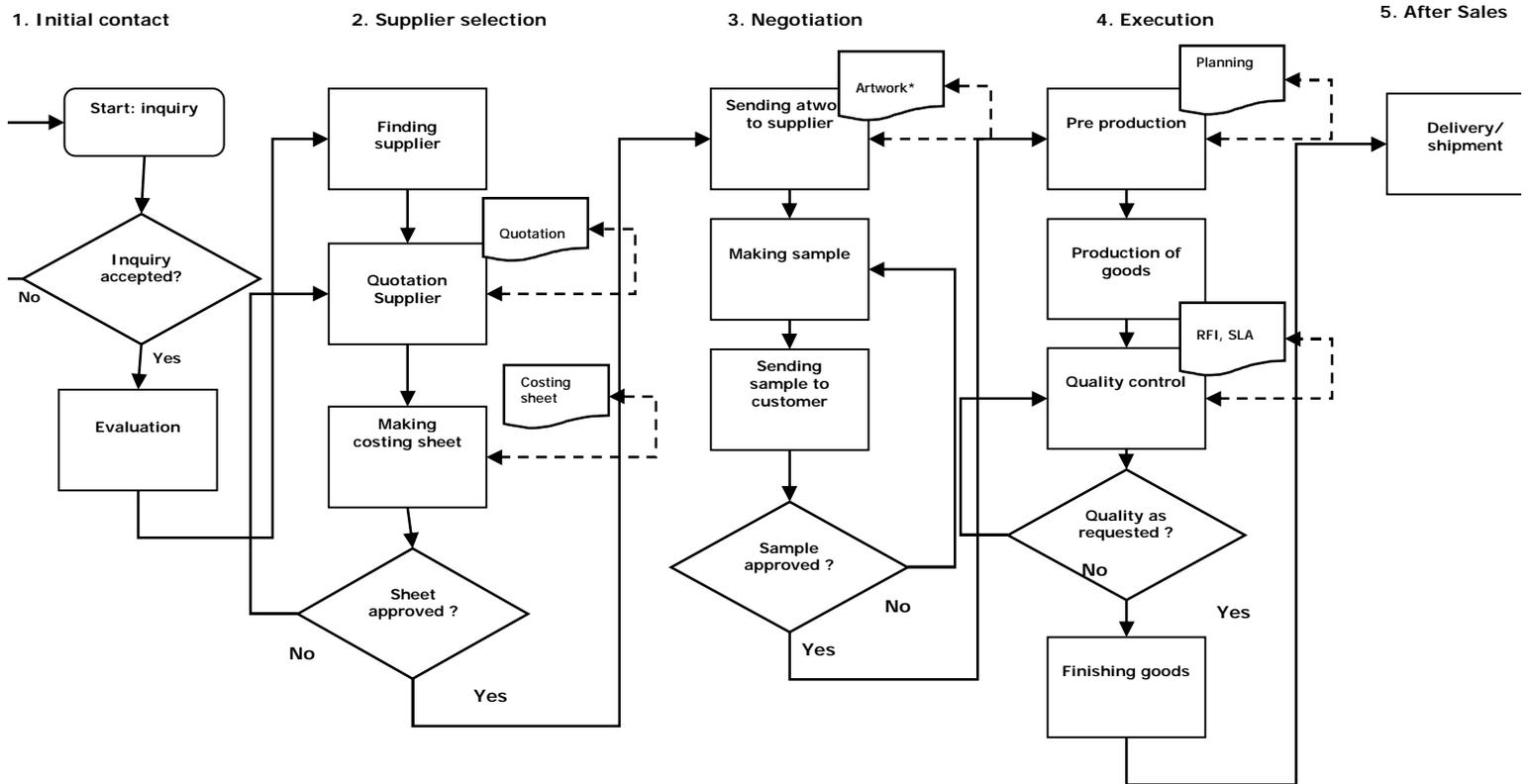
The studied outsourcing theory provides a useful tool for structuring the different phases in the business process(es) of Hallbert. However, Hallbert's business actually starts from the 'external benchmarking analysis' phase with the selection of suppliers. In the execution of these phases, Hallbert should first make a distinction between packaging and non packaging products. Nevertheless, each customer has different wishes and to handle all the different product requests it is therefore important to make clear agreements and seek for optimum communication. This can be reached for instance by presenting the customer a simple visualization chart of the working method during Hallbert's business process. Like this the customer is aware of the different phases during the outsourcing process the time needed to execute the projects. In the next chapter a comparison is made between the current situation and the desired situation.

Based on the data we gathered from the outsourcing theory and by comparing Hallbert to similar companies, we made a chart (page 36) that represents what the business process should look like in the desired situation to make the outsourcing process more efficient and more focussed on quality control. This desired business process reflects the phases in the outsourcing process, every activity, connector and decision points.

Because Hallbert wants to be able to handle different product requests it is unfortunately impossible to implement business process that is described below.

Hallbert needs a flexible business model that makes it possible to accept almost every outsourcing request of the customer. A standard business process is useless because the business processes will vary with every request. What Hallbert needs is a chart or map that represents the responsibilities of Hallbert and its customers, and which will form the basis of the business process of every product request.

Desired business process



\* Artwork: for example logo/ pictures needed for printing

## VI. Comparison

### 6.1 Introduction

In this last step of the Design phase we compare the current and desired situation and describe the differences between them. The research question answered in this chapter is as follows:

*What should be done to overcome the differences between the current and the desired situation?*

In this chapter an answer will be given to the next sub-questions in order to answer the research question as stated above:

- What are the problems and the origin of the problems that form the gap between the current and the desired situation?
- What are the areas of improvement regarding the business model and business process?

### 6.2 Difference current and desired situation

In this section the difference between the current and desired situation is described. The main difficulties Hallbert is facing are the translation of knowledge from customer to supplier and the control over quality aspects provided by the supplier. The causes for these problems can be found in the current business model and business process

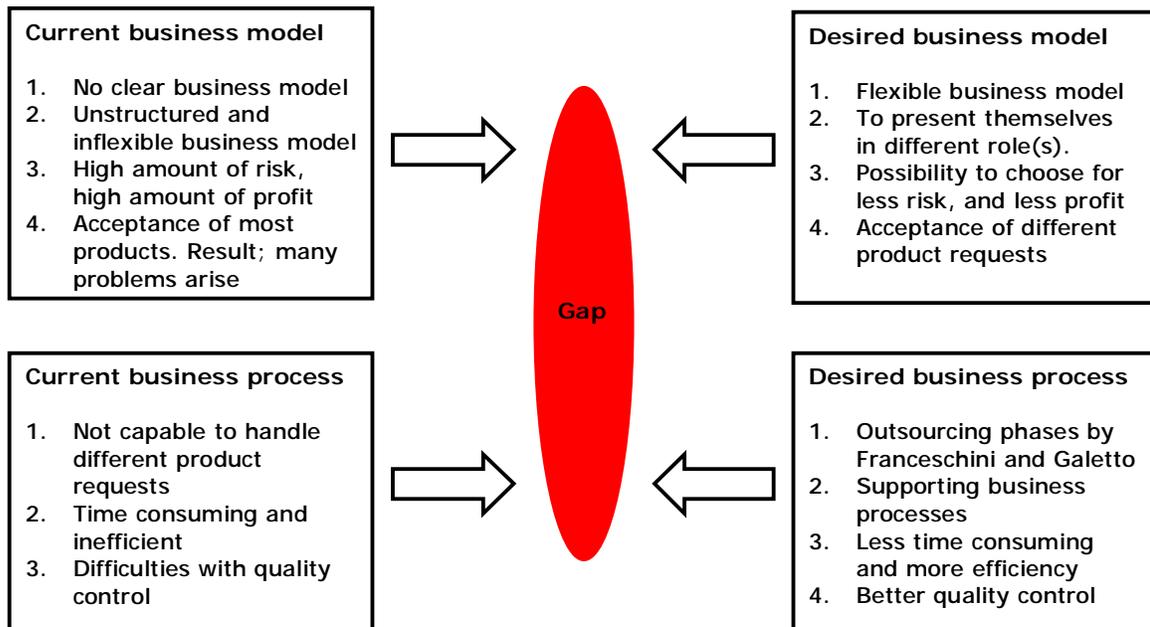


Figure 6: Comparing current and desired situation

In the current situation Hallbert takes high risks by accepting responsibility for the whole process of unfamiliar products. Hallbert is specialized in packaging, but as a growing company they need to also be able to most requests, even when they do not have sufficient knowledge about it. Current business processes are

often inefficient, particularly during the start up phase of a project, and also during the actual production process.

In the current situation it is also very difficult for Hallbert to control the quality of their outsourcing products once a suitable supplier is found and the production process starts. Due to language and cultural differences, misunderstandings, different interpretations about for instance the meaning of "urgency," it is very hard for Hallbert to make sure that the final product is everything what the customer expects. If Hallbert wants to improve their current business process they first need to define exactly which phases they have to follow during their outsourcing process and which steps to take in order to make a smoother translation of knowledge transfer, setting up a good contract, and aiming at a successful supplier relationship.

### **6.3. Conclusion**

The issue of quality and other difficulties Hallbert is dealing with are hard to solve directly. Certain aspects, like for instance cultural differences are unfortunately difficult to take away. Cultural differences as well as language differences will always appear when a company is operating in a global business market. However, being aware of cultural aspects makes it definitely easier to adapt yourself when doing business in another country, as well as to deal with the different cultural aspects that can come along. Nevertheless, after comparing the current and desired situation we do have recommendations for Hallbert to improve their current situation. We will also take along the aspect of quality control and the issue of realizing a smoother operational process between customers' wishes and final product.

In chapter seven we will discuss the recommendations concerning the business model of Hallbert. The main recommendation for the business model is to choose for a model that encloses less risk when Hallbert does not have enough product knowledge. This can be done by creating a flexible business model where Hallbert can take a step back when they do not have significant product knowledge, but where Hallbert still can give advice and/or guidance with their knowledge and experience about outsourcing. This business model gives Hallbert the possibility to take risks but also to play a "safer" role when their product knowledge is less.

One of the difficulties facing Hallbert is that they need both increased structure, as well as increased flexibility. The challenge for Hallbert, and also for this research study, is to design a business model and enabling processes that accommodate the potentially conflicting goals. Our solution for this conflict is through the development of a capability map, representing the capabilities that are required in Hallbert's business.

