Dutch SMEs and Outsourcing:

towards an international service approach for
INA

Casper Hermans
Jan-Willem Pol
University of Twente
October 2006

Graduation committee:
Supervisors: Ir. S.J. Maathuis
Prof. Dr. Ir. E.J. de Bruijn
Preface

This report is the result of a graduation assignment, executed for the Indonesian Netherlands Association in Indonesia Jakarta, further referred to as INA. INA has a close relationship with the University of Twente. The University participates, among other projects, in the Asia Investment II Programme application of INA.

In close cooperation with INA the first part of this study took place in the Netherlands. The second part was executed in Jakarta, Indonesia. The study was completed in the Netherlands.

Objective of the research is to identify interesting business sectors and their support needs with respect to outsourcing business activities to Indonesia to review current services INA offers its clients. The main objective is to develop a new service approach for INA that leads to an increase in the client base and service provision to SMEs in the Netherlands.

We have appreciated the intensive and pleasant cooperation with INA, especially with Mr. E.M Bouma, who has been most helpful in guiding us. We also would like to thank INA personnel for their positive support and input during this research. Of course we thank our supervisors Mr. Ir. S.J. Maathuis and Mr. Prof. Dr. Ir. E.J. de Bruijn of Twente University, for their guidance and stimulating critics.

We are grateful for the support of Mr. C.J. Maats MD and Mr. Drs. M. Sanders of Amindho for useful insights towards this study. We also would like to thank the Board of Amindho for its financial contribution enabling this study. Amindho supports and enhances economical cooperation and trade between the Netherlands and Indonesia.

It is our belief that the implementation of our proposed service approach gives a contribution to the continuous improvement of INA as an international service providing organization in order to realize improved cooperation between Dutch and Indonesian SMEs.

We hope that this research will provide the reader with additional knowledge and useful insights on the subject before starting to shift business activities towards emerging economies, especially Indonesia.

October 31st, 2006

Casper Hermans
Jan Willem Pol
Management summary

The Indonesian Netherlands Association is the official Benelux Chamber of Commerce in Indonesia and has its office in Jakarta. INA aims to facilitate, encourage and support business cooperation between the Benelux and Indonesia and services around 380 members. To this end INA offers a wide range of services. Outsourcing becomes more and more relevant everyday because organizations are trying to outrun the competition by producing their products at a lower cost price. INA has no clear perspective on what Dutch SMEs are relevant at this moment and how she should support them.

The central problem of the underlying study therefore is:

What service approach should INA offer to selected Dutch small and medium sized enterprises (SMEs) interested in outsourcing business activities to Indonesia, and how should this approach be implemented?

In order to answer this central problem next steps have been taken:

Useful theoretical perspectives in the fields of services, matchmaking and outsourcing are reviewed and selected to be used as the theoretical framework in which this research evolves (Chapter 2).

The internal capabilities & constraints of INA in providing the services, needed by the target groups for shifting activities to Asian countries (especially Indonesia), are analyzed (Chapter 3).

The following most relevant business sectors have been identified (Chapter 3, 4):

- Metal;
- Furniture;
- Machine/ electro & transportation equipment.

Future focus sectors which have been identified:

- IT- & architect sector;
- Agro.

The support needs of Dutch SMEs in the above mentioned business sectors have been investigated (Chapter 5). In order to match the support needs to internal capabilities & constraints of INA, a service selection and service approach development has been drawn up.

The new service approach consists of the following services (Chapter 6):

- Macro information of Asian countries compared;
- Indonesian Business sector information;
- Practical Matchmaking/ company profiles.

The service approach implementation phase (Chapter 7) is divided into ten stages. Each stage is formulated in terms of activities/tasks, followed by a subsequent time schedule for implementation.

In addition to changes in the service approach, its outputs and its implementation, there are some additional recommendations for INA:

- INA should improve their Information system;
- INA should work together with other foreign chambers of commerce in Indonesia;
- INA should use more Dutch and Indonesian students to do research assignments;
- INA can communicate and support with/to Dutch SMEs better by using Branch organizations;
- INA has to give serious attention to the implementation of the suggested service approach.

Further research:

INA should do extensive research at the (marketing) communication and best ways to assist Dutch SMEs in the Netherlands. INA is now focused at assisting them in Indonesia, but Dutch SMEs like to be assisted before they come to Indonesia.
Table of Contents

LIST OF TABLES 6

LIST OF FIGURES 6

1. INTRODUCTION 7

1.1 BACKGROUND 7
1.2 PROBLEM DEFINITION 7
1.3 RESEARCH QUESTIONS 8
1.4 RESEARCH APPROACH 8
1.5 STRUCTURE OF RESEARCH 9

2. THEORY & METHODOLOGY 11

2.1 INTRODUCTION 11
2.2 INA CAPABILITIES & CONSTRAINTS 13
2.3 INDUSTRY / BUSINESS SECTOR OVERVIEW & SELECTION 14
2.4 SUPPORT NEEDS IDENTIFICATION 15
2.5 SERVICE SELECTION & SERVICE APPROACH DEVELOPMENT 16
2.6 SERVICES IMPLEMENTATION / INTEGRATION 17

3. INA CAPABILITIES & CONSTRAINTS 21

3.1 INTRODUCTION 21
3.2 INA & THE 7S MODEL 22
3.4 EXISTING SERVICES BENEFITS & BUYERS 26
3.5 CONCLUSION 27

4. INDUSTRY / BUSINESS SECTOR IDENTIFICATION, SELECTION & ANALYSIS 28

4.1 INTRODUCTION 28
4.2 BUSINESS SECTORS OUTSOURCING TO EMERGING ECONOMIES 28
4.3 BUSINESS ACTIVITIES BEING OUTSOURCED 32
4.4 CONCLUSION 34

5. SUPPORT NEEDS IDENTIFICATION 35

5.1 INTRODUCTION 35
5.2 SUPPORT NEEDS OF COMPANIES IN SELECTED BUSINESS SECTORS 35
5.3 SUPPORT NEEDS IDENTIFIED BY BRANCH ORGANIZATIONS 36
5.4 SUPPORT NEEDS IN THE DIFFERENT STAGES OF THE OUTSOURCING PROCESS 37
5.5 CONCLUSION 39
List of Tables

Table 1  Selecting a foreign partner for Collaboration/Joint Venture  14
Table 2  Ten critical services quality dimensions  18
Table 3  Overview offered services by INA  21
Table 4  INA mission, strategy, goals  22
Table 5  Capabilities & constraints  27
Table 6  Organizations that shifted activities from the Netherlands to foreign countries  28
Table 7  Support needs of interviewed organizations in identified business sectors  39
Table 8  Weight determination per attribute  42
Table 9  SMART analysis  42
Table 10  SMART analysis with changed weightings  43
Table 11  Time table service approach implementation  51

List of Figures

Figure 1  Research structure  10
Figure 2  The planning cycle of success for new service integration  11
Figure 3  The role of matching and the network in the foreign market entry process  12
Figure 4  7s- model of Mc Kinsey  13
Figure 5  Main steps of the proposed model for management of outsourcing processes  15
Figure 6  Business process breakdown  18
Figure 7  Research framework  20
Figure 8  INAs network knowledge vs. Cavusgil (2002)  26
Figure 9  % companies in business sectors shifting activities abroad  29
Figure 10  Business sectors, labor size, growth of shifting business activities  30
Figure 11  Continents and their willingness to shift business activities  30
Figure 12  What activities have been shifted to foreign countries  32
Figure 13  Decisive reasons for shifting activities  33
Figure 14  Franceschini et al (2003 ) and Ghauri &Holstius (1996) combined  38
Figure 15  Confronting research outcomes  40
Figure 16  Proposed service approach  44
Figure 17  Database and INA service approach  44
Figure 18  10 step procedure service approach implementation  49
Figure 19  Business process element Macro, Asian country information compared  52
Figure 20  Business process element Meso, Indonesian business sector information  53
Figure 21  Business process element Micro, Practical matchmaking and company profiles  53
Figure 22  Database and INA service approach  55
1. Introduction

1.1 Background

The Indonesian Netherlands Association is the official Benelux Chamber of Commerce in Indonesia. INA aims to facilitate, encourage and support business cooperation between the two countries in the interest of more than 350 members. The association operates from its head office in Jakarta. All the activities are executed in close cooperation with, and fully supported by, the Netherlands Foreign Trade Agency (EVD). Production co-operation with lower-cost countries/economies is still an ongoing worldwide trend in which European companies have to participate in order to stay globally competitive. Indonesia offers interesting (cost) advantages for production, especially labour, raw materials, and, in a number of industries, well-equipped production facilities. However, since the start of the political and economic crisis in Indonesia, the country has not been considered as a location for production by European companies. This is a very worrying trend for the Indonesian economy and society, as Indonesia is depending on the revival of its manufacturing sector to make a sustainable economic recovery (INA 2005).

Indonesia became independent from the Netherlands in 1945. The country consists of over 3000 inhabited islands. After several decades of economic growth and political stability (1965-1997), a seven year period of political turmoil and a very weak economy started at the end of last millennium. Nowadays Indonesia is politically still somewhat unstable but there seems to be a period of political stability ahead. In recent years much of the economy has been deregulated. Privatisation took place at a rather large scale (Cavusgil et al 2002). Foreign investments are made in all sectors, from raw materials and manufacturing, to retailing. The government is serious and increasingly effective in addressing the country’s structural problems, such as corruption and legal uncertainty. Large backlogs in infrastructure investments have to be dealt with: more roads, telecommunications, ports, railways and power stations must be constructed, and large, protected monopolies need to be dissolved. The emergence of a more transparent business environment is encouraging foreign investors to take a fresh look at Indonesia. Domestically it has a huge growing middle class that is demanding western technology and products. Indonesia’s economic growth is among the highest in Asia, second only to China and India (INA 2005).

However, Indonesia’s image abroad, especially in Europe and North America, continues to be effected by occasional terrorist attacks and excesses of corruption. Although it is perceived that it is not easy to do business in Indonesia, reality shows that many foreign companies operating in the country are very profitable and well able to deal with difficulties. This mere fact makes it more important that European (Dutch) manufacturers are made more familiar with opportunities in Indonesia (INA 2005).

One of INAs objectives is to bring Indonesia back on the shortlist of countries which are considered by Dutch companies for outsourcing activities. The research by Knol (2005), will be used, to a certain extend, as starting point for the underlying study. Knol has made a study on Indonesia’s outsourcing possibilities, this research focuses on the support INA should give to Dutch SMEs.

1.2 Problem definition

According to Bratton et al. (2003), chambers of commerce should combine individual advisory support services, collective representation and presentation of the collective interests of businesses in their area. The most important services are: representation, information and advice (on both domestic and foreign matters), personnel training, export/ import certification and documentation, and business management consulting (Bratton et al. 2003). INAs main objective is to increase co-production between Dutch and Indonesian companies in Indonesia and therefore she provides all services which Bratton et al (2003) distinguished. However, the organization lacks a proper approach in servicing Dutch Manufacturers; i.e. how can INA facilitate the link between Dutch companies and Indonesian manufacturers. INA also lacks information on interesting companies in the Netherlands that are already outsourcing activities to emerging economies or are intending to do so. Therefore the purpose of this study is to develop a suitable service approach for INA in interesting business sectors. This study is based on a demand orientated point of view. The needs and demands of relevant companies in the Netherlands are analyzed. The services that INA wishes to provide should correspond with these needs and demands.
The problem definition therefore is:

What service approach should INA offer to Dutch small and medium sized enterprises (SMEs), interested in outsourcing business activities to Indonesia, and how should this be implemented?