Because the market Hallbert is operating in is inherently dynamic and unstable, and because the sourcing for each product is different, it is difficult to design processes in advance. Based on a capability map, however, processes for each customer/product transaction can be composed by invoking the capabilities required for that unique transaction. Together with the customer, Hallbert can design and agree upon the key processes, as well as the roles that each partner will play in the sourcing of their products and services. This is what we refer to as a 'shift from process to capability.'

## **VII. Improvement areas and solutions**

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### **7.1 Introduction**

In this chapter the improvement areas for the current business model and business process are given. The solutions named in this chapter are separated in two parts. The first part is focussed on defining a new business model. The second part is about defining the business process.

### **7.2 Improving the business model**

Based on the vision of the management of Hallbert, 'participant observation' and data gathered from comparing Hallbert to similar organisations, the following recommendations for the business model are given. For these recommendations we kept the criteria derived from chapter 3 in mind. These criteria are:

- Focus on 'packaging' products but also on the possibility to do business in 'non-packaging' products.
- Minimize the risk the company is taking in doing their business like they do now.

The main recommendation is that Hallbert should shift from a business model that has mainly an 'outsourcing' function to a business model that is more flexible and allows for adjustment in the amount of risk borne by Hallbert. This business model will be described in the next sections and is partly based on the six questions that underlie a business model by Morris et al. (2005) which are presented before in chapter 2.2.1

#### **7.2.1 Description of the new business model**

The desired business model is a flexible model that offers the customer a variety of services. We chose for this business model to give Hallbert the possibility to survive in the dynamic environment it is in, to look for prospecting products, and to expand their business without taking undue risk.

With the knowledge and experience Hallbert has about outsourcing, the culture and rules and legislation in Malaysia, Hallbert can offer 'custom made services'. These 'custom made services' are based on the different capabilities that are needed when a company wants to outsource to Asia. The amount of risk and profit for Hallbert depends on the different services the customer is interested in. When a customer comes to Hallbert it has the option to give Hallbert a lot of responsibility by sourcing out the whole process or a big part of the process. The customer can also choose for keeping more control by giving Hallbert only the responsibility for, for example, the quality control. So the services Hallbert offers with this business model are custom made, and unique for each customer/product pair. These 'custom made' services can be compared with a restaurant menu. As a customer in a restaurant you can also choose what ever you like from the menu. You can go for all six courses when you are very hungry but you can also choose for only a main course and desert because your appetite is not so big. Just as the courses and services in a restaurant, the services of Hallbert are custom made.

With these 'custom made services' Hallbert's responsibilities can vary from just giving advice to the customer, up to and including taking over some or all the tasks in the outsourcing process. With this new business model it is possible that Hallbert finds a product that is prospecting. Hallbert can make a decision to gain more knowledge about this product and the market to become a specialist in this

product. By doing this, Hallbert might eventually be able to take over the whole outsourcing process for these products as well, just as with the packaging products. This is probably a less profitable but a safer way for growth and market differentiation.

### *7.2.2 Six components of the business model*

Component 1: (factors related to the offering) Hallbert creates value by providing access for the European SME's to the otherwise unavailable low-cost production alternatives in Malaysia. Hallbert is offering primarily packaging products, mainly standardized products but also customization products on request. Next to the offering of products Hallbert also offers several services by means of their capabilities. These services are custom made and can be very limited, in the case of only providing the customer with outsourcing related knowledge (for example: what are the steps that need to be taken in the process). This service can also be very 'wide' or inclusive: Hallbert can take over tasks (one or almost every task) that need to be done during the outsourcing process (e.g. quality control, shipment of goods).

Component 2: (market factors) is about for whom Hallbert creates value. This component does not change very much in comparison with the current situation. Hallbert is operating in the general market of packaging but is also trying to set up multiple segments for different kind of markets. Hallbert is mainly Business to Business oriented and is operating in the international business with its productions facilities in Malaysia and with mainly European customers. Hallbert adds value to its products and the outsourcing processes of their customers by means of their 'custom made' service. Hallbert's defines its service offered to its customers therefore as the experience and knowledge they have in Malaysia.

Component 3: (internal capability factors) describes the source of competence. An advantage for Hallbert is that it has its own packaging production facilities located in Penang, but their sales and marketing activities are mainly conducted from their head office located in Kuala Lumpur. So, Hallbert's core business is mostly focussed on packaging, but it has the intention to specialize in other markets too. In the new business model Hallbert can gain experience with unfamiliar products by giving advice in the fields they have experience with. Secondly, Hallbert's supply chain management<sup>7</sup> is about taking over the responsibility of the supply chain from its customers for different kind of outsourcing activities. In the new business model however Hallbert will not take over all the activities of the supply chain, but will mostly guide the customer through the supply chain process. The last internal capability factor concerns networking, which can be seen as a competence for Hallbert's business due to its offices in China, the Netherlands and Malaysia. Last but not least it can offer its customers access to the low-cost infrastructure in Asia which they are seeking for.

Component 4: (competitive strategy factors) Hallbert aims to have an image of operational experience and knowledge in the Malaysian market. They want to position themselves as the experts for outsourcing projects to Malaysia. Hallbert's

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<sup>7</sup> Supply chain management is the process of coordinating and integrating the flow of materials, information, finances, and services within and among companies in the value chain from suppliers to the ultimate consumer. (Book "International Business" by Ball et al., 2006)

core service consists of taking over the whole outsourcing process from customer request till delivery of the final product. Next to taking over the whole process Hallbert offers the customer certain capabilities that are needed for outsourcing to Asia. Hallbert wants to be the flexible partner in the outsourcing business. Therefore Hallbert's strategy is offering low cost products and high quality services to its customers. They aim at a personal long-term relationship with its customers as well as with its suppliers when Hallbert takes over a big part of the outsourcing process or the whole outsourcing process. The relationship with customers can also be short term when the customer only wants Hallbert to take care of shipments.

Component 5: (economic factors) stresses how the company makes money. Concerning mixed pricing and revenue sources, Hallbert is dependent on demand and supply. High volumes are only reached when it concerns packaging quantities in millions. Hallbert makes money in the packaging branch by fees and by the margins on the goods they handle. This varies from near zero to as high as 60 percent. Hallbert also makes money on a project basis when they perform a more supporting role for the customer who wants to outsource to Malaysia. In this case Hallbert gets paid per hour or they agree on a fixed price per project with the customer. Profitability for Hallbert varies according to the services performed.

Component 6: (personal/investor factors) also the ambitions of the company do not change. Hallbert is utilizing an income model where it tries to invest to the point that the business is able to generate an ongoing and stable income stream for the principals and to become a "solid and healthy" company.

### 7.2.3 The new business model

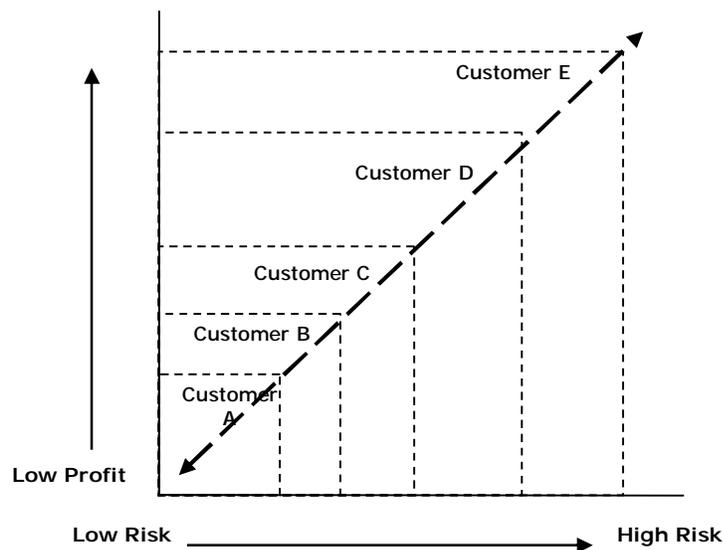


Figure 7: New Business model

Above stated model represent the business model as described in section 7.2.1. This model reflects the flexibility of the business model. You can see that for every customer/product pair a unique process is composed from the capabilities and services that Hallbert will provide. Every process contains a certain amount

of risk which is somewhat related to the amount of profit for Hallbert. When we take a look at customer "A" we see that this customer needs certain services from Hallbert that carries low risk for Hallbert, but at the other hand may not very profitable. It is possible that the customer only needs some advice from Hallbert during the outsourcing process. When we look at customer "E" for instance we see that the services Hallbert provides are full of risk, but also potentially very profitable. It is possible that the customer wants Hallbert to take over almost every aspect in the outsourcing process.

### ***7.3 Improving the business process***

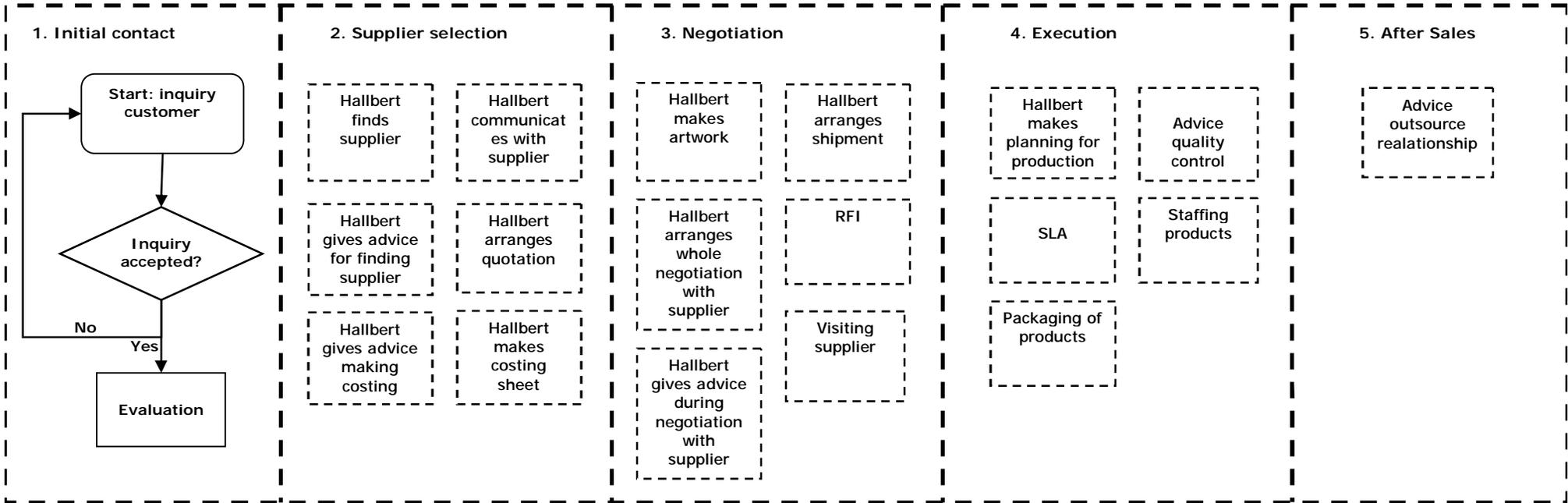
Because the new business model provides 'custom made' services it is impossible to describe every possible business process in advance. Hallbert simply can not know in advance in what kind of services a certain customer is interested, or what would be required to provide them. Hallbert has to deal with a unique situation with each new customer/product pair. In section 7.3.1 a capability map is described that reflects the different services Hallbert can provide. After that in section 7.3.2 three scenario's for possible business processes are given.

#### ***7.3.1 Capability map***

On the next page the capability map is illustrated. This map reflects the capabilities the customer can choose in every phase of the process. The four depicted business process design steps from Franceschini and Galetto (*chapter 2.5.1*) form the basis for when certain capabilities should be executed. A fifth step is added because after sales is very important for building and maintaining relationships with customers and suppliers.

In the first stage is evaluated what the customer exactly wants and what is possible. After that is decided which capabilities will be executed by Hallbert in the following stages and what the business process will look like.

**Capability map**



 = Capability

 Evaluation = *What capabilities will be executed in the next phases and what is the business process going to look like*

### 7.3.2 Scenario's

In this paragraph three scenarios are described in order to show the possibilities and the flexibility of the new business model. Of course every scenario you can think of is possible, but to make the variety in tasks for Hallbert clear we describe the scenarios that differ the most in the amount of risk/responsibility and profit. The three scenario's we name are based on real product requests.

These scenario's are the three main processes and are separated based on the amount of needed knowledge and the amount of risk and profit for Hallbert. The three scenario's explain how a process that asks for a certain amount of knowledge and which contains a certain amount of risk should be designed to make it successful and more efficient. The model mentioned below reflects the separation between the three different processes.

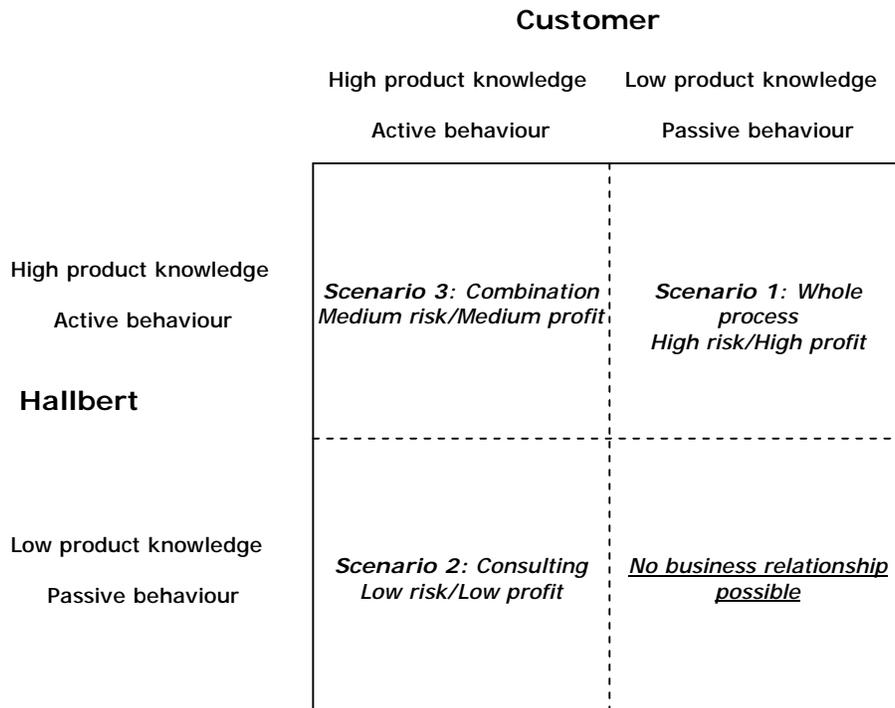


Figure 8: Scenario's

For describing the three different scenario's the following preconditions are derived from Hallbert's vision as presented in chapter 3. These preconditions are as follows:

- A smoother process of the translation of customers wishes in to the final product.
- A good and structured quality control of the products.

#### 7.3.2.1 Scenario 1: Whole process; cake boxes

This scenario is about a customer that wants to have cake boxes. This is a product Hallbert is familiar with and that is produced in Malaysia. Hallbert has a lot of experience with cake boxes so it is able to handle the whole process, from supplier selection to the shipment of the goods. This process carries high risk because Hallbert takes over the whole outsourcing process. During this scenario

certain capabilities from the capability map need to be executed by Hallbert. These capabilities are the capabilities mentioned in the capability map that are not based on consulting but on execution. So Hallbert has to execute the following capabilities which are presented in the model on page 48:

- find a supplier
- communicate with the supplier
- make quotations and artwork
- arrange negotiation and RFI
- arrange shipment
- arrange quality control and SLA
- make production planning
- arrange staffing of the products

These capabilities are executed according to the four phases of Franceschini and Galetto (*chapter 2.5.1*) which are strongly focussed on building a strong relationship in order to guarantee quality of the product and efficiency of the process. The four stages are the internal benchmarking analysis, the external benchmarking analysis, the contract negotiation phase and the outsourcing management phase. The model is also meant as a tool for the customer instead of for Hallbert. Below we transfer the model of Franceschini and Galetto into a model that is custom made for Hallbert and less abstract. We also added the After Sales phase because Hallbert is aiming at long term relationships. This kind of relationship with your customer is only possible when you invest in after sales.

### 1. Internal Benchmarking Analysis

The internal benchmarking phase can be separated into the following steps:

1. The customer decides to outsource to Asia.
2. The customer gets in touch with Hallbert by acquisition done by Hallbert or by the initiative of the customer itself. During this step Hallbert has to present itself and its business by a personal meeting. This 'acquaintance' phase can be supported by for instance a presentation with PowerPoint and by the use of a brochure.
3. The goal in this phase is to set up a successful outsourcing relationship by ensuring that both parties benefit from the relationship and by gaining mutual respect and willingness to learn from one another. In order to reach a relationship like this it is really important that both parties have a lot of personal contact in person or by phone or Skype.

From this moment on Hallbert is going to take over the whole outsourcing process. For Hallbert it is of huge importance to find out what the customer exactly wants and if the wishes of the customer can be met. On the other hand the customer needs to be aware of the different possibilities and needs to understand the international outsourcing process, especially with all the cultural differences that come along.

Next to getting to know each other and building a strong relationship, the main goal during this step is getting specific product information. This information should be gathered by means of a structured checklist. This checklist provides information like sizes, colours, printing etcetera.

### 2. External Benchmarking Analysis

When Hallbert is still busy with the first phase with the customer, they already have to start with the next phase. This is because Hallbert has to provide the

customer with a quotation and this can not be done without the input of the supplier. The aim of this phase is supplier selection. In this phase Hallbert is searching for suitable suppliers within Malaysia who can produce or supply the requested products or services by the customer. Hallbert can choose to cooperate with a single supplier, more independent suppliers or different suppliers coordinated by a single vendor leader<sup>8</sup>.

During this phase Hallbert needs to find the right supplier and also needs to "translate" the wishes from the customer into concrete possibilities. Careful selection of supplier, evaluation of the supplier's capability and culture is in this phase important. Based on the theory of Kobayashi-Hillary<sup>9</sup> the supplier selection can be split up in the next steps:

1. The first step is that Hallbert has to research the supplier market. This is mainly done by research on the internet. When a suitable supplier is found, the next step is to build up a relationship with that supplier by means of a first informal meeting and to further explore each others interests.
2. The second step in this phase is Request for Information (RFI). In the RFI Hallbert needs to summarize all the requirements for the potential supplier. Based on the exact wishes of the customer, a detailed requirement list should be set up to make clear what is expected from the supplier. In addition, the RFI should also mention Hallbert's preconditions for the commitment. Think of the basic expectations Hallbert has of any supplier that wants to do business with them like quality standards, quantity, responsibility, flexibility, etc.
3. The third step is to visit the supplier sites. By means of visiting the supplier factories, Hallbert gets a clear idea of the supplier's production process, and if customer wishes can be met. This is an important phase in the supplier selection because it gives Hallbert an insight of the suppliers' ability and technical expertise needed to produce the requested product.
4. When Hallbert is satisfied about what it has seen of the supplier up till now the next step is the Request for Proposal (RFP). The RFP should include the following sections:
  - Description of current process with cost and issues.
  - List of all required processes and how they should be managed.
  - Clear measurements defining the expected service performance.
5. The last step in the supplier selection phase is the final contract between Hallbert and the supplier. This contract contains the plans for how exactly Hallbert is going to monitor the procedures and how to evaluate the new partner as agreed in the contract. It is important for Hallbert to formalize the kind of relationship, its time development, the expected targets, the criteria of evaluation to be utilized, and the way to address any controversy (*Graham, 1993*). This contract also contains different Service Level Agreements to guarantee the quality of the products.

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<sup>8</sup> Franceschini and Galetto "Outsourcing: guidelines for a structured approach" (2003)

<sup>9</sup> "Outsourcing to India": Ch.17 (2005)

### 3. Knowledge transfer phase

During the supplier selection Hallbert makes a calculation for the customer. This calculation contains for instance costs like material, printing, die cutting, packing, shipment and taxes. Hallbert will talk this calculation through with the customer in person or by phone or Skype. Hallbert will also inform the customer in about the supplier Hallbert is thinking about doing business with. The personal contact during this phase is very important because the customer might have a lot of questions about the calculation and about the supplier. Hallbert has to take any uncertainties from the customer directly away. This personal contact is also good because the supplier probably needs to have more information about the customer too. Because Hallbert is now in contact with both parties and the information transfer is very important during this phase, direct contact with both parties is essential. Of course, the end of this phase results in an approval of the calculation. If the customer does not approve, Hallbert has to solve the issues the customer does not agree on or Hallbert needs to find an other supplier which can provide the things (price) the customer wants.

### 4. Contract negotiation

The next step after the improvement of the calculation is to make a contract which contains all agreements on price, quality, delivery time, payment etc. This contract guarantees the customer that they will get a good product, for a good price within the delivery time is agreed upon. This contract also guarantees Hallbert that they get paid and that the customer won't say during the production that the product is not as they expected. So this contract offers both parties some insurance during this difficult outsourcing process.