1.3 Research questions

To provide a properly formulated answer to the problem formulation, the problem is split up into several research questions/tasks:

? Acquiring relevant theories regarding servicing matchmaking and outsourcing;

? In order to understand the business process of organizations, a meso-analysis has to be executed in the Netherlands to identify interesting sectors and related companies;

? An analysis has to be made what kind of information is needed to support the process of outsourcing.

By matching research findings from internal analysis of INA and Dutch business sectors with their subsequent support needs, a service approach can be subsequently developed.

Research questions

1) What are the capabilities & constraints of INA and its network in providing outsourcing services?

2) Which industry/business sectors in the Netherlands are relevant for outsourcing activities to Indonesia?
   a. Which industry/business sectors in the Netherlands are already outsourcing activities to emerging economies (or have the intention to do so)?
   b. What kind of business activities are distinguished in the selected industry/business sectors in the Netherlands for outsourcing to Indonesia?

3) Which support needs can be distinguished in the selected industry/business sectors?
   a. What are the support needs of Dutch SMEs in the selected industry/business sectors for outsourcing business activities to Indonesia (emerging economies)?
   b. What kind of support needs do branch organizations experience for Dutch SMEs in outsourcing business activities to emerging economies?

4) What service approach can be developed for INA based on the support needs of the relevant organizations in the selected business sectors?

5) How should the service approach and its instruments be implemented within INA?
   a. What are the critical elements of the service approach?
   b. How should the formulated service model be adapted and implemented?

1.4 Research Approach

In this section it is determined which research methods, sources and analysis instruments are used to provide the required information. The attitude towards this research philosophy is in line with the perspectives of interpretivism. Interpretivists argue that the social world of business management is far too complex to lend itself to theorising by definite laws, in the same way as the physical science. Rich insights in this complex world are lost if such complexity is reduced entirely to a series of law like generalisations. The role interpretivists is to seek and understand the subjective reality of what they study, to be able to make sense of understand their motives, actions and intentions, in a way that is meaningful for research participants (Saunders et al. 2003).

Good, scientific research is quantitative or qualitative in style and exists of following characteristics: the goal is inference, the procedures are public, the conclusions are uncertain and the content is the method (King et al. 1994). As a result of the data analysis, this study consists of a collection of data and models to develop approaches & instruments. Therefore an inductive approach is used. Induction emphasises some critical elements: Gaining an understanding of the meanings humans attach to events, a close understanding of the research context and collection of qualitative data. Induction
has a more flexible structure to permit changes as the research progresses. The researcher is part of the research process and is less concerned with the need to generalise (Saunders et al. 2003).

This study is defined as exploratory research. Exploratory studies are a valuable means of finding out what is happening, to seek new insights, to ask questions and to assess new phenomena in a new light. The three principal ways of conducting exploratory research are applied: a search of literature, talking to experts in the subject and conducting focus group interviews. Biggest advantage of exploratory research is its flexibility and adaptability to change. If you are conducting exploratory research you must be willing to change your direction as a result of new data that appears and new insights that occur to you (Saunders et al. 2003).

Research question 1
Is answered by using primary and secondary information. Information is gathered by interviewing INA employees and by analysing knowledge of INA and other chambers of commerce.

Research question 2
Is answered by using secondary data. The emphasis for answering this research question is provided by external information suppliers as for example the government, ministries of economic affairs, EVD, CBS and chambers of commerce.

Research question 3
Is answered by using primary data and secondary outcomes of research question 2. Primary data is an original research, in which data collected are designed specifically to answer the research question. Through semi-structured and in depth interviews as a qualitative technique, information on outsourcing experiences of companies will be gathered. Those interviews are primary sources; original works of research or raw data without interpretation or pronouncements that represent an official opinion or position (Cooper & Schindler 2001). In semi-structured interviews the researcher has a list of themes and questions to be covered. They may vary from interview to interview. With in depth interviews there is no predetermined question list to work through. But there should be a clear idea about the aspects to explore (Saunders et al. 2003).

Research question 4
Is answered with the findings of research questions 1, 2 and 3. Primary information derived from these findings is used to develop the service approach. Theoretical insights provide the borders in which these services are developed.

Research question 5
Is answered by developing an appropriate strategic implementation plan in order to successfully integrate the service approach into the organization. Primary as well as secondary information is used. Primary information in this case contains various in depth interviews with several stakeholders. Secondary information is gathered by reviewing additional literature about implementation and services integration.

1.5 Structure of Research

After useful theories and models are explained, an internal analysis is executed in Indonesia and relevant Indonesian business sectors for outsourcing are identified, to provide an answer to rq 1. Next, the industry business sector overview/selection and the support needs identification are answered in rq 2 and rq 3. Next, a service approach is developed in order to answer research question 4. In the pilot testing and implementation/integration stage rq 5 is answered.
Figure 1  Research structure

Introduction

Models & Theories
Chapter 2

INA internal analysis & business sector overview  rq 1
Chapter 3

Confrontation

Industry/ business sector overview  rq 2
Chapter 4

Support needs identification  rq 3
Chapter 5

Business sector selection & Service approach development  rq 4
Chapter 6

Pilot testing & implementation/ Integration  rq 5
Chapter 7

Conclusions & Recommendations
Chapter 8
2. Theory & methodology

2.1 Introduction

This chapter is the scientific basis of this study and serves as guideline for the report and research structure. Theories, models and tools are derived from:

- Services theory;
- Matchmaking theory;
- Outsourcing theory.

The aim of this study is to develop a new service approach for INA and to provide an implementation plan for this new service approach. Adding new services represents an inherent part of the growth strategy of any service firm. Modifications of existing services, alternatively referred to as service enhancements and service redesign, as well as the design & implementation of new services are of equivalent importance to service firms as new product development and product enhancements are to firms operating in a goods environment (Stuart 1997).

The planning cycle of success for new service integration by Tax & Stuart (1997) is used as the central process model for new service approach development. A new service design/integration process is characterised as a multistage examination of the proposed processes, physical facilities and personnel (i.e. an internal resource perspective) as well as the customer attributes and benefits offered (i.e. an external customer perspective). Services require a focus on the rapidly changing external environment and achieving internal flexibility and innovativeness to meet this challenge. Their research findings resulted in the development of a 7 stages planning cycle of success for new service design and integration.

1. Current services, service benefits and service buyers are investigated to distinguish gaps;
2. Potential new service buyers and the needs they have are identified;
3. The context of the new service processes and the change to existing services is decided upon;
4. The new service participants and the change to existing services participants is decided upon;
5. The new service physical facilities and the change to the existing facilities is decided upon;
6. The overall impact on the existing core services is decided upon;
7. The internal capabilities to handle all changes are assessed, adaptations are made and then the service approach is ready to implement.

This model is converted into the research framework and functions as the major guideline for structuring this research. Each step in the process model is executed in chronological sequence and is executed within the borders of the five research questions.

Figure 2 The planning cycle of success for new service integration (Tax & Stuart 1997)
The service approach is applied to improve the matchmaking services and activities of INA. INA is lacking an approach to match and support potential Dutch SME’s with Indonesian supplier manufacturers in outsourcing Dutch business activities. For this purpose also the matching model of Ghauri & Holstius (1996) is used to develop the research framework. Ghauri & Holstius (1996) present a model that uses matching as a key concept for understanding how the development of successful business relations can be facilitated or “serviced” between two countries/organizations which are culturally, politically, legally and economically as dissimilar as western countries and developing countries. The matching concept compromises everything from facilitating systems provided by governments and international organizations to company specific measures and is also related to primary business functions as finance, legal, personnel, production and R&D. The model of Ghauri & Holstius (1996) is a combination of their “matching in international business operations model” and the network models developed by Blankenburg & Johanson (1992), Ghauri & Henriksen (1994), and Hakansson (1987). Each company establishes long lasting relationships with other companies, customers, suppliers and authorities, all of which are actors in the company’s network. Most important benefit of combining these two models, network and matching, is to identify the actors, activities and resources exchanged at three levels (Ghauri & Holstius 1996).

**Figure 3 The role of matching and the network in the foreign market entry process (Ghauri & Holstius 1996)**

- Global level matching includes international (multilateral) agreements, communications and relationships;
- Macro level matching refers to the measures taken bilaterally by governments in order to support business operations at company level;
- Micro or company level matching refers to the steps needed for the realization of a successful market entry or match.

At global and macro levels, matching improves or creates preconditions for co-operation at the company level. Matching at the micro level further develops successful business operations between the network companies. According to the network approach, companies in industrial markets develop and build up lasting relationships with one another.

The matching model identifies the areas (macro, meso, micro) in which the service approach is developed and provides a clear perspective on matching between a western market economy and transition economy. Next components of the model are used to identify areas of investigation:

- In the western market economy “the Netherlands”, a selection of business sectors is made at macro/meso level;
- Support needs are identified at micro level;
- In the transition economy “Indonesia”, INA is internally assessed on its capabilities & constraints at macro/meso and micro level and its network knowledge.

The research did focus especially on the meso and micro levels of the model. The research findings of both sides are confronted and the resulted position is the starting point for new services (re) design.

The planning cycle of success for new service integration by Tax & Stuart (1997) and the role of matching and the network in the foreign market entry process by Ghauri & Holstius (1996) are fused together resulting in the research framework (Chapter 2.8).
2.2 INA Capabilities & Constraints (research question 1)

To successfully develop and implement a service approach, it is important to determine capabilities & constraints of INA and the knowledge it has about its network. Also already offered services by INA are analysed in order to establish possible gaps and inefficiencies. These research findings are confronted with the identified support needs to create a new service approach and to review the service delivery environment.

The research question for the internal analysis is:
What are the capabilities & constraints of INA and its network in providing matchmaking activities & services and which relevant business sectors are distinguished by INA for outsourcing activities?

The first stage of the planning cycle of success for new service integration developed by Tax & Stuart (1997) is executed in this stage. Existing service buyers and existing service benefits are determined and defined. The 7S model developed by Peters & Waterman (1982) and the selection criteria for selecting a foreign partner for Collaboration/Joint Venture developed by Cavusgil et al. (2002) are used to identify the service buyers, benefits as well as the capabilities & constraints of INA. Prior to the 7S analysis a short description is provided on services INA currently offers.

Micro-environment & the 7S model
The 7S model is developed by former employees of consultancy firm McKinsey to measure the performance quality of an organization. The strengths and weaknesses of an organization are identified by considering the links between the Ss. No S is a strength or a weakness in its own right; only its degree of support, or otherwise, for the other Ss which is relevant. Any S that harmonizes with all the other Ss can be thought of as strengths, any dissonances as weaknesses. Peters & Waterman (1982) emphasise that the interrelations between the organizational factors have to be treated with great care. A successful organization uses these key factors as compasses that have to point in one direction for good integration.

Figure 4 7S-model of McKinsey (Peters & Waterman 1982)

Strategy: refers to the way the organization tries to distinguish (position) itself from its competitors in order to gain a competitive advantage. The elements, mission, vision, goals and objectives a strategy and used to analyse INA at strategic level. Strategy tries to create and/or sustain advantages through matching its resources to its changing environment and in particular its markets, customers or clients to meet stakeholder expectations.
Mission is a general expression of the overriding premise in line with the values and expectations of stakeholders.
Vision is the desired future situation (aspirations) where the organization wants to be.
Goals are the general statements of the aim or purpose in line with the mission and vision and objectives are more precise statements of the goal (Johnson & Scholes 2002).