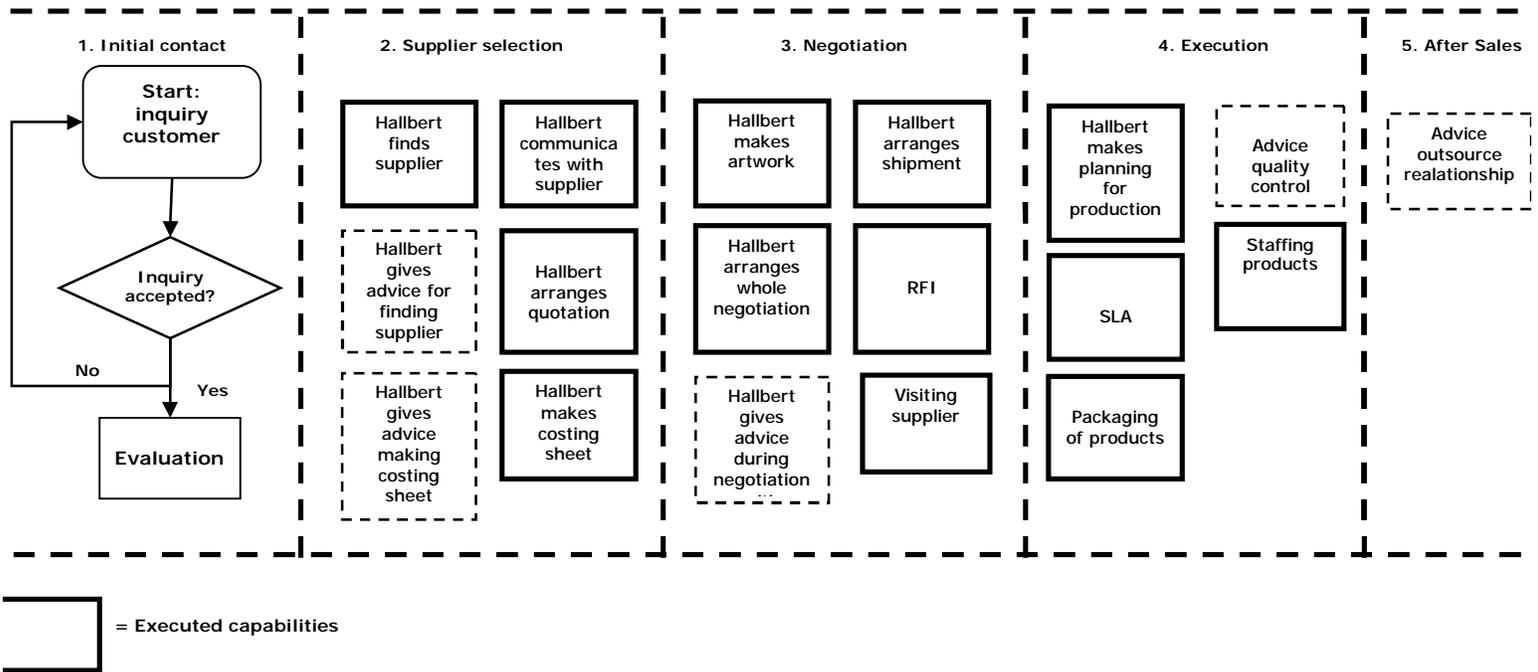
### 5. Production

When all contracts are signed the production of the product can start. During this process Hallbert has the difficult task to make sure the quality is as it should be. Hallbert can guarantee the quality by doing different quality checks during the process. One of the quality checks is that one piece of the product is send to the customer. When the customer approves the product, the production can go on. During this process several samples are taken and compared with the approved product. Very important during the production phase is the contact with the customer. Hallbert has to keep the customer posted about how everything goes; are there any problems, can the delivery time still be made etc.

### 6. Shipment and after sales

When the production process is finished and the quality of the product is like agreed on, the products are packed and shipped to the customer. During the shipment there are some more checkpoints to secure that the products are complete, not damaged and whether the delivery time still is correct.

When the products arrived safely Hallbert will contact the customer to thank them for their order and to check if the customer had some comments on the way they did business. This after sales phase is very important because Hallbert is trying to build strong and long lasting relationships with customer. During this after sales phase Hallbert should not forget the supplier. Hallbert should also thank them for the production and ask if the supplier has some things they want to see different. Based on the information gathered from this after sales phase, Hallbert has the possibility to improve their business.



### 7.3.2.2 Scenario 2: Consulting; candle sticks

This scenario is about a customer that is interested in having candle sticks. This is a product Hallbert does not know anything about and which is produced in a different country than Malaysia, namely Indonesia. Hallbert is not able to take over the whole process because of their lack of knowledge, so it has to offer other services.

The 'consulting' process is partly based on the phases as named in the previous section. The big difference is that Hallbert is not the intermediary between the customer and the supplier anymore and does not take over the whole process from the customer. Hallbert takes a step back by carrying out a function that is more advisory. Like this Hallbert does not take the total responsibility of the whole outsourcing process and avoids high risk situations.

The capabilities Hallbert executes in this scenario are as follows and are presented in the model on page 50:

- Hallbert gives advice for finding supplier
- Hallbert gives advices in making costing sheet
- Hallbert gives advice during negotiation with supplier
- Hallbert gives advice for quality control
- Hallbert gives advice for maintaining outsource relationship

In this section is described which steps Hallbert and the customer has to take during the process with the candle sticks. Because Hallbert executes capabilities that are mostly based on giving advice we based the steps on theory about consulting of (Kubr 2002). The steps are custom made for Hallbert and provide some tools that are useful during the business process.<sup>10</sup>

<sup>10</sup> From the book "Management Consulting" (fourth edition)

### 1. Entry Phase

Entry is the initial phase in the consulting process. During this entry Hallbert and the client come together and try to learn as much as possible about each other. This means discussing and defining customers request and the approaches to be taken. In this first meeting Hallbert tries to find out what the customer is seeking for. A sample of the products during this meeting is preferable, like this both parties can discuss about the product requirements like material, quantity, colour, quality, design, etc. Next to the sample the checklist mentioned earlier like the RFI in the first phase of the previous paragraph is also used in this phase. The result of this first personal conversation and the examination and planning together result in a consulting contract which can be seen as the signature or confirmation of this initial face, and leads to the following steps Hallbert has to take.

### 2. Diagnosis Phase

Diagnosis, the second phase of the consulting process, can be considered as the first fully operational phase. The purpose of the diagnosis phase is to exam the problem faced, and to prepare all the information needed to develop a solution for the problem. With the advice and guiding of Hallbert the customer searches for a supplier.

When a suitable supplier (or more then one) is found both customer and Hallbert go to Indonesia to visit the supplier and to discuss the possibilities. During this phase Hallbert is supporting the negotiation process which means that it gives the customer advice about what it needs to know from the supplier and where they should pay attention to. During this negotiation the customer has the chance to explore if its wishes actually can be met.

During this diagnosis phase a lot of data and information is collected of potential suppliers. The customer has to make, based on Hallbert's advice, costing sheets. During the scanning of all the gathered data some possible solutions for the request might come up, and with Hallbert's experience and know-how of the market, some initial suggestion can already be proposed.

### 3. Action planning Phase

The action planning is the third phase in the process for the candle sticks. This phase is about further negotiation with the supplier and includes possible solutions, presenting different proposals based on Hallbert's knowledge for the client, and finally preparing the implementation of the solutions respectively possibilities chosen by the client. The customer has to make for example final decision for which supplier to work with, it has to make artwork and send it to the supplier and negotiate over the price and delivery time.

In this phase a relationship is build between the customer and the most interesting supplier. When doing business in Asia it is important to build up trust and mutual respect. When both parties are willing to work with each other, than the official part of the negotiation can start.

When a final agreement with the supplier is reached, the production process can start, but not before defining quality or service level agreements. Hallbert can play a big part here with their knowledge about quality control. It is really important that the customer and the supplier understand each other and know what to expect from one another concerning the product request. In this phase

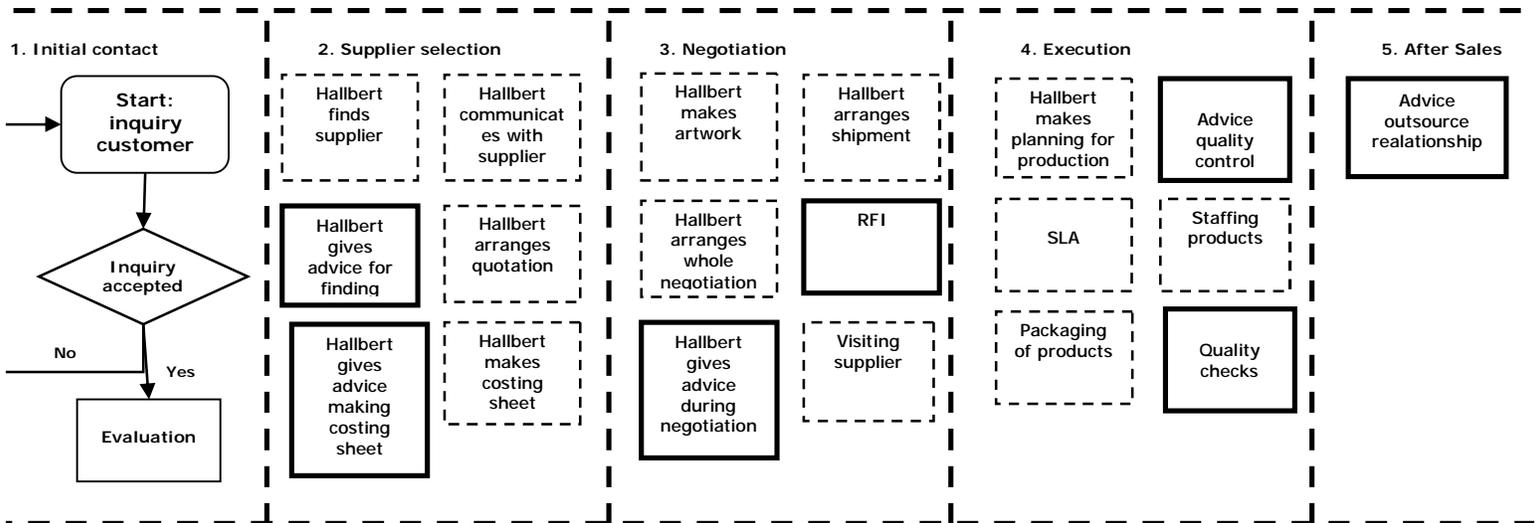
the client is even more involved in the action planning than in the previous diagnostic phase in order to reach optimal results. In this phase the customer makes clear to the supplier what is exactly expected and if the supplier can meet all the requirements for the product. With help of a SLA and Hallbert the customer can define Key Performance Indicators to measure quality, performance and final results.

**4. Implementation Phase**

Implementation, which is the fourth phase, is the final result of Hallbert’s and the customers effort into acceptance of the proposed proposals. The customer has to make, with a some advice of Hallbert, the planning for production, staffing products and packaging the products. Because Hallbert is closer to the supplier and has knowledge about quality control is can do the quality checks and/ or visit the suppliers’ plants to make sure if the production process is not showing any delays or defaults.

**5. Termination Phase**

Termination is the last phase of the consulting process. When the assignment or project comes to an end, and once its purpose has been achieved, Hallbert’s help is no longer needed. After that, customer and consultant can decide if the job has been completed, failed, or will be pursued but without further help of Hallbert. When Hallbert services were satisfying, a future consulting project might be the result. The last capability of Hallbert that is useful for the customer is some advise or training about how the customer can maintain and/or improve it outsourcing relationship with the supplier.



 = Executed Capabilities

**7.3.2.3 Scenario 3: Combination; paper bags**

This third scenario is a combination of the advisory role Hallbert has with the candle stick project and the role Hallbert plays when it takes over the whole process with the request for cake boxes. A product request that is the perfect example for this scenario is the request from a company in the Netherlands that needed paper bags for a low price. In this scenario Hallbert has the needed

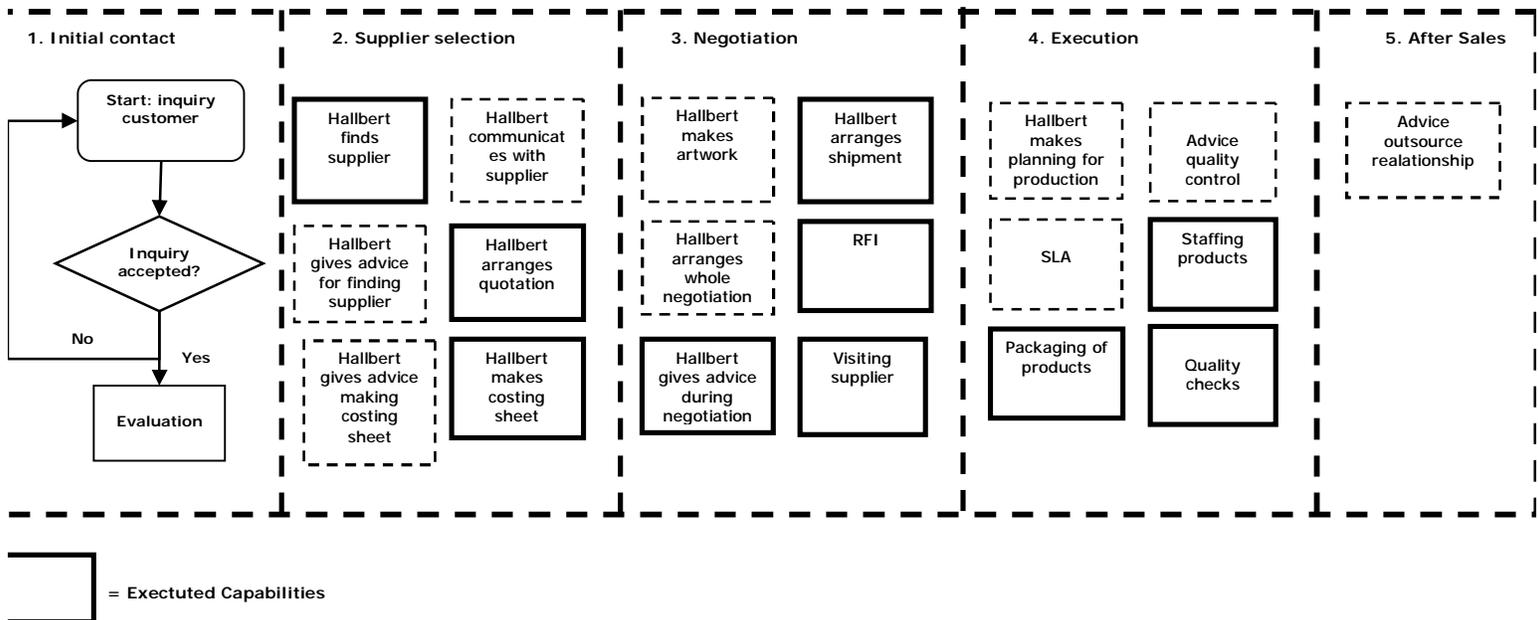
product and process knowledge. The customer in this case has also a lot of product knowledge but almost no process knowledge. The customer is also willing to play an active role. The combination of quite some knowledge and the active behaviour of the customer means that Hallbert sometimes only gives advice because the customer is able to do some parts of the outsourcing process by itself. The amount of knowledge and activity of the customer is the basis for the activity of Hallbert in the process. High knowledge and activity means less actual involvement in the process for Hallbert (more consulting). Less knowledge and activity means that Hallbert will take over more parts of the process.

The capabilities Hallbert executes are presented in the model below and are as follows:

- Hallbert find supplier
- Hallbert arranges quotation
- Hallbert makes costing sheet
- Hallbert gives advice during negotiation with supplier
- Hallbert arranges shipment
- Hallbert makes RFI and visit supplier
- Hallbert does the packaging and staffs the products
- Hallbert does the quality checks

During this process for paper bags Hallbert has the responsibility for finding a suitable supplier and make costing sheets. Once some suitable suppliers are found the customer is willing to come to Malaysia for the negotiation phases. Hallbert and the customer together visit the suppliers and based on this visits and the costing sheets the customer makes a decision about which supplier to work with. During this negotiation phase Hallbert also takes care of the RFI.

Once decided which supplier to work with the customer goes back to Europe and takes care of the artwork. The communication with the supplier is done by the customer itself. After a sample is approved and a production planning is made by the customer, Hallbert will take care of the quality control during the production of the paper bags. Also the packaging, staffing and the shipment of the product will be arranged by Hallbert.



#### ***7.4 Improving specific activities***

One of the recommendations for Hallbert is to define Service Level Agreements in the form of a legal agreement with current suppliers. In a final discussion with our director Mr. Schuil, the following topics of interest were discussed to be defined in a future SLA:

- Ø Urgency: A clear definition of the term "urgency" as interpreted by Hallbert
- Ø Responsibility: who is responsible for what and who is taking final responsibility
- Ø Quality: defining quality by means of minimum product requirements
- Ø Performance measurement: description and a sample for criteria of final product

##### ***7.4.1 Service Level Agreement***

The SLA for Hallbert should be based on very basic and clear ideas of what the service is about. For instance; who provides the service? Where is it provided from? When is it available? What services will be available? The language of the SLA needs to be very simple and clearly understood by both parties, avoiding the legal jargon of a contract<sup>11</sup>.

The SLA is in fact a working document that should not be as prescriptive as the contract with the supplier, but should guide both parties along, so that it should be clear where the minimum level of service is defined by Hallbert and is understood by the supplier.

If Hallbert wants to improve the quality of its outsourcing products that are provided by the suppliers Hallbert needs to define the following aspects in a SLA: description of the types, scope, and nature of all the services required, the times when these services should be available, and the level of performance required<sup>12</sup>. The SLA should also state how and when Hallbert can measure the performance of the supplier through a number of mechanisms including regular progress meetings, inspection procedures, etc.

##### ***7.4.2 Key Performance Indicators***

The Key Performance Indicators (KPI's) are the indicators that are used to measure service quality for the Service Level Agreement. The SLA will include a number of key indicators that are regularly measured and reported on. In this case for Hallbert who deals often with the outsourcing of packaging products, the following KPI's are defined for Hallbert as a measurement for a Service Level Agreement contract:

- Raw material inspection criteria
- Printing check list
- Die cut check list
- Lamination check list
- Gluing check list
- Final inspection check list

You can find a further elaboration of these key performance indicators in the form of a SLA as shown in Appendix 5.

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<sup>11</sup> "Outsourcing to India": Ch.19 (2005)

<sup>12</sup> The outsourcing process by R. McIvor

#### **7.4.3 After Sales Phase**

After the customer received the product Hallbert contacts the customer for the first step of the after sales phase. During this step Hallbert tries to identify if the customer is satisfied with the final product and/or the delivered service during the outsourcing process. This step can be executed by a simple phone call to find out if the customer's wishes are fulfilled. The person responsible for this step is the one in charge of the whole project. If not, Hallbert should do everything in its power to fix the problem and to make sure that this will not happen anymore in the future.

The second step in the after sales phase is more focussed on Hallbert and is about getting feedback from the customer. Especially for the success and growth of the company this step is crucial. The customer is the one that can tell you best how your business is doing. A way for getting feedback is to make a questionnaire that Hallbert can send to the customer. When possible and if the customer is willing to, it can be good for Hallbert and the relationship with the customer to talk about the outcomes of the questionnaire.

The last step in the after sales phase is an ongoing step. It is very important for Hallbert to make sure that the relation that evolved between Hallbert and the customer remains. There are several ways to do this. The personal contact way is a bit more difficult for Hallbert because of the geographical obstacles, but there are more ways to stay in the picture. The first one is to inform the customer about Hallbert by a sort of newsletter. This newsletter can be send monthly by email. It contains not only information about how Hallbert's business is going but for instance also more interesting information about outsourcing to Asia. Next to the news letter Hallbert can send the customer Christmas cards, little gifts and other things so that the customer will not forget about Hallbert.

This after sales phase can also be used in the business process of the 'consulting' function. This phase is even more important during this process then with the normal 'outsourcing' function because Hallbert should start asking feedback during the process and not afterwards because consulting is not a product that only can be judged about its quality after the whole process.

#### **7.4.4 RFI**

The Request for Information is a standardized list which contains questions that the customer needs to answer in the first stage of the process. With this standardized list Hallbert gets all the information about the product they need in the stage of finding the right supplier. The RFI also mentions Hallbert's preconditions for the commitment. You can find a description of the RFI in appendix 6. This RFI is based on the puzzle project we performed for Hallbert in Malaysia and contains for example information about the size, gms of the cart board, target price and quantity.