Structure: refers to the organizational structure and its relevant aspects like for example coordination, line-staff- and functional organization.

Systems: are formal and informal working methods and procedures.

Style: refers to the management style within the organization.

Staff: focuses on desired profiles of management and employees, now and in the future.

Skill: refers to the USPs and core competencies that distinguish an organization from its competitors.

Cavusgil et al. (2002) have drawn up partner- and task related selection criteria that improve the decision process for selecting the right foreign partner for collaboration/joint venture.
Table 1  Selecting a foreign partner for Collaboration/Joint Venture (Cavusgil et al. 2002)

<table>
<thead>
<tr>
<th>Partner related criteria</th>
<th>Important factors for evaluating the potential contribution of the partner e.g. reputation, experience, country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner characteristics</td>
<td>The extent that the business philosophies of partners are compatible on e.g. operating strategies, policies and methods</td>
</tr>
<tr>
<td>Property rights protection</td>
<td>Technological know-how or intellectual properties may constitute important competitive advantage. Property rights are important if valuable intellectual are brought into the venture</td>
</tr>
<tr>
<td>Compatibility of business philosophies</td>
<td>The more committed the partners are, the more quality, time and resources are likely to put together</td>
</tr>
<tr>
<td>Commitment</td>
<td>In international cooperative ventures, a major motivational factor for a company is to have access to the key resources and skills needed for undertaking a business</td>
</tr>
<tr>
<td>Motivation</td>
<td>A prospective partner’s reliability refers to the intentions and ability to accomplish what was promised</td>
</tr>
<tr>
<td>Reliability</td>
<td>The partner should have a sound and healthy financial status. By comparing the potential partners ratios with those of its competitors it is possible to identify relative strengths</td>
</tr>
<tr>
<td>Task related criteria</td>
<td>Firms often expect a potential partner to have a minimum level of R&amp;D and technological resources and capabilities.</td>
</tr>
<tr>
<td>Financial resources</td>
<td>Market access, with capabilities in marketing, promotion and sales, and distribution are viewed as critical success factors</td>
</tr>
<tr>
<td>R&amp;D and technical resources</td>
<td>Particularly those collaborative ventures involving manufacturing the production resources of a prospective partner may be important factors for selecting the company as a partner</td>
</tr>
<tr>
<td>Marketing resources</td>
<td>It is important that the partner have competent, experienced people to assign as well as an effectively run organization.</td>
</tr>
<tr>
<td>Production resources</td>
<td>Good customer service will increase the likelihood of repurchase.</td>
</tr>
<tr>
<td>Organizational resources</td>
<td>...</td>
</tr>
</tbody>
</table>

The selection criteria are elements on which INA should have information in order to successfully match potential interesting Indonesian partners to Dutch SMEs. These selection criteria are used to analyse the quality of the information INA has about its network. The network of INA consists of all the organizations in Indonesia known by INA which possibly can be matched with Dutch organizations.

Central factor of the 7S model is **Shared values**: “the conceptions of the organization, organizational culture and identity”, in this case especially focused on outsourcing.

### 2.3 Industry/ Business sector overview & selection (research question 2)

Industry/business sectors in the Netherlands which are already outsourcing or have the intention to do so are identified. Also business activities which are outsourced to Indonesia are identified.

Next research question is answered in Chapter 4: **Which industry/business sectors in the Netherlands are relevant for outsourcing activities to emerging economies, especially Indonesia?**

- a. Which industry/business sectors in The Netherlands are already outsourcing (non-core) activities (or have the intention to do so) to emerging economies?
- b. What kind of business activities are distinguished in the selected industry/business sectors in The Netherlands for outsourcing to Indonesia?

The definition of outsourcing of Swink (1999) is used in this study to explain the term outsourcing and overlaps the term “shifting activities” as mentioned in the Berenschot studies. “Outsourcing is a management approach that allows delegating to an external agent operational responsibility for processes or services previously delivered by an enterprise.”

Sectors are identified based on secondary data derived from information sources like Ministry of Economic Affairs, EVD, CBS Statline, Dutch Embassy, (Dutch) chambers of commerce, branch organizations, INA and CIA World Fact Book. Trends and developments in the business sectors are
analysed to determine what business sectors are favourable to approach and to identify business activities outsourced. This analysis provides a clear perspective on the most relevant business sectors in the Netherlands.

A part of the second stage ("identify new service buyers") of the planning cycle of success for new service integration developed by Tax & Stuart (1997) is executed in this stage. New service buyers are those organizations facing difficulties in outsourcing business activities to Indonesia. Before the actual support needs were identified, the relevant Indonesian business sectors for insourcing from the Netherlands as distinguished by INA (Chapter 3) are confronted with the selected Dutch business sectors relevant for outsourcing (Chapter 4). This has resulted in a final overview of business sectors that focused on as new service buyers.

2.4 Support needs identification (research question 3)

Support needs are areas in which organizations face difficulties in setting up business activities abroad and where support provided by external organizations is of value in realizing outsourcing relationships. During this micro level research also macro and global aspects as well as their cultural, political, legal and economic environmental influences are considered as interrelating. Therefore support possibilities can be identified at all matching levels and their environments according the matching model of Ghauri & Holstius (1996). The support needs are based on primary data derived from in depth interviews with organizations and branch organizations (for business sectors Metal, Machinery & Furniture) in the identified business sectors.

Next research question is answered in Chapter 5:
Which support needs can be distinguished in the selected industry/business sectors for outsourcing to Indonesia?

a. What are the support needs of Dutch SMEs in the selected industry/business sectors for outsourcing business activities to Indonesia (emerging economies)?

b. What kind of support needs do branch organizations experience for Dutch SMEs in outsourcing business activities to emerging economies?

The other part of the second stage (identify new service benefits) of the planning cycle of success for new service integration developed by Tax & Stuart (1997) is executed in this stage. Service buyers have needs for support in several areas to realise successful outsourcing relationships. These support areas are new service opportunities. For the purpose of this study the outsourcing process model by Franceschini et al. (2003) as stated on next page, is used to see whether different support needs among Dutch SMEs can be addressed to different stages of the outsourcing process. The reason is to identify areas and stages in which INA can support successful matching activities. Franceschini et al. (2003) distinguish four main steps towards successful outsourcing.

Figure 5  Main steps of the proposed model for management of outsourcing processes (Franceschini et al. 2003)
The questionnaire stated in Appendix 5 consists of questions that are directly related to the main steps of the process model of Franceschini et al. (2003). The questions aim to identify the structure of the outsourcing processes and the process stages when shifting business activities abroad. The questions also try to identify different support needs in different stages of the outsourcing process. Other questions aim to identify what kind of services and partner characteristics Dutch SMEs expect potential foreign partners in emerging countries/Indonesia to have. The partner- and task-related selection criteria of Cavusgil et al. (2002) as stated in Table 1, are used as scientific bases to which the answers of interviewed companies could be appointed.

2.5 Service selection & service approach development (research question 4)

Research findings of Chapter 3, “INA capabilities & constraints” are matched with the outcomes of Chapter 5 “Support needs identification”, resulting in a list of services opportunities.

The question answered in Chapter 6:
What service approach can be developed for INA to support relevant organizations in the selected outsourcing business sectors in the Netherlands and Indonesia?

2.5.1 Service selection

Before a service approach can be developed, an assessment is made to take all relevant aspects of both sides into account. The Simple Multi-Attribute Rating Technique (SMART), developed by Dr. Ward Edwards of the University of Southern California, is used to make a selection of service opportunities. The best service opportunities are developed into a service approach according to the stages of Tax & Stuart (1997). In SMART, ratings of alternatives are assigned directly, using the natural scales of the criteria. In order to keep the weighting of criteria and the rating of alternatives as separate as possible, the different scales of criteria will need to be converted into a common internal scale (normalisation) (Edwards 1977). The eight-step procedure of SMART analysis of Goodwin & Wright (1991) is used as a guideline to perform the SMART analysis.

1. Identify the stakeholder(s)
Stakeholders are those parties and organizations involved with INA service providing.

2. Identify the alternative courses of action
The alternative courses of action are the services opportunities derived from confronting INAs capabilities & constraints with identified support needs. A selection is made from these alternative courses of action.

3. Identify the attributes which are relevant to the decision problem
The attributes are derived from theoretical insights on services by Tax & Stuart (1997), Parasuraman et al. (1985) (Chapter 2.6), and practical insights from the INA director. For this SMART analysis the attributes/ criteria are ranked in order of importance. By importance ranking we are referring to a rank order where the highest objective is the one the decision maker would most prefer to increase from the worst to the best level of importance (Butler et al. 1996). This ranking is based on the SWING method; the analyst asks the decision maker (INA director) to consider a hypothetical situation. “If I am faced with an alternative that had the worst values of all attributes, and if I could SWING one attribute from worst to best, which would I SWING? (Butler & Fischbeck 2002). This is the most important attribute. The SWING method is repeated to determine the importance of all attributes.

4. Assign values for each attribute in order to measure the performance of the alternatives
Values are about the performance of the alternatives on the individual attribute/criteria. They are the final ranking values of the alternatives A1, A2...An. A Simple Multi Attribute Rating Technique with rank weights as used under step 5, uses a direct rating of the attribute on a scale from 0 - 100 for each alternative (Barron & Barret 1996). A higher ranking value means a better performance of the alternative, so the alternative with highest ranking value is the best of the alternatives. This SMART analysis is used to identify a set of best options for further service approach development. These are the alternatives that have higher rankings than other alternatives.
5. **Determine a weight for each attribute**

This function reflects preferences for outcomes over the relevant range for each attribute/criteria. Weights $w_1, w_2, \ldots, w_m$ are determined for each of the attributes/criteria. Weights reflect the relative importance of the criteria to the decision and are for this analysis assumed to be positive. The results of the single attribute weight function are standardized to a 0 - 1 scale to eliminate computational problems caused by different units of measure. The weights are usually determined on subjective basis. For this SMART analysis they synthesize the opinions of the authors and the director. Maximum performance of each alternative is 100.

6. **For each alternative, take a weighted average of the values assigned to that alternative**

This step involves the overall evaluation of an alternative, the sum of each of its attributes evaluations (step 4) multiplied by the weight attributes (step 5).

7. **Make a provisional decision**

Based on the outcomes of the SMART analysis the provisional decision for selecting the best service opportunities for further service approach development is made. The minimum score is in cooperation with the director set on a ranking value $\geq 60$ on a ranking scale between 0 and 100. This should eliminate poor alternatives and create a set of alternatives for further service approach development.

8. **Perform a sensitivity analysis to see how robust the decision is**

To review the strength of the SMART-analysis the same analysis is perceived again but now the weightings of the outcome attributes are in reversed order.

### 2.5.2 Service approach development

Services differ in many aspects from tangible products and goods. These differences have many implications for organizations involved in providing services. A service is a process consisting of a series of more or less intangibles activities that normally, but not necessarily always, take place in interactions between customer and service employee and/or physical resources or goods and/or resources of the service provider, which are provided as solutions to a customer (Gronroos 2000).