## **7.5 Guidelines implementation**

In this section we will give direction for the implementation of the proposed recommendations. Implementing a new or different way of working within a company is part of the change management process. However, organizational change can create deep resistance to change among the people of the organization. The three elements as described in paragraph 2.5 for effective implementation of change are:

- Communication and education
- Participation and involvement
- Facilitation and support

In the first element of 'communication and education' Bertil Schuil needs to make the employees of Hallbert aware of the proposed changes as approved by the management team. It is also important to convince them that such changes are necessary and why. Good and regular communication to all employees is essential during the start up phase of organization change. An advice for the management of Hallbert is to introduce weekly informal meetings with all employees. During these meetings the current state of the projects needs to be discussed, who is the responsible for which tasks, what are the difficulties that arise and the management can come up with topics that need to be improved. In addition all employees have the chance to give their input during the meeting. However, not only good communication is important but in some cases education in the form of training can be an essential aspect for realizing the goals of improvements.

The second element concerns 'participation and involvement'. The employees working for Hallbert are from different cultures and backgrounds. There is a huge difference in attitude and working method for instance when comparing Dutch and Asian employees. Where Dutch employees can be very straight forward, Asian employees at the other are often very modest and they will always say yes even when they mean no. This can be a problem when a manager is not involving the employees enough in the tasks that need to be changed. To avoid misunderstandings in these situations and to gain mutual respect, Bertil Schuil can introduce monthly personal meetings with his employees. The goal of these meetings is to make clear what exactly needs to be changed, what should be the involvement of both parties, and in which way everyone can participate in this process. Like this employees become aware of the change and ultimately become committed to it.

The last element is about 'facilitation and support'. As stated before training is one option to improve the knowledge and skills of employees, but also good help and support for mastering the details of a job for a new or current employee can be very effective for realizing the objectives of organizational change. The visible support of the management in this case helps to overcome resistance to change. Hallbert is a start-up company and although the manager is often running out of time, his task is to pass on the ideas and goals of the management to its employees. Further, Hallbert is currently running their business without a clear and structured job description for each employee. Without a clear explanation of the tasks that need to be executed a lot of time is lost. In addition the employee will never have the feeling that he or she is part of the bigger picture.

## VIII. Conclusion

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### 8.1 Conclusion

This Master Thesis started with a problem description by the management of Hallbert. After an analysis of the stated difficulties we came to the following problem statement as presented in the first chapter:

*What are the business model and supporting operational processes that will enable Hallbert to expand their business from products for packaging toward more and diversified products and outsourcing services?"*

This problem definition was the starting point of our research. The research framework we used is developed by combining several scientific theoretical perspectives based on the theory of business modelling, business processes, consulting and outsourcing literature. This framework was our guideline for answering the different research questions which finally lead to a solution for the problem.

Based on the performed research we can conclude that Hallbert is doing its business in a very unstructured way. The current business model is not flexible enough for the dynamic environment Hallbert is in and Hallbert accepts all kinds of product requests without having the capability to handle different services or to offer a clear advisory map for its customers. In addition, the current business process is not structured and separated in clear phases. Further more, Hallbert should control its business process and improve the quality control by implementing Service Level Agreements.

We present the management of Hallbert a report that gives a clear insight in the business of Hallbert, its potential pitfalls, and the challenges they face. The designed business model provides a flexible platform that enables Hallbert to expand their business from packaging products toward more and diversified products and outsourcing services. It gives a starting company as Hallbert the flexibility it needs to survive in the dynamic environment it is in without taking too much risk and responsibilities. The designed business model and unique processes give Hallbert the possibility to offer their customers a custom made service that precisely fits their need when they want to outsource to Asia.

The business model and other defined recommendations will contribute to the continuous improvement of Hallbert's business. We are convinced that with the flexibility and variety of the services Hallbert offers in the new situation, it can continue to play a major role in the packaging industry, but also become a future player when it concerns other products and services.

### 8.2 Other recommendations

Our primary and most important recommendations for Hallbert are shown in the overall business model and are further illustrated in chapter seven. However, there will always be additional points of improvement in order to develop a well-organized running business. Therefore we proposed some other recommendations for Hallbert that need to be further elaborated:

- § Hire more people; the management of Hallbert needs to hire more people. Due to the amount of incoming project requests the work pressure

increases, and as a result a lot of stress and tensions arise on the work floor.

- § Updating website; the website of Hallbert needs to be regularly updated. A well organized website is the business card of the company and the first link between Hallbert and its customers.
- § Costs and benefits; the subject of costs and benefits need to be taken into consideration when the management of Hallbert wants to implement effectively all recommendations.

Internal and external communication policy; A good internal communication policy will be the first step for the management of Hallbert to create one common team spirit, and mutual respect between the employees as well with executives. An external communication policy will improve the efficiency and help structuring the processes. This might be an interesting subject for further research.

### **8.3 Reflection**

In this section we shortly reflect all the activities executed during this Master semester. Eight areas of investigation have been approached to answer our research questions and have been executed in the following order:

- 1) Research in the Netherlands, February 2007
- 2) Start research in Malaysia, March 2007
- 3) Orientation on sources for data collection
- 4) Performing internal research
- 5) Performing external research
- 6) Data analysis & formulation
- 7) Executing Draft report in the Netherlands
- 8) Finalizing Final thesis, December 2007

In a nutshell we will describe our personal experiences during the last couple of months of our master thesis. In overall it has been a tremendous time for both of us to have the opportunity to go abroad and to gain knowledge and experiences in an Asian country. Our investigation first started in the Netherlands with the preliminary research about the Master topic. In a first meeting with Bertil Schuil, the definition of the topic was still very vague. In addition we did not have any idea about the company Hallbert, which is located in Kuala Lumpur. Therefore a well defined preparation before departure was difficult to accomplish in order to find suitable theoretical models for the basis of our master topic.

The second area of our investigation started with exploring the different products of the running projects Hallbert was currently dealing with. Unfortunately the director as well as the employees did not have time for us to guide us through the different phases needed to explore how the business of Hallbert is structured and in which environment it is operating in. Nevertheless we managed to gather the needed data collection primarily by our own participant observation and by interviewing employees and some suppliers. After a few weeks our research study has been slowed down by an unforeseen event and in a change in the status of work permission. As a consequence we were not able to work at the company for a period of three weeks. In the mean time several interviews were set up to approach current customers of Hallbert in order to get a better understanding of the outsourcing process between customer and outsourcer. The management of Hallbert however was not very eager to give us their list of clients and after a few weeks we finally got an answer that we were not obliged to interview Hallbert's customers.

Due to these unexpected circumstances our initial time schedule to execute our research was delayed by a period of at least six weeks. However, during the fourth phase of our investigation we were assigned to become responsible for some running projects. This possibility to execute our own projects and to face all the different phases that come along was of huge importance for the basis of our research. It gave us insight, knowledge, and a fundamental base for the further development of our research and executing of it. With the insight how the company is working and which pitfalls they have to overcome was a basis for the further executing of our external research analysis.

The area of external research was the investigation stage difficult to execute. Benchmarking was chosen to compare similar companies who are operating in the same kind of business as Hallbert. However the companies approached by us were not interested to provide us the requested information. Nevertheless we managed to derive the needed information from their websites. After this fifth stage all the data analysis were formulated together with the theoretical models and applicable literature. The executing of the draft was carried out back in the Netherlands. Together with the help of our mentors who gave us insight in the different phases of the master project, and the necessary advice to execute our research topic, we came to our final executing of our master thesis. In a few weeks we therefore hope to present you our final thesis and hopefully with a successful and satisfactory closing of this important chapter of our study.

**Appendix 1**

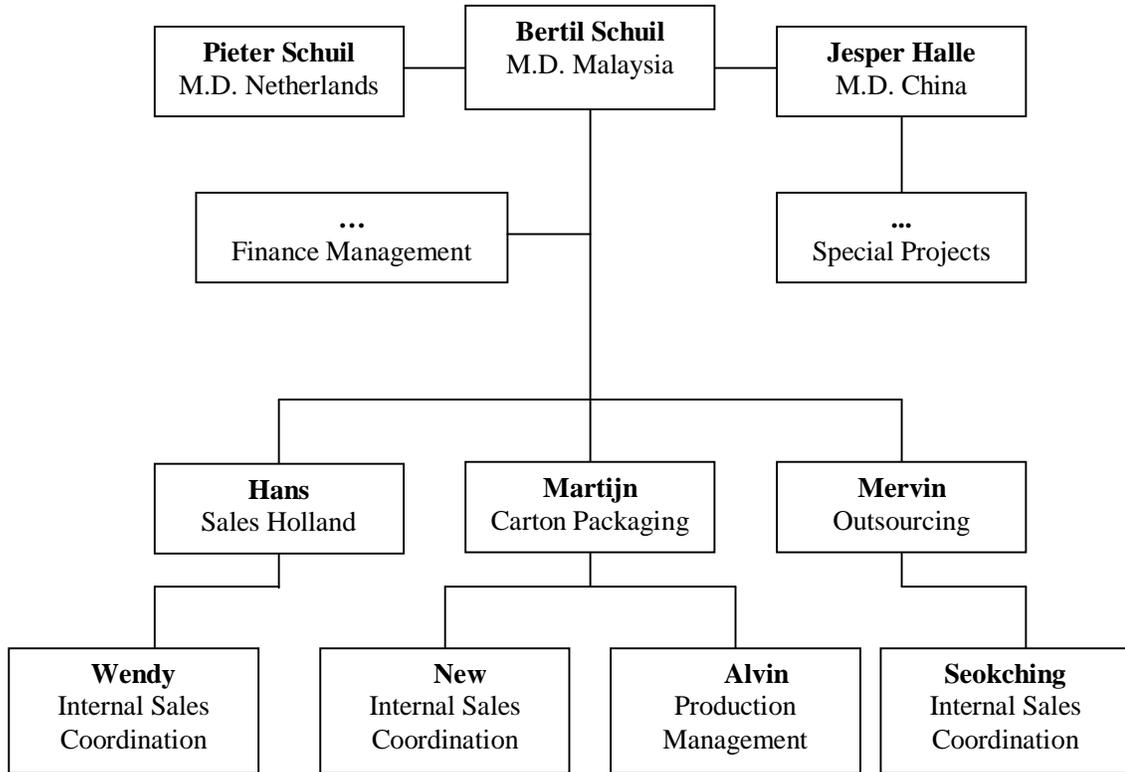


Figure 9: Organization chart Hallbert

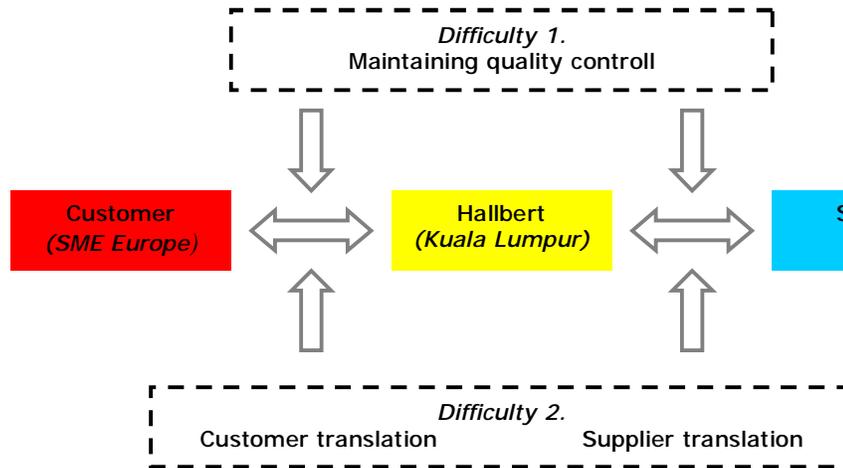
**Difficulties in doing business**

Figure 10: Hallbert's challenges in doing business

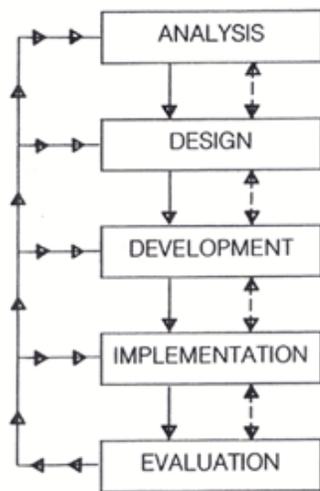
**Customer versus Hallbert:** When a customer has a request for a product with that Hallbert is not yet familiar with, it is sometimes hard to understand exactly what the customer wants. For example, Hallbert received a request for scented candles, a product unfamiliar to the company. Hallbert was not aware of the kind of information that was needed to seek production facilities; like type of wax, colours, different oils and different scents. The project was complicated furthermore when it appeared that the client himself was also unaware of the many possibilities, which as a consequence complicated a proper briefing.

**Hallbert versus supplier:** During the outsourcing process it sometimes happens that the supplier is using technical terms Hallbert does not understand, or is coming up with possibilities that Hallbert did not even know they existed. Hallbert first has to learn what the supplier means and then has to explain it to the customer, followed by gathering all the information needed for the supplier. This lack of knowledge, information gathering, and exchange takes a lot of time. This challenge appears not only in case of 'unfamiliar products', but also when the manufacturer is, for example, Chinese-based. The result, problems that get worse during the outsourcing process due to miscommunications and culturally-based misunderstandings. These misunderstandings occur for instance during a conversation by Skype (i.e. video phone) with a supplier about a certain product. It sometimes happens that both parties have a different perception on the product they are talking about and although the conversation is visual, both parties can talk on a different level.

We refer to this second challenge as the *translation problem*. This problem is also related to the first challenge because difficult communication has also a big influence on quality control. Both challenges can be considered as major obstacles since a standard structured approach of the outsourcing process is lacking; everything is done by experiences and by the 'gut' feeling. Due to this lack of structure at Hallbert, the outsourcing process is not efficient and time consuming. Of course, occasionally this leads to frustration. Basically a lot of time and confidence is lost because of this problem.

**The ADDIE Model**

The "ADDIE Model" is a colloquial term used to describe a systematic approach to information development. The term is virtually synonymous with information systems development (ISD). The label seems not to have a single author, but rather to have evolved informally through oral tradition. It is not a specific, fully elaborated model in its own right, but rather an umbrella term that refers to a family of models that share a common underlying structure. ADDIE is an acronym referring to the major processes that comprise the generic ISD process: Analysis, Design, Development, Implementation and Evaluation.



**Analysis Phase** - Identify areas of opportunity and target specific problems.

**Design Phase** - Generate solutions through brainstorming sessions. Identify the required resources to implement the chosen solution and identify baselines to measure.

**Development Phase** - Formulate a detailed procedure for implementing the approved solution.

**Implementation Phase** - Execute the solution.

**Evaluation Phase** - Build measurement tools, monitor implementation, and evaluate measurements to baseline.

Figure 11: ADDIE Model (Dick and Carey and others)

***Comparing similar companies***

The criteria we used for our comparison are derived from our own observations and are based on the problems faced during the participation of different kind of projects, and interviews with similar companies like IFS and or potential customers.

Similar outsourcing companies are chosen to compare them to Hallbert. This comparison gives us insight in the possible improvement areas in the current business model and process and might lead to some suggestions for the desired situation. Five criteria were used to compare the performance of Hallbert and the other outsourcing companies.

- ✓ ***Different products and markets***  
To compare Hallbert with other companies, different products and markets are used for the first criteria in order to find out if Hallbert is working in the same field of outsourcing.
- ✓ ***Responsibility in the business model***  
Looking at the responsibility of the company in the business model, a decision needs to be taken whether Hallbert keeps on being responsible for the whole outsourcing process for every requirement (different product) they get. They can also let go of some of this responsibility when the risk is too high because of their lack of knowledge about the product.
- ✓ ***Quality control***  
Control of quality is an important issue where Hallbert is dealing with. Especially in the relationship with Malaysian suppliers it is quite challenging to maintain quality and to make sure that the product meets customer's expectations.
- ✓ ***Business process***  
A clear, well defined outsourcing process or the way how customer demand is translated into a final product is of huge importance to highlight the improvements areas Hallbert is currently coping with.
- ✓ ***Communication***  
Good communication is important to overcome the problems Hallbert is dealing within the relationship with its customers as well as with its suppliers. Therefore communication is chosen as one of the criteria to benchmark.

The outcomes of the comparison are combined in the following table.

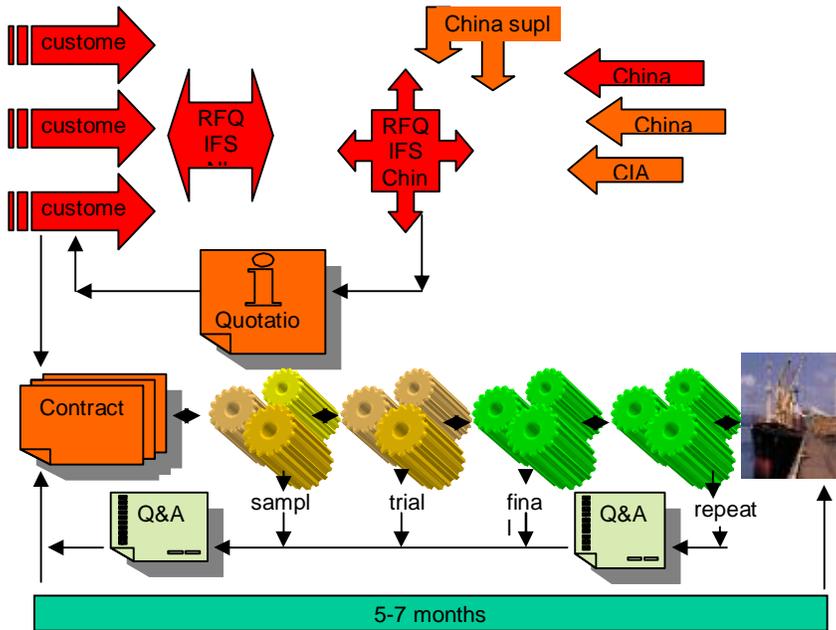
	<b>1. IFS</b>	<b>2. BPO Services</b>	<b>3. Bridge</b>	<b>4. Tonasco</b>
<b>Different products and markets</b>	<p><i>Market:</i> mostly Asia</p> <p><i>Products:</i> industry parts and or sub-assemblies</p>	<p><i>Market:</i> European businesses</p> <p><i>Products:</i> consultancy for offshore Business Process Outsourcing(BPO) and IT Outsourcing and Knowledge Process outsourcing (KPO) solutions.</p>	<p><i>Market:</i> Ukraine / India</p> <p><i>Products:</i> software development and 3D visualisation</p>	<p><i>Market:</i> Malaysia and Asia</p> <p><i>Products:</i> high mix- low volume fabrication and assembly</p>
<b>Responsibility (business model)</b>	<p>Advise on and assist at (internal) procurement -, logistic - and marketing and sales affairs.</p> <p>Assist at setting up local offices and/or joint ventures.</p> <p>Assist at setting up complete production facilities in Asia, including logistics.</p> <p>Assist at moving the production of your materials to Asia, including logistics.</p> <p>Assist at developing international sales opportunities (marketing and sales), worldwide or for a specific region.</p> <p>Act as an agent for your organisation.</p>	<p>Consultancy</p>		
<b>Quality control</b>	<p>Contract inclusive Scope, Quality, Guarantees, Purchase, Confidentiality etc.</p> <p>Test order: to check if the quality is constant with</p>			<p>All fabricated parts are checked thoroughly by certified quality inspectors, using measuring equipment of the latest technology e.g.</p>

	<p>bigger quantities</p> <p>Development of quality plans with "Hold" and "Witness" points</p> <p>Product inspections and sales purchase , additional measurement reports</p>			<p>A detailed quality report is produced with every part.</p> <p>100% quality control and quality report for every product to ensure product quality.</p>
<b>Business process</b>	<p>Contract inclusive Scope, Quality, Guarantees, Purchase, Confidentiality etc.</p> <p>Payment (Chinese only produce with pre-payment)</p> <p>Payment instrument costs only after approval sample</p> <p>Test order: to check if the quality is constant with bigger quantities</p> <p>Production support</p> <p>Development of quality plans with "Hold" and "Witness" points</p> <p>Supplier Development</p> <p>Product inspections and sales purchase , additional measurement reports</p> <p>Mass-packing or consumer packaging.</p> <p>(See also chart 1)</p>	<p>Requirement Analysis</p> <ul style="list-style-type: none"> <li>- Understand Client Business</li> <li>- Understand the processes to be outsourced</li> <li>- Study documentation</li> <li>- Workout solution &amp; costing</li> <li>- Client acceptance</li> </ul> <p>Transition &amp; Implementation</p> <ul style="list-style-type: none"> <li>- Design process implementation plan</li> <li>- Design operation plan</li> <li>- Client acceptance</li> <li>- Arrange suitable resources</li> <li>- Implement the systems</li> <li>- Testing</li> <li>- Client acceptance</li> <li>- Handover to Operations</li> </ul> <p>Ongoing support</p> <ul style="list-style-type: none"> <li>- Service delivery as per operation plan</li> <li>- Follow QA guidelines in routine</li> <li>- Timely Reporting to client</li> <li>- Enhance performance efficiency continuously through practice &amp; learning</li> </ul>	<ul style="list-style-type: none"> <li>- First conversation</li> <li>- Identify a test project</li> <li>- Ask supplier for prices</li> <li>- Supplier makes an estimation of the number of hours</li> <li>- Approval</li> </ul>	<ul style="list-style-type: none"> <li>- Fabrication</li> <li>- Assembly</li> <li>- Testing</li> </ul>
<b>Communication</b>		Ongoing coordination with	Bridge tries to keep the	Up-to-date production status