The service approach is developed based on a combination of research findings and scientific models and theories:

- The selected services opportunities;
- The selected business sectors;
- Stages of the service model by Tax & Stuart (1997).
  - Stage 3. Define new service processes and degree of change;
  - Stage 4. Define new service participants and degree of change;
  - Stage 5. Define new service physical facilities and degree of change;
  - Also new service benefits of the service approach are defined.

Lovelock (1996) distinguishes several main elements in the service delivery system: service personnel, service facilities & equipment (such as buildings and interiors) and non-personal communication. Bateson (1995) adds the customer, and the invisible part of the service system and organization to this classification. Each of these elements is part of the service delivery system of the new service approach and is integrated in the approach development.

### 2.6 Services implementation/ integration (research question 5)

After the service approach has been developed it is necessary to determine how the approach should be implemented for practical operationalization at INA Jakarta. In Chapter 7 critical elements of the service approach are discussed as well as the way to match them with the existing procedures & methods of INA.

The research question to be answered is:

**How should the service approach and its instruments be implemented within INA?**

a. What are the critical elements of the service approach?

b. How should the formulated service model be adapted and implemented?
The 6th and 7th stage of the planning cycle of success for new service integration developed by Tax & Stuart (1997) are executed in this stage. After critical elements are identified a 10 step procedure is developed regarding the implementation of the service approach and the handling of critical elements. The service approach has to be implemented step by step because this makes it possible to add a time table. For realizing an adequate service quality, theoretical perspectives on services quality of Parasuraman et al. (1985) are added in this ten step procedure. 3 well documented characteristics of services, (intangibility, heterogeneity & inseparability) must be acknowledged for a full understanding of service quality. These (quality) characteristics are worked out in ten critical services quality dimensions and have close relationship with the eight services characteristics as distinguished by Concalves (1998).

<table>
<thead>
<tr>
<th>Service quality</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>Consistence performance and dependability, e.g. performance of the service at the designated time</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness or readiness of employees to provide service e.g. giving prompt service</td>
</tr>
<tr>
<td>Competence</td>
<td>Possession of the required skills and knowledge to perform the service involving contact personnel, the operational support personnel and the service organization</td>
</tr>
<tr>
<td>Access</td>
<td>Approachability and ease of contact, e.g. the service is easy accessible</td>
</tr>
<tr>
<td>Courtesy</td>
<td>Politeness, respect, consideration, and friendliness of contact personnel</td>
</tr>
<tr>
<td>Communication</td>
<td>Keeping customers informed in language they understand, and listening to them</td>
</tr>
<tr>
<td>Credibility</td>
<td>Trustworthiness, believability and honesty, and having the customer’s best interests at heart</td>
</tr>
<tr>
<td>Security</td>
<td>Freedom of danger, risk, and doubt, and involves physical and financial security, and confidentiality</td>
</tr>
<tr>
<td>Understanding customer</td>
<td>Making effort to understand customer needs, e.g. providing individual attention</td>
</tr>
<tr>
<td>Tangibles</td>
<td>The physical evidence of the service, e.g. physical facilities</td>
</tr>
</tbody>
</table>

These critical services quality dimensions are used as guidelines to which the service approach has to compel to for realizing good services quality. A pilot test has been executed in cooperation with an Indonesian supplier manufacturer to test the developed service approach.

Relevant services quality dimensions are appointed to the different implementation and integration stages and are subsequently dealt with. In order to provide INA management with a concise and manageable defined series of process elements, as well as defined activities and tasks to be managed and executed, a business process breakdown has been made of the service approach, based on the business process breakdown structure of Armistad & Rowland (1996). Process elements are the major elements with which a business process is organized. For ease of management, process element activities can in turn be broken down into recognisable activities. Activity tasks can be broken down into tasks that are formulated as standard operating procedures for individual process owners to carry out (Armistad & Rowland 1996).

Figure 6 Business process breakdown (Armistad & Rowland 1996)
Stuart (1997) identifies several reasons for services to be rejected prior to introduction. Of particular interest are those cases that appeared to have the potential of commercial success but were abandoned for other reasons:
- Lack of management support;
- Organizational culture;
- Poor market assessment;
- Internal resistance to change;
- Financial constraints;
- Cultural and political influences;

These reasons are important to keep in mind when implementation of the service approach at INA takes place.

### 2.7 Conclusions

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 subsequent research questions. Main models and theories of this study are the planning cycle of success for new service integration by Tax & Stuart (1997) and the role of matching and the network in the foreign market entry process by Ghauri & Holstius (1996). All aspects of Tax & Stuart are appointed to the different stages of the research model. The theoretical perspectives of Ghauri & Holstius are especially used in Chapter 5 & 6.

Also other authors have provided useful theoretical perspectives for this study and are therefore appointed to the different stages of the framework. This research framework therefore provides an overview on how this study is structured and which perspectives it is built upon.
2.8 Research Framework

- **Industry/business sector overview & selection** (rq 2)
- **Support needs identification** (rq 3)
- **Services selection** (rq 4)
- **Services approach development** (rq 4)
- **Pilot testing & implementation/integration** (rq 5)

1. Define existing service "buyers" & existing "benefits"
2. Define new service "buyers" (Existing of new)
3. Define new service "processes" and degree of change
4. Define new service "participants" and degree of change
5. Define new service "physical facilities" and degree of change
6. Assess impact of change on core service
7. Assess internal capability to handle change

**Western Market Economy**
- "The Netherlands"
- Swink 1999
- Bateson 1995
- Ghauri & Holstius 1996
- Ghauri & Holstius 1996
- Lovelock 1996
- Tax & Stuart 1997
- Goodwin & Wright 1991
- Parasuraman et al. 1985

**Transition Economy**
- "Indonesia"
- Cavusgil et al. 2002
- Johnson & Scholes 2002
- Peters & Waterman 1982
- Armistad & Rowland 1996
- Parasuraman et al. 1985
- Stuart 1997

**Support needs identification** (rq 3)
- Swink 1999
- Bateson 1995
- Ghauri & Holstius 1996
- Lovelock 1996
- Tax & Stuart 1997
- Goodwin & Wright 1991
- Parasuraman et al. 1985

**Services selection** (rq 4)
- Cavusgil et al. 2002
- Franceschini et al. 2003
- Ghauri & Holstius 1996
- Armistad & Rowland 1996
- Parasuraman et al. 1985
- Stuart 1997

**Services approach development** (rq 4)
- Cavusgil et al. 2002
- Franceschini et al. 2003
- Ghauri & Holstius 1996
- Armistad & Rowland 1996
- Parasuraman et al. 1985
- Stuart 1997

**Pilot testing & implementation/integration** (rq 5)
- Cavusgil et al. 2002
- Franceschini et al. 2003
- Ghauri & Holstius 1996
- Armistad & Rowland 1996
- Parasuraman et al. 1985
- Stuart 1997
3. INA capabilities & constraints

3.1 Introduction

In the first two chapters “The research assignment” (Chapter 1) and “the theoretical perspectives used during this research” (Chapter 2) has been elaborated on INA. In this chapter the current range of services that INA offers and the current service buyers are identified. Furthermore, capabilities & constraints of INA and its network are analysed to determine possible gaps.

The research question for this chapter:
What are the capabilities & constraints of INA and its network in providing outsourcing services?

The first stage of the planning cycle of success for new service integration developed by Tax & Stuart (1997) is executed in this chapter. Existing services, service buyers and service benefits are determined. The method 7S model of McKinsey is used to review internal capabilities & constraints of INA and its network. The information in this internal analysis is based on documents of INA and in-depth interviews with the director and five other INA employees (4 management staff and 1 support staff). Of course, also own experiences and observations are taken into account. To determine INAs network knowledge, the partner criteria of Cavusgil et al. (2002) are used to assess the knowledge present on these criteria. For elaboration on these scientific insights see Section 2.2

INA services

Before starting the 7s analysis an overview is provided of the services currently offered by INA. Based on INA services brochure, the Procedures & Quality standards manual and in the depth interviews, relevant INA services for the purpose of this research are:

<table>
<thead>
<tr>
<th>Table 3 Overview services offered by INA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.) Information</strong></td>
</tr>
<tr>
<td><strong>Provision of addresses</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Business information</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

| **2.) Business Mediation, Representation & Advice** | INA can search one or more suitable partners or agents for your company, based on your requirements with regard to line of business, market position, ownership, financial and commercial strength, etc.  |
| **Partner/agent search** | INA can mediate to trade, investment and financing transactions  |
| **Advocacy, mediation** | INA can be the liaison office for your company, which can be very useful for Netherlands and other foreign companies that do not (yet) have their own representation in Indonesia. INA can establish and maintain contacts with companies, government and other organizations, which are important to your company. INA can distribute your company information, promote your company, look for business opportunities & keep you informed about relevant developments and monitor project progress. The liaison function is completely independent, can be fully tailor-made and is flexible in duration  |
| **Company liaison** | INA staff can accompany you on business visits for advice and interpretation per hour per visits hour.  |
| **Accompanying business** | INA can provide you with consult in commercial, managerial and some legal and financial matters. Examples include advice on promotion techniques, distribution channels, pricing, human resources management, legal system & payment risks.  |
| **Business advice** | INA maintains a database of qualified persons looking for jobs, and of vacancies in Indonesia. Assistance in obtaining subsidies: INA assists in obtaining subsidies to finance transactions or projects  |
| **Job mediation** |  |

21
3.2 INA & the 7S model

3.2.1 INA Strategy
The mission, strategy & goals of INA are divided in six scopes:

<table>
<thead>
<tr>
<th>Table 4</th>
<th>INA mission, strategy, goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>INA will be a service centre for its members, providing basic commercial &amp; legal information and organizing regular informative activities. INA will facilitate exchange of experiences between members. Particular emphasis will be put on current issues like labour relations. A more frequent billing for services, currently still provided for free as member service, will be necessary in order to minimize membership fee increases. Social events will continue to be held, especially joint luncheons with other chambers of commerce, and cocktail gatherings. INA magazine will remain a quarterly issue and INA news bulletin monthly, with additional new flashes.</td>
<td></td>
</tr>
<tr>
<td>INA will lobby for/ and promote the general trade &amp; investment interests of the Indonesian and Dutch, Belgian &amp; Luxembourg companies, in close cooperation with the Netherlands &amp; Belgian government, as well as with the International Business Chamber (IBC) and the EuroCham. Recurrent issues are labour &amp; social security law, investment law, regional autonomy, customs &amp; trade law and taxation.</td>
<td></td>
</tr>
<tr>
<td>INA will be a first contact point for Benelux companies entering Indonesia, as well as a first contact point for Indonesian companies seeking business contacts with the Netherlands, Belgium or Luxembourg.</td>
<td></td>
</tr>
<tr>
<td>INA will provide a wide range of business development services, such as market research, limited legal advice, company establishment and work permit services, success fee based job-, project- and subsidy mediation, administrative services &amp; company retainer and organization secretariat services.</td>
<td></td>
</tr>
<tr>
<td>INA will carry out regular technical assistance programmes, aimed at increasing trade &amp; investment between Indonesia and The Netherlands / Europe. The cooperation with the EVD, the Netherlands Management Co-operation Programme (PUM), CBI, SenterNovem, Port of Rotterdam and the Forum for Corporate Governance in Indonesia will be maintained and where possible further intensified.</td>
<td></td>
</tr>
<tr>
<td>INA will continue to work on special support projects, such as corporate governance improvement in Indonesia and will expand the scope of activities to Sustainable Business Development. INA will carry out informational workshops in Indonesia, with a special focus on European market entry requirements in the textile, wood-based and food industries. INA will also seek to further develop its specific support to the Indonesian exports of innovative handicrafts and interior decoration programmes, by a special website, supported by the European Commission. INA has found and will continue to seek special project-based financial support from the Netherlands Government, the Asian Development Bank, the European Commission, and other organizations.</td>
<td></td>
</tr>
<tr>
<td>The mission of INA is not expressed in specific goals. There are no criteria present to measure goal achievement. The current and future strategic position of INA as a service providing organization is not clear. Although it is a non profit organization, INAs strategy should be goal oriented and more focused on commercial aspects. Strategy does not directly involve the development and</td>
<td></td>
</tr>
</tbody>
</table>
implementation of this service approach. It does however influence the performance of the employees and is therefore considered as necessary.