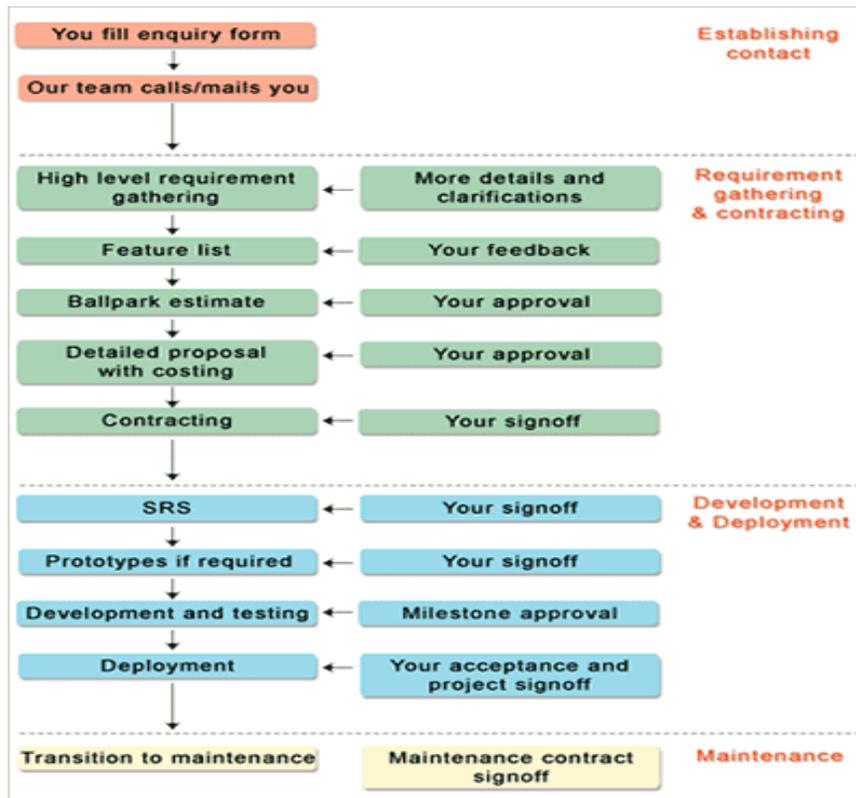
		<p>the client to ensure that they are satisfied with the progress. They seek feedback on a regular basis and integrate this into the development process.</p>	<p>technically substantive project management in the hands of their customers, because that keeps the communications lines the shortest. The technical project manager can communicate directly with the programmer or project manager of the supplier. This project manager can accompany you to the end customer or can take over all specifications and manage the programmers.</p>	<p>available 24/7 through one single contact point.</p>
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	<b>5. Far East Manufacturing</b>	<b>6. AMS Group BV</b>	<b>7. Demetra</b>	<b>8. Stylus</b>
<b>Different products and markets</b>	<i>Market:</i> China  <i>Products:</i> Outsourcing production partner	<i>Market:</i> China  <i>Product:</i> Manufacturing solutions	<i>Market:</i> China  <i>Products:</i> consulting support and procurement activities	<i>Market:</i> mainly India  <i>Product:</i> outsourcing software development
<b>Responsibility (business model)</b>	Total responsibility for the whole outsourcing process.	Outsourcing or subcontracting to the identified suppliers, either via or without AMS Group.	- Consulting support and - Procurement activities	- Non disclosure agreement. - Services Contract that details the responsibilities of each party, the deliverables, pricing and delivery schedule of the projects.
<b>Quality control</b>	- Quality checks with experienced quality inspectors - Special technical checks		- Quality control and - Delivery time checks.	Approval of customer after every step. (See chart 3)
<b>Business process</b>		- Initial meeting - Clear scoping document - Start research - Clear report - clients come to China - Roll-out plan can be implemented, either via or without AMS Group	Demetra works with a 5 step approach: - Sourcing - Pre selection, - Matching, - Implementation, - Contract negotiation and 1st order	The outsourcing process contains the following steps: - Establishing Contact - Requirement Gathering - Development - Maintenance (See chart 2)
<b>Communication</b>	Communication between customer and supplier by means of "Creative Thinking" know what you want as our client, and know what the consumer wants.			- Basecamp - Skype - Web Ex - Documentation - Single point of contact

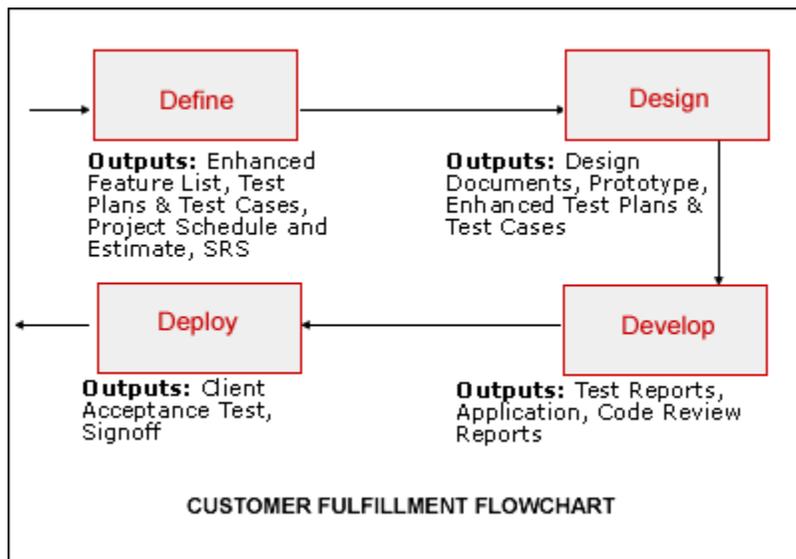
## IFS Business Process



## Stylus Business Process



## Stylus Customer Fulfilment Process



### Conclusions comparison

From the benchmark analysis you can conclude that most of the investigated company's operate in the Asian Market, focus mainly on a specific part of the market they are operating in, and take a clear role in doing so by mean of for instance a consultancy function. In addition some of the companies structure their business model by taking total responsibility during the outsourcing process. However, other companies choose for a consultancy role or outsource by means of service level contracts, in which responsibilities of each party involved, are described.

During the business process a step by step approach is often used by the different companies in order to make clear what the customer can expect from the first meeting till with the delivery of the product or service. During this phase the quality aspects are highlighted with the emphasis on quality checks, service level agreements, witness points and or approval of customer after every step in the business process.

Finally communication between customer and supplier is described as an essential aspect in an ongoing relationship. To achieve good communication not only knowledge of the culture or language is important, but also being able to anticipate in the different problems, for instance in miscommunications that might come along. Some of the companies seek for regular feedback during the development phase, while others make use of one single contact point during the whole outsourcing process.

All these conclusions are used as a tool for designing the desired business process and business model of Hallbert as described in chapter five, as well as possible recommendations mentioned in chapter six of this paper.

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### ***Service Level Agreement***

#### ***I. Raw material inspection criteria***

The supplier needs to check all incoming parts according to the following incoming inspections:

- Correct type of material
- Correct dimension
- Damages
- Surface finishing

The person assigned to control the raw materials signs for the inspection, verifies it by another person in charge and sends a report within 3 days after inspection to Hallbert.

#### ***II. Printing check list***

Description of the customer, operator and main operator. Signed by the date of inspection and quantity order. The quantity in pieces is checked on:

- Correct type of material
- Colour
- Dirty mark
- Scratches
- Missing image
- Missing words

The inspector stops the production after every 100 pieces to control the product on possible failures, also stated as hold and witness points. Like this a constant control over the production process from the beginning is guaranteed and signed by the controller.

#### ***III. Die cut check list***

Also here the inspector the quantity after every 100 pieces on the following criteria:

- Verify and signing for first set up sample
- Check on crease line
- Check for clean cut
- Box forming check
- Check for cracks
- Dimension check
- Cut on correct side
- Flute<sup>13</sup> direction

As the production process continues, the more sophisticated and precise it becomes to control the output of the products. It is of huge importance that the controller makes a clear inspection and also reports it back to Hallbert as agreed on in the Service Level Agreement. Like this possible defaults can be avoided in an early stage of the production process. If necessary a representative of Hallbert can come over to check on a regular base the samples by themselves as compared with the ones provided by the customer.

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<sup>13</sup> A flute is a knife or cutting tool

***IV. Lamination check list***

During the lamination process, the controller checks the pieces on the following points:

- Flute direction
- Check for possible delamination (open-up)
- Glue mark line evenly spread and not too thick
- Verifying and signing first set up of samples

***V. Gluing check list***

For every part of the production process a separate check list is set up. For the gluing part the controller checks the next applicable criteria:

- Dirty glue mark
- Over or under glue
- Is the glue applied on the correct side

***VI. Final inspection check list***

The final inspection checks list contains of the following final checking criteria:

- Correct item, label and barcode number
- Check on colour variation and printing smear
- Check on die cut cracks, gluing and or damages

If the final check is done, the person responsible for it signs for it by accepting or rejecting the quantity of pieces. If the final check list is verified by the main controller and also approved by Hallbert, then the last phase is the ultimate shipment of the goods.

**Request For Information**

The RFI as described below is based on a puzzle project we managed during our stay in Malaysia.

<b>Request for Information Puzzle</b>	
Purpose of the product	
Pictures or samples of the product	
Current supplier	
Customer information	
Quantity	
Target price \$ or €	
Target price p/c \$ or €	
Special product requirements	
<i>Packaging</i>	
Material box	
Colour of material	
Weight (gms in case of paper(board))	
Size box (mm)	
Internal packaging	
External packaging	
<i>Puzzle</i>	
Material puzzle	
Colour of material	
Weight (gms in case of paper(board))	
Size puzzle (mm)	
Laminated	
How many pieces	
<i>Printing trademark/name/images</i>	
Images on puzzle and box	
Embossed	
Printed	
Lettering (fonts)	
Panthone colour	

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