**INA Members**

INA has Benelux (especially Dutch) as well as Indonesian members. The Dutch INA members are separated in large companies (MNEs), which are all INA member, and Dutch SMEs of which only 5-20% is an INA member. The 80% SME non members are especially established in other regions of Indonesia, than Jakarta. Dutch importers/ importers & trade organizations are a substantial part of this non member group. These numbers are based upon the opinion and perception of INAs director.

To measure its performance and relative market scope INA should aim to retrieve rates that support these statements. Looking at the present Dutch members of INA, there are growth opportunities for INA, certainly in the outer Jakarta region.

**Perception INA among employees**

INA is perceived by management employees as follows:

- INA is the Dutch Chamber of Commerce in Indonesia Jakarta;
- The bridge between The Netherlands & Indonesia;
- INA provides a wide range of services to organizations in both countries to support international trade between them;
- INA is not well known in the Netherlands as bilateral Chamber of Commerce.

Interviewed employees state that a proactive & commercial attitude will increase the performance of the service approach once implemented. Therefore it is needed to improve the support to Dutch companies and to upgrade the organization performance.

### 3.2.2 INA structure

INA Nederland is an independent association in The Hague (NL) under the authority of the Nederlands Centrum voor Handelsbevordering (NCH). INA Nederland and INA Jakarta do cooperate but are to be considered as separate organizations with their own members and activities. One employee of NCH is part time representing INA Jakarta & INA Nederland by sending brochures, servicing members and informing members about current situations in Indonesia. However, there is no active support to Dutch INA members. NCH receives a certain financial compensation. Research findings show that interviewed organizations do not know the difference between INA Jakarta and INA Nederland. In-depth interviews show that more services complaints can be appointed to INA Nederland than to INA Jakarta. *Main problem is that INA Jakarta does not have their own service centre in the Netherlands to deal effectively with support needs from Dutch organizations.*

The internal structure of INA is flat. There is one director, a management layer of 7 employees (specialty areas) and 6 employees support staff. Only legal affairs are dealt with by a dedicated staff member. INAs organization structure consists of a number of clusters; three clusters are supporting clusters and six are product clusters. Each cluster contains a number of positions. Most staff fulfils several positions for specified parts of the available time. A flat structure makes it easier to implement the service approach because communication is much easier and decisions are made faster. Interviews with the director and service managers show that the importance of internal change is acknowledged in case of future growth of INA. The director is willing to change & adapt the organization structure once facing future growth of INA. Internal capabilities, possibilities & competencies are present. The willingness to change makes clear that the organization is welcoming useful suggestions for change. Employee skills enable the change maker(s) to teach them how to cope with the changes and to develop specific capabilities faster.

In 2005 INA had turnover of Rp. 5,882,160,494 (€ 511.748). Profit was Rp. 46,529,826 (€ 4048), which is lower than expected Rp. 101,219,500 (€ 8806). The financial resources at INA Jakarta are limited. The ASIA INVESTMENT programme should provide additional financial resources for increasing services activities. It is unfortunate that the degree of change within the organization is more or less depending on the financial resources from the ASIA INVEST II proposal. Naturally the amount of financial resources influences the services development and services implementation.

### 3.2.3 INA Systems

INA services member and non-member associations on an individual (sometimes collective) service providing level. Services are primarily tailor made and must be paid for. Communication & services to members are divided in three segments:
Standard communication, INA magazine, news bulletin, etc. free information;
Communication focused at specific member groups, mostly free information;
Individual services & communication, charged information, when extra effort is being put into
the service (large source of income for INA).

Members are approached in a top down manner. Usually the director approaches members or has to
assign employees to approach certain members. At this moment there is no system present that
divides the members & their specific needs in groups and assigns those groups to employees.
Preparation of services should be standardised to improve quality and save time. Employees should
be proactive towards service buyers, this will increase the performance.

Procedures & Quality standards
INA has developed a Procedures & Quality standards manual to prescribe the procedures &
processes that are to be followed. Procedures like service-, filing-, complaint- & safety-procedures
are stated in this manual. Employees do admit that procedures are not always strictly followed. This
manual works well to structure processes and minimise errors but lacks a standard procedure/
description for market information/research, pre-selecting potential business partners and
matchmaking processes. The lack of standards influences the quality of the service rendered
because quality cannot be measured and staff supplies a completely different service every time.

Service providing at INA starts upon receipt of an order form/ agreement signed by the client. A
project registration form is used if the order has been received by phone, fax or letter for a service
for which no order form exists. The General Secretary provides the original to the Controller, who
files it in the contracts & official documents file or the project registration form file and prepares
the invoice(s). A copy is made by the General Secretary and given to the staff person coordinating
the provision of the service. The way that particular services are delivered is stated in the
Procedures & Quality Standards manual. Service managers do not actively offer services to
companies, they are usually provided on request. To retrieve contacts, employees use fax, phone,
visits, databases & mail. All employees agree on the fact that the possibilities of the systems &
Databases should be expanded. Examples of possible expansion are: more company information
(profiles) & data quality improvement.

Information technology
A nine year old MS Access database, created by the director is still used to register members. The
information about members is not detailed and most often used by the service development
manager, for business development, matchmaking & market research. Only member registration &
related information is up to date. All INA employees have their own database(s), often even a
database per event/ assignment. All databases have to be searched for when certain information is
required. The Procedures & Quality standards state that employees are responsible for having the
latest information about their member & non-members available. Employees decide themselves if
any information is put in main Access database. Inquiries from organizations are not linked to the
organizations available in the database. Databases are available at the server under shared files;
personal databases are not accessible when not shared. Interviews identified four databases not
accessible by other employees.

Current database management involves the risk of:
? Old, not up to date information;
? Non available information (not sharing files);
? Not having digital link between inquiries, organizations & related information;
? Not having Meso-, Macro information present in database;
? Duplicating information when having more than one database.

Another IT-problem that occurs is the speed of the Internet connection. Data transfer is difficult,
epecially of larger files. Modern internet traffic requires cable or ISDN. Current internet traffic is
able to up- and download with an average speed of 25 Kb per second. Of course this is a nationwide
problem. The lack of a proper database and a poor internet connection has major effect on the
quality of the provided services.
Market/sector analysis
INA has a standardized process for executing market research for companies:

- Analyzing the question of the organization;
- What are the answers demanded by the organization;
- Making an offer;
- After agreement: finding all sources;
- Writing market research.

Market research in Indonesia is difficult; documented market information is hard to obtain. Especially specific business (sector) information is not easily supplied. At this moment there is no specific Indonesian business sector information present at INA relevant for the (selected) business sectors in the Netherlands.

Matchmaking processes
A matchmaking service is provided to organizations in both Indonesia & the Netherlands. The service lacks detailed description & prescription of processes in the Procedures & Quality standards manual. At INA, the business development manager has all the information about organizations & contacts. The business development manager is executing matchmaking activities to his own best knowledge & experience. He is a walking database and is able to match two companies by retrieving needs, initiating contacts and arranging facilities. A tremendous problem occurs when this person leaves INA. For INA it is evident that the knowledge of this manager should be documented.

3.2.4 INA Management style
The style of management is informal. For questions & problems the project managers are easily approachable. Initiatives however have to be taken by the director. Staff is getting better in initiating actions themselves but still have to be guided (“this is however an Indonesian problem”, according to the director). The director clearly is in control of everything. He claims to be open for suggestions & ideas. However he changes his mind sometimes after processes are started/finished. The director uses oral, written documents and email communication to communicate to his employees. Communication between director and employees is often not very clear from an employee point of view. Employees state that relevant top down information should be supplied faster and there should be more transparency in top down communication. INA employees stated that the working environment is very important, maybe just as important as the home situation. Due to little available financial resources INA cannot afford the wages high skilled employees can earn elsewhere. The work sphere however keeps them to work at INA. Based on own observations and in depth interviews with employees the cooperation between the employees is adequate, everybody is equal and feels at home. Service inquiries often demand more than one field of experience and therefore they have to cooperate. Employees feel at home and are used to cooperate. People can teach and support each other in adapting to change. The staff is very important in implementing the service approach. The fact that they cooperate and help each other is certainly a capability for implementing and managing change.

3.2.5 INA Staff
The common perception at management level is that managers have too many tasks to perform their tasks properly. To be more effective in delivering services & to expand the number of members/ non-members tasks should be reduced. The quality of the staff is sufficient. The average educational level at management level is satisfactory (HBO+), although sometimes they execute jobs/ tasks for which they are not trained. There is potential at INA to develop and grow as a service providing organization. The quality of the staff is important. The higher the quality, the sooner they adapt to change and develop the capabilities that are needed.

3.2.6 INA Skill
Unique Selling Points
- INA provides objective and reliable services against local prices;
- INA offers a broad spectrum of services to its members and third parties.

Delivered services & quality
Complaints are usually about the free offered services that INA supplies. Many organizations forget that good information cannot be free of charge; free information is very broad and not directly applicable. However, there are complaints about paid services as well. Staff directly involved with service delivery aims to give good explanations for complaints that are often related with the external environmental conditions in Indonesia (for instance corruption by government). The
director intervenes when large or structural problems occur. INA generally deals with complaints in
a proper way. The service approach and the information it contains will decrease the number of
complaints.

Training
Additional training is needed to expand the ability of service personnel to deliver quality services
and manage contacts. In general, staff is well educated and experienced enough in order to fulfil
their jobs, but changing services and technology does require additional training. The supply of
training opportunities to employees will enhance the skills needed and thereby will increase INAs’
performance and its ability to expand. The following areas are identified for additional training:

? computer programs;
? market research;
? CBI training on international business (needs);
? Training on management & business development (especially on sustainable development);
? Dutch language.
INA should bear in mind that nowadays constant training is needed to stay up to date.

3.3 INAs network knowledge
INA uses digital databases in which network information can be found. Main database is MS Access
database DB1; this INA database distinguishes (non) members. The difference between (non)
members is that in the members part small company profile & remarks are added. In the non
members area interests are added. Stated below is the availability of information about (non)
members in the database DB1 compared to the selection criteria by Cavusgil et al (2002).

INA has limited information about its network. The digital information that currently is present is
partner related and focuses within that category at addresses of companies and industries/business
areas. As described before, inquiries from organizations are not linked to (non) members in the
database. The business development manager has more organization specific information. This
information is based on own expertise and not easily accessible. It is evident for INA to have a broad
network and to have extensive knowledge about it because these contacts are of great importance
for service buyers. We do consider the lack of an appropriate database as a major constraint.

3.4 Existing services benefits & buyers
Existing service benefits are:

? Current offered services are competitive with commercial offered services. Good quality is
delivered against competing (Indonesian) low prices resulting in high value for low costs;
? INA offers a wide range of different services although it is a relatively small compared to other
chambers of commerce in Indonesia Jakarta;
? Services are provided in a customer specific way and can be described as custom made;
? Services are provided in a neutral, objective and independent way with no commercial
background. Provided services are in line with related legislation & jurisdiction.

Existing service buyers are all organizations (for the largest part SMEs) in all business sectors that
are facing difficulties in performing business activities between Indonesia & the Benelux and need
support in realizing any kind of international business activities.
Based on Indonesia’s industrial structure and her main fields of interests, INA focuses on a number of sectors for international industrial cooperation between SMEs:
1. Modern furniture & office furniture;
2. Metal products;

### 3.5 Conclusion

The following capabilities & constraints are identified and summarized. These findings are confronted with support needs of SMEs in relevant business sectors (Chapter 6).

**Table 5: Capabilities & constraints**

<table>
<thead>
<tr>
<th>Capabilities</th>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>The internal structure of INA is flat. A flat internal structures increases flexibility</td>
<td>There is no description/ prescription for services processes, market information/ research, pre-selecting potential business partners &amp; matchmaking processes</td>
</tr>
<tr>
<td>Willingness for change &amp; adaptation of organization structure when facing future growth</td>
<td>Database management risks - MS Access databases are not multi user friendly</td>
</tr>
<tr>
<td>Internal capabilities, possibilities &amp; competencies of employees are present to realise future growth</td>
<td>Little financial resources available at INA</td>
</tr>
<tr>
<td>Custom made services offered on individual level to organizations. No collective service providing</td>
<td>Organizations do not know what INA can offer</td>
</tr>
<tr>
<td>Described services benefits according to Tax &amp; Stuart (1997)</td>
<td>Services are provided re-active (on request) instead of favourable pro-active</td>
</tr>
<tr>
<td>Management style informal &amp; open door policy. Work sphere/environment is good at INA</td>
<td>Current internet traffic is able to up- and download with a speed around an average of 25 Kb per second</td>
</tr>
<tr>
<td>Cooperation between staff members can be described as good</td>
<td>No specific Indonesian business sector information /research present. No detailed organization specific information for partner search present</td>
</tr>
<tr>
<td>INA provides objective, reliable and international services against local prices</td>
<td>INA Jakarta does not have an own well known services centre in the Netherlands</td>
</tr>
<tr>
<td>The quality of the staff is sufficient; The average educational level at management level is HBO+</td>
<td>Relevant top down information should be supplied faster &amp; more transparent</td>
</tr>
<tr>
<td>INA offers a broad spectrum of services</td>
<td>Little information is available about INAs network</td>
</tr>
<tr>
<td>INA is able to match two companies by, retrieving needs, initiating contacts and arranging facilities</td>
<td>Too many tasks at management level. This does not increase delivered services quality</td>
</tr>
</tbody>
</table>

INA distinguishes following business sectors as relevant for outsourcing activities in its network:
- Modern furniture & office furniture sector;
- Metal products sector;
- Machine parts sector.

These business sectors are confronted with the selected business sectors of Chapter 4 resulting in a final selection of business sectors for service approach development (Chapter 6).
4. Industry/ business sector identification, selection & analysis

4.1 Introduction

In order to identify interesting industry & business sectors in the Netherlands for outsourcing to emerging economies and the kind of business activities they shift, following sources are used:

- Dutch Ministry of Economic Affairs;
- CBS Statline;
- Eurostat;
- Branch organizations;
- Dutch Chambers of commerce;
- INA;
- Consultancy agencies.

Especially studies executed by Berenschot for the Dutch Ministry of Economic Affairs are providing detailed information on shifting business activities to foreign countries. The definition of outsourcing by Swink (1999) is used in this study.

The research question for this chapter:
Which industry/business sectors in the Netherlands are relevant for outsourcing activities to Indonesia?

a. Which industry/business sectors in the Netherlands are already outsourcing activities to emerging economies (or have the intention to do so)?

b. What kind of business activities are distinguished in the selected industry/business sectors in the Netherlands for outsourcing to Indonesia?

4.2 Business sectors outsourcing to emerging economies

Berenschot (Vaan, de et al. 2004), distinguishes six main industry business clusters as potential industry/business sectors in the Netherlands for outsourcing activities to emerging economies:

- Raw material- & product industry;
- Machinery- & system industry;
- Food & life science industry;
- Infra, transport & construction industry;
- Financial & IT-services;
- Media, publishing & culture.

Percentage of companies outsourcing activities abroad defined per business sector

The average percentage of Dutch companies that have shifted business activities/processes abroad, is 9.7%. With a reliability percentage of 95% is concluded that the percentage of companies that shifts business activities abroad lies between 9.4% and 10.1%. This study focuses especially on those business sectors that shift more business activities than average.

<table>
<thead>
<tr>
<th>Table 6</th>
<th>Organizations that shifted activities from the Netherlands to foreign countries (Haverhals et al. 2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Business sector</td>
</tr>
<tr>
<td>Raw material and product industry</td>
<td>oil, chemistry, rubber, plastics</td>
</tr>
<tr>
<td></td>
<td>metal</td>
</tr>
<tr>
<td></td>
<td>wood, paper</td>
</tr>
<tr>
<td></td>
<td>furniture</td>
</tr>
<tr>
<td></td>
<td>textile, clothing, leather</td>
</tr>
<tr>
<td>Machinery and system industry</td>
<td>machine, electric, transportation equipment</td>
</tr>
<tr>
<td>Food and life science industry</td>
<td>food, pleasure products</td>
</tr>
<tr>
<td>Infra, transport and construction industry</td>
<td>transportation</td>
</tr>
<tr>
<td>Financial and IT services</td>
<td>banking, insuring</td>
</tr>
<tr>
<td></td>
<td>IT- architect agencies</td>
</tr>
<tr>
<td>Media, Publishing and Culture</td>
<td>post, telecom</td>
</tr>
<tr>
<td></td>
<td>printing, publishing</td>
</tr>
</tbody>
</table>
The raw material & product industry, machinery & system industry and financial & IT services have the highest percentages of industry sectors that are shifting activities. In the raw material & product industry, metal (10.2%), furniture (12.1%) and textile, clothing & leather (28.1%) are identified as sectors with the highest percentages of organizations that have shifted activities. In the machinery & system industry the business sector machine/ electro & transportation equipment (13.9%), is the sector that is outsourcing the most activities abroad, compared to the other sectors. Also organizations in the IT/ Architect sector (11.4%) are shifting relatively many activities to foreign countries (especially software production & IT services are outsourced). Business sector food & pleasure products shifts a relatively high percentage of activities to foreign countries compared with the other sectors (10.1%).

The business sector is the dominant explaining variable regarding to the extent of the activities that are being outsourced abroad (Haverhals et al. 2004). Some aspects influencing the business sector are: extent of the competition, consistency of profit of the sector, local ties, presence of low boundary activities and cost structure. Next figure provides a perspective on what percentage of business activities have been shifted abroad in the past and what percentage business activities will be outsourced in each business sector next year.

Figure 9  % companies in business sectors shifting activities abroad (Haverhals et al. 2004)

Next figure combines table 6 and figure 9 to visualise the different business sectors and the way they cope with shifting business activities. It shows the business sectors that are relevant for this study (Category A and B):

- Category A states the sectors in which shifting business activities are a favourite subject for a relatively short period but which show strong growth expectations;
- Category B states the sectors in which outsourcing is a favourite subject for quite a while now and where a more than average growth is expected;
- Category C states the outsourcing sectors where shifting certain business activities are a present subject but where organizations are shifting less business activities than average;
- Category D states the sectors where outsourcing is not a present subject.
Shifting business activities to different regions

Business activities are shifted to Central & Eastern Europe, West & Southern Europe and Asia. The total number of activities shifted to Asia is upon till now lower than the number of activities shifted within Europe. Central & Eastern Europe is the region where most business activities are shifted to. This region is commonly used as destination for business activities of organizations of the following business sectors: oil/chemicals, rubber & plastics, IT/architect agencies, machine, electric & transportation equipment, metal, furniture, textile/clothing & leather, transportation and food & pleasure products. Shifting activities to these specific regions is, among other things, explained by new countries becoming member of the European Union. IT-activities are shifted towards Central & Eastern Europe, West & South Europe as well as towards India. The initial shift of business activities towards Central & Eastern Europe has taken place, however the second shift towards Asia does still to have to take place (Haverhals et al. 2004).

China is a popular country for outsourcing in the business sectors furniture, machine/electro & transportation equipment, metal, textile/clothing & leather. Organizations in the business sectors IT- & architect agencies and food & pleasure products have shifted business activities towards India.

Figure 11 Continents and their willingness to shift business activities (Haverhals et al. 2004)
Present & Future focus groups

Within the raw material & product industry, metal (10.2%), furniture (12.1%) and textile/clothing & leather (28.1%) are identified as sectors with highest percentages of organizations that have shifted and will shift activities;

In the machinery & system industry the sector machine/electro & transportation equipment (13.9%), is the sector that shifts most activities abroad, compared to other sectors. Also organizations in the IT- & architect sector (11.4%) are shifting relatively many activities to foreign countries;

In Industry cluster food & life science, the business sector food & pleasure products is shifting a relatively high percentage of the activities to foreign countries compared to other sectors (10.1%);

Information from CBI (2005) shows the importance of developing countries for the supply of young plant material to the Netherlands (72% of young plant material is imported from developing countries). By interviewing Dutch SMEs in the business sector agro, it became clear that Indonesia is an increasing option as a successful supplier of young plant material. Some of these sectors are however not (yet) relevant for Indonesia and are therefore no focus groups within this research. The Berenschot report states the following reasons for not choosing certain identified groups (Haverhals et al. 2004). Also Maas (2003) and CBI (2005) provide implications for not choosing these sectors for further research.

The first sector that is not as relevant as it seems is the business sector textile/clothing & leather. This sector is small and decreasing rapidly in the Netherlands. It has already shifted most activities abroad especially towards Central & Eastern Europe; therefore there are low growth possibilities (Figure 7). This sector has a relatively low number of organizations with more than 10 employees. On top of that the larger organizations are loosing market share for ten years now (Maas 2003). The organizations that are still producing in the Netherlands choose to do so for specific reasons. Another problem, the textile, clothing & leather sector is fragmented. There are too many niches, it is impossible to distinguish common needs;

The business sector food & pleasure product is being dominated by large MNEs which are expanding business themselves, on a very different level. Specific niches are too small to be used as focus groups. Therefore this sector does not fit within the scope of this research;

The business sector IT- & Architects is a large sector with high rate of shifting activities abroad (especially software development is interesting for Indonesia). However Indonesia is not seen as a potential country for shifting activities. Almost all activities shifted towards Asia are shifted to India;

For the Agro sector goes the same. The import of young plant material comes from other countries than Indonesia at this moment. Especially from Costa Rica (21%), Kenya (11%) and China (10%) (CBI 2005). The business sectors IT / Architect and Agro should be monitored closely because they can become interesting focus groups.

Following business sectors are selected as relevant from a Dutch perspective. They function as focus groups of which support needs are identified in next chapter. In Chapter 6 these business sectors are matched with the business sectors identified by INA for further service approach development.

Relevant business sectors:

- Metal sector;
- Furniture sector;
- Machine/electro & transportation equipment sector (further referred to as “machinery”).

Future focus sectors

- IT- & architect sector;
- Agro sector.

Organizations in all industry clusters are still intending to outsource to low wage countries (Figure 10). Detailed information on the selected business sectors are presented in Appendix 1.
4.3 Business activities being outsourced

The industry business sectors selected in previous section are used as focus groups in this part of the analysis and the rest of the study. Emphasis in this section is upon activities being outsourced. Secondary data is used to answer the sub research question. The research executed by Berenschot (Haverhals et al. 2004) provides useful insights what kind of activities have been shifted to foreign countries.

Activities generally shifted
45% of outsourcing companies is shifting low skilled production activities. 16% is shifting high skilled activities. After successful experimentation, organizations start shifting high volume/low value and low skilled production activities. Later on more high value and high skilled activities will be shifted. For 2005 68% of the companies that is already shifting activities, expects to outsource low skilled production activities compared to 25 % high skilled activities.

Figure 12 What activities have been shifted to foreign countries (Haverhals et al. 2004)

In all business sectors cost reduction is to be considered as the main reason for shifting activities. 62% of all companies does mention cost reduction as primary argument. Also increasing & defending the market position are arguments for shifting activities. In business sectors machinery, textile and food also improvement of quality and flexibility are reasons for outsourcing. Many organizations do not shift activities to foreign countries because production is depending on the current production location & position (34%). The desire to maintain employment in the Netherlands is stated as reason for not shifting production. It is remarkable that 12% of the non outsourcing companies not even considers the opportunity of outsourcing.
Central- & Eastern Europe (83%), China (13%) and other countries in Asia (13%) are dominant in the choice for shifting activities to certain regions (CBI, 2005b). Indonesia is one of the most popular countries in Asia to shift business activities to. ING Economic Bureau (2006) describes the activities being outsourced as labour intensive production activities with emphasis on low skilled production activities. ING Economic Bureau also observes the trend that other activities are being sourced as well, like support activities, for example, administrative, purchase and IT activities.

**Metal**
These companies shift low skilled labour in particular (47%). Also high skilled production labour (13%), sales & marketing (19%) and R&D (9%) are being shifted abroad. Since machinery companies are outsourcing, related subcontracting companies in the metal sector have to follow. 12% of the organizations have already shifted activities, 8% of the organizations intend to do so this year, 80% have no plans at all. Especially low skilled production (75%) as well as high skilled production (21%) is shifted. Most activities are being outsourced to Central & Eastern Europe (79%), China (8%) and other countries in Asian countries (13%). Most important reason for not shifting production is that production is depending on current location (29%) (Haverhals et al. 2004).

**Furniture**
Within the value chain production activities are being shifted to foreign countries. For production of furniture skilled craftsmen are necessary. These skills become rare in the Netherlands. In the furniture industry the decisive reason for shifting business activities is cost reduction (64%). Also external factors like following customers and suppliers (26%) and defending and increasing market position (10%) were decisive reasons for outsourcing (Haverhals et al. 2004). Shifted activities are:

- Low skilled/educated production by 100% of the organizations;
- Purchase, administration and shared services, 26% of the organizations;
- Sales and marketing also by 26% of the companies.

**Machinery**
Decisive reasons for outsourcing in this sector are clearly focused on cost reductions. Less mentioned are the advantages of a foreign country (favourable tax climate, employment conditions and regulations), level of executing activities (quality of products, flexibility) and position in the market. Organizations especially shift low skilled production (66%), but high educated production is replaced as well (20%). Also marketing & sales (16%) and R&D (10%) are mentioned. About 52% of the companies that shifts activities abroad is choosing for Central- & Eastern Europe (33%), West- & Southern Europe (33%), China (19%) and other countries in Asia (13%). A larger part (56%) of the organizations has shifted business activities themselves (Haverhals et al. 2004). Quality was the major problem that firms were facing (67%). On top of the 14% of the outsourcing companies, 6% of the organizations is planning to start shifting business activities as of this year.
4.4 Conclusion

According to INA, the following Indonesian business sectors are the most interesting for Dutch SMEs:
- Modern furniture and office furniture sector;
- Metal products sector;
- Machine parts sector.

The most relevant business sectors in the Netherlands interested in outsourcing business activities towards Indonesia are identified have been identified in this chapter. The analysis provided three focus groups that are relevant for this research:
- Metal sector;
- Furniture sector;
- Machinery sector.

The analysis also provided two future focus groups that should be monitored closely by INA because of their high increase of shifting activities abroad but not (yet) towards Indonesia:
- IT & architect sector;
- Agro sector.

By confronting the Indonesian business sectors (Chapter 3) with Dutch business sectors (Chapter 4) relevant for insourcing/outsourcing it is clear that they completely match. Therefore the service approach is focused on the business sectors Machinery, Metal products and Furniture. The business sectors Agro, IT have been identified as future focus groups that may become of interest to INA in the near future. SMEs in these 5 business sectors have been approached in order to identify their support needs related to outsourcing activities to Indonesia.

Low skilled production is the major business activity that is being outsourced. High skilled production, sales/marketing and other activities are increasingly outsourced, however. The most decisive reason for shifting activities is cost reduction.
5. Support needs identification

5.1 Introduction

In this chapter the main problems and support needs which companies are facing are identified. The support needs identification is based on primary data and derived from executed qualitative research (26 in depth interviews) with organizations, branch organizations and consultants in selected business sectors in the Netherlands. The questionnaire is based on theoretical perspectives by Franceschini et al. (2003) and Cavusgil et al. (2002). To develop a broad applicable service approach which is able to supply services to other service buyers as well, future focus groups were also interviewed. The questionnaire is presented in Appendix 5. After support needs identification, new service buyers are defined.

Next research question is answered:

**Which support needs can be distinguished in the selected industry/business sectors?**

a. What are the support needs of Dutch SMEs in the selected industry/business sectors for outsourcing business activities to Indonesia (emerging economies)?

b. What kind of support needs do branch organizations experience for Dutch SMEs in outsourcing business activities to emerging economies?

5.2 Support needs of companies in selected business sectors

The interviewed organizations consisted of companies already outsourcing and companies interested (just started) in outsourcing. Based on the executed research, no conclusions are made on the difference in support needs between existing and potential outsourcing companies. Also branch specific support needs have been identified.

1. Need for Indonesian country (macro) and branch (meso) specific information

Organizations in the selected business sectors have a clear need for Indonesian country and branch specific information, in order to identify advantages and disadvantages of Indonesia as outsourcing option. Characteristics of the information:

- It should be accurate;
- Up to date, reliable;
- Objective;
- Practically orientated.

2. Need for partner/business relation information

Organizations in the selected business sectors have a need for potential and interesting partners and business relations and its related information. More specific: a list of potential partners with addresses, contact persons, company data and information. The potential partners and business relations are described as Indonesian manufacturing/production organizations. It is essential for INA to pre-select potential partners on basis of outsourcing requirements. Once interesting business relations are identified, there is a support need in bringing parties together, assisting and supporting in searching and finding suitable partners.

3. Need for support on cultural problems, difficulties and discrepancies

Organizations need support in the following cultural areas:

- There is a need for clearing the Indonesian perception of products being produced and manufactured in their branch. The perception problem: not knowing the Western purposes, demands, standards and requirements on products and how and for what purpose the products are sold in Western markets;
- There is a need for improving skills of employees. Improving skills: improving, production skills, level of education, production processes and increasing motivation and ambition to accomplish production activities, i.e. improvement of the labour attitude;
- There is a need for improving communication infrastructure in Indonesia, improving control and providing feedback on executed production activities, making cooperation clear between parties involved and providing information on do’s and don’ts in doing business in Indonesia.
4. **Need for support in dealing with legislation and jurisdiction**
Organizations in the selected sectors have a need for support regarding to Indonesian legislation and jurisdiction. Emphasis, of course, is upon the legislative fields of international trade between Netherlands and Indonesia, starting up businesses in Indonesia, property ownership, guarantee terms, return shipments and import/export documentation.

5. **Need for support in dealing with Indonesia's corruption problem**
Organizations in the selected business sectors have a need for support in how to deal with Indonesia’s corruption problem.

6. **Need for support on quality issues**
Organizations have a need for quality improvement and realizing constant product quality: delivering the right number of products at the right time (“just in time”), manufactured according to product specifications and shipped and delivered in proper packaging.

7. **Need for support and assistance on practical issues**
Organizations have a need for the following practical support:
- How to translate Bahasa Indonesia to Dutch & English and vice versa;
- How to arrange VISA for Dutch and Indonesian people;
- How to obtain possibly subsidies;
- How to make useful business contacts (“matchmaking”);
- How to execute charity activities in Indonesia;
- How to travel in Indonesia (need for drivers, especially in Jakarta).

**Different support needs between the selected business sectors**
- Organizations in the furniture sector have a need for finding unique craftsmanship in Indonesia for manufacturing low volume high quality furniture products;
- Organizations in the sector machinery & metal have a need for support on raw material availability issues. Description: information on availability, delivery and reliability of good quality raw materials with legitimate stamps and documents enclosed;
- Organizations in the sector machinery & metal have a support need for criteria to screen potential partners;
- Organizations in the future focus sector agro have a need for assistance in decreasing transportation time regarding biological products.

5.3 **Support needs identified by branch organizations**
In this section the main problems and support possibilities branch organizations see for SMEs in the relevant business sectors are described. Interviewed branch organizations are in the focus groups: CBM for furniture and FME for metal & machinery.

1. **Country and branch specific information (macro/ meso)**
Branch organizations acknowledge the importance of branch information when deciding to shift business activities abroad. They also acknowledge the fact that upon till now there is too few information about Indonesia and its specific business sectors except the country reports of the EVD and the CIA World fact book, which are looked upon as superficial. The FME strongly suggests that INA should develop a country report of Indonesia focused on specific sectors in which it provides a clearer perspective on matters like costs, transport, technology standards, educational standards, certificates and control systems. Specific sector information is of vital importance. There is less specific information available that causes organizations to make the wrong decisions (FME 2004).

On top of that, INA should analyse the business advantages of Indonesia, regarding to other main Asian countries like China, India and Vietnam. When a country can offer specific advantages to companies it is interesting for branch organizations to increase service providing. This INA analysis should be communicated to the EVD and especially to branch organizations, so it can be forwarded to its members. Branch organizations have stated that INA should improve the communication with its members and especially non-members in the Netherlands. Especially branch organizations are quite willing to assist in organizing these events.
2. **Partner/business relation information (micro)**

The CBM and the FME both acknowledge that an organization as INA should be able to support Dutch organizations with information about interesting partners and other relevant parties. Not only should INA have an extensive network of Indonesian supplier organizations, it should also be able to describe each of these organizations with several selection criteria as focus points. Lacking appropriate assistance, CBM and the FME try to find suitable manufacturers, suppliers, etc. themselves, by their own local network in focus countries.

3. **Need for support on cultural problems, difficulties and discrepancies**

Both branch organizations underline that INA should actively support its members by periodically calling/visiting them to discuss problems that (might) occur. Also the support in dealing with governmental issues is appreciated.

**Existing & new service buyers**

After previous analysis existing & new service buyers are identified:

Existing & new service buyers interested in outsourcing business activities to Indonesia in the selected three business sectors, as well as existing & new service buyers in the selected business sectors that are already outsourcing business activities to Indonesia.

New service benefits are areas for support because these are the areas in which INA can fulfil market demand and where they can support organizations in realizing outsourcing relationships by matching successfully. The identified service benefits have been explained extensively in the previous sections and are summarized in table 7.

5.4 **Support needs in the different stages of the outsourcing process**

As described in Section 2.4 the model of Franceschini (2003) is used to identify levels and stages in which INA can support successfully matching activities resulting in outsourcing relationships. To achieve this goal, we tried to appoint different support needs to different stages in the outsourcing process. This study showed however that interviewed Dutch SMEs do not see outsourcing as a structured process:

- The support needs they have are in practice not following a logical process. No specific steps, no time lines or process structures are used by Dutch SMEs;
- Only two interviewed organizations were able to identify specific steps to be taken for the outsourcing process but did not show a relation to the stages identified by Franceschini et al. (2003).

Successful outsourcing to an external partner can only be realized when outsourcing and insourcing organization are matched successfully. In figure 14, models of Franceschini et al. (2003) and Ghauri & Holstius (1996) are fused together to show their relationship and interdependency. For successful matchmaking the eight outsourcing stages (Franceschini et al. 2003) are placed in the context of the identified environments at the macro, meso and micro level (Ghauri & Holstius 1996) because these are the levels were the outsourcing and matchmaking processes take place.

As stated, Dutch SMEs do not use structured processes to deal with outsourcing. The identified support needs can however be appointed to the stages of the combined model (Figure 14).
Critical remark for the prescriptive use of this model: it only deals with outsourcing processes and matching elements from outsourcing point of view and not from insourcing point of view. The left part of the model of Ghauri & Holstius (1996) cannot be integrated in this model because it restricts the prescriptive use of the fused model.
5.5 Conclusion

This chapter focuses on support needs of Dutch SMEs in identified business sectors, taking an interest in outsourcing activities towards Indonesia. This model provides a concluding overview of the identified support needs, based upon in depth interview with SMEs, branch organizations and consultants. Seven general support needs among the different business sectors are established and six different support needs between business sectors are identified.

Table 7 Support needs of interviewed organizations in identified business sectors

<table>
<thead>
<tr>
<th>Business sector</th>
<th>General support needs for...</th>
<th>Specific support needs for...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture sector</td>
<td>County (macro) &amp; branch (meso) information partner &amp; business relation information</td>
<td>? Finding unique craftsmanship in Indonesia for manufacturing low volume high quality furniture products</td>
</tr>
<tr>
<td>Machinery sector</td>
<td>Dealing with legislation and jurisdiction on legislative fields of international trade between Netherlands &amp; Indonesia, starting up businesses in Indonesia, property ownership, guarantee terms, return shipments and import &amp; export documentation</td>
<td>? Information on availability and delivery reliability of right quality raw materials with proper documentation</td>
</tr>
<tr>
<td>Metal sector</td>
<td>Cultural problems, difficulties and discrepancies: - improving Indonesian perception of products - improving Indonesian perception of Dutch &amp; English people</td>
<td>? Screening criteria for screening potential partners</td>
</tr>
<tr>
<td>Future focus sectors: Agro &amp; IT</td>
<td>Realizing constant product quality</td>
<td>? Information on availability and delivery reliability of right quality raw materials with proper documentation</td>
</tr>
<tr>
<td></td>
<td>Dealing with Indonesia’s corruption problem</td>
<td>? Screening criteria for screening potential partners</td>
</tr>
<tr>
<td></td>
<td>Assistance on practical issues: - How to translate Bahasa Indonesia to Dutch &amp; English and vice versa - How to arrange VISA for Dutch and Indonesian people, visa in time</td>
<td>? Decreasing transportation time because handling biological products</td>
</tr>
</tbody>
</table>

In Chapter 5 INA capabilities & constraints have been confronted with support needs of Dutch SMEs in order to develop several service opportunities. However, some capabilities & constraints could not directly be confronted with certain support needs. They do however influence the development of the services, the implementation of the service approach and service delivery to the service buyer. The total confronting process is stated in Appendix 2. This confrontation is the starting point for the actual service approach development (Chapter 6).
Figure 15 Confronting research outcomes

### Capabilities
- Internal structure increases flexibility.
- Willingness for change.
- Capabilities & competencies of employees.
- Individual services to organizations.
- Services benefits Tax and Stuart (1997).
- Informal management & good working sphere.
- Good cooperation staff members.
- Services are clean, objective, reliable against local prices.
- Broad spectrum of services.
- Average educational level of management staff HBO+.

### Constraints
- No standards for matchmaking & market information.
- Database management risks.
- MS Access databases are not multi user friendly.
- Little financial resources available at INA.
- Organizations do not know what INA can offer.
- Reactive services providing.
- Current internet connection.
- No business sector information/ research present.
- Information must be supplied faster & more transparent.
- Little information is available about INAs network.
- Too many tasks at management level.

### New service opportunities to be developed
- Providing Indonesian business sector information to Dutch organizations in selected business sectors for considering Indonesia as outsourcing option and for staying up to date when organizations are already outsourcing to Indonesia.
- Providing assistance and advice on how to realize constant product quality.
- Providing a screening tool for analysing and pre-selecting potential Indonesian partners for Dutch outsourcing manufacturing organizations in the Metal & Machinery sector.

### Service expansion opportunities to be developed
- Providing compared macro information of Asian countries to selected business sectors with which a well founded choice between potential outsourcing-countries can be made.
- Providing extended and, preferably digital, datasheets regarding Indonesian companies
- Providing services containing information and advice on how to cope with cultural differences
- Providing expanded matchmaking services with extensive data about potential Indonesian partner organizations.

### General support needs for
- Indonesian country (macro) information
- Indonesian branch (meso) information
- Potential partner & business relation information
- Dealing with legislation & jurisdiction on international trade
- Decreasing cultural problems
- Dealing with Indonesia’s corruption problem
- Improving & realizing constant product quality
- Practical problems

### Specific support needs for

<table>
<thead>
<tr>
<th>Furniture sector</th>
<th>Finding unique craftsmanship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery &amp; Metal sector</td>
<td>Information on availability &amp; supplier reliability of raw materials</td>
</tr>
<tr>
<td></td>
<td>Screening criteria for screening</td>
</tr>
</tbody>
</table>

Master assignment BA Casper Hermans & Jan-Willem Pol
6. Service selection & service approach development

6.1 Introduction

A SMART-analysis is performed to select service opportunities for further service approach development. The third, fourth and fifth stage of the planning cycle of success for new service integration, developed by Tax & Stuart (1997), are executed in the approach development.

Next research question is answered in this chapter: What service approach can be developed for INA to support relevant organizations in the selected outsourcing business sectors in the Netherlands and Indonesia?

6.2 Services selection

The SMART analysis is used as guideline for a proper selection of the alternatives.

1.) Identify the stakeholder(s).
The stakeholders involved in this service approach development: INA, its staff, its (non) members in the identified business sectors and all supporting & supplying organizations in its network.

Main decision problem: What services opportunities have to be selected for developing the best fitting service approach?

Sub problem: Is this alternative (service opportunity) appropriate for further service approach development according to the attributes?

2.) Identify the alternative courses of action
There are n=7 alternatives being described as A1, A2...An as stated below.

A1. Providing Indonesian business sector information to Dutch organizations in selected business sectors for considering Indonesia as outsourcing option and for staying up to date when organizations are already outsourcing to Indonesia.

A2. Providing assistance and advice on how to realize constant product quality.

A3. Providing a screening tool for analysing and pre-selecting potential Indonesian partners for Dutch outsourcing manufacturing companies in the Metal & Machinery sector.

A4. Providing compared macro information of Asian countries to selected business sectors with which a well founded choice between potential outsourcing-countries can be made.

A5. Providing extended and, preferably digital, datasheets regarding Indonesian companies

A6. Providing services containing information and advice on how to cope with cultural differences

A7. Providing expanded matchmaking services with extensive data about potential Indonesian partner organizations.

3.) Identify the attributes relevant to the decision problem.
The director emphasized the importance of willingness of organizations to pay for offered services compared with the costs. The matching research framework shows that in this stage new service processes, participants, physical facilities and their degree of change are defined. Therefore also competence and responsiveness are added. Parasuraman et al. (1985) further add quality measurement and control for the ability of measuring and controlling offered services processes, participants, physical facilities, competence, responsiveness and return on investment.

There are m = 7 attributes/ criteria. Let C1, C2,... Cm denote the attributes/criteria.

C1. Competence
Possession of the required skills and knowledge to perform the service, involving contact personnel, the operational personnel and service organization.

C2. Return on Investment
Investment spent on service providing and willingness of service buyers to pay for services.
C3. Processes
Ability of the services opportunity to be developed as a process, because of inability to hold services in stock (as a physical product) makes it necessary for the process to flow smoothly.

C4. Participants
Simultaneity or the inseparability of services provider INA from their customers, with ability to establish personalization of buyer-provider relationship.

C5. Quality measurement & control
Ability to control and measure services quality.

C6. Responsiveness
Willingness or readiness of INA employees to provide the service e.g. giving prompt services.

C7. Tangibles
Physical evidence of the service. The ability/possibility of making intangible service opportunities becomes tangible for service buyers.

4.) For each attribute/criteria, assign values to measure the performance of the alternatives on that attribute/criteria.
See table 9 for assigned values to measure the performance of the alternatives on the attributes.

5.) Determine a weight for each attribute/ criteria.

<table>
<thead>
<tr>
<th>Outcome attribute</th>
<th>Rank</th>
<th>Assessed Preference</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence</td>
<td>1</td>
<td>100</td>
<td>0.250</td>
</tr>
<tr>
<td>Return on investment</td>
<td>2</td>
<td>85</td>
<td>0.213</td>
</tr>
<tr>
<td>Processes</td>
<td>3</td>
<td>75</td>
<td>0.187</td>
</tr>
<tr>
<td>Participants</td>
<td>4</td>
<td>55</td>
<td>0.137</td>
</tr>
<tr>
<td>Quality measurement &amp; control</td>
<td>5</td>
<td>40</td>
<td>0.100</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>6</td>
<td>30</td>
<td>0.075</td>
</tr>
<tr>
<td>Tangibles</td>
<td>7</td>
<td>15</td>
<td>0.038</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

6.) For each alternative, take a weighted average of the values assigned to that alternative.

<table>
<thead>
<tr>
<th>Outcome attributes</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
<th>Alternative 4</th>
<th>Alternative 5</th>
<th>Alternative 6</th>
<th>Alternative 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weightings</td>
<td>Values</td>
<td>Outcome</td>
<td>Values</td>
<td>Outcome</td>
<td>Values</td>
<td>Outcome</td>
<td>Values</td>
</tr>
<tr>
<td>Competence</td>
<td>0.250</td>
<td>50</td>
<td>12,50</td>
<td>0</td>
<td>0,00</td>
<td>70</td>
<td>17,50</td>
</tr>
<tr>
<td>Return on investment</td>
<td>0.213</td>
<td>80</td>
<td>17,04</td>
<td>30</td>
<td>6,39</td>
<td>30</td>
<td>6,39</td>
</tr>
<tr>
<td>Processes</td>
<td>0.187</td>
<td>80</td>
<td>14,96</td>
<td>20</td>
<td>3,74</td>
<td>80</td>
<td>14,96</td>
</tr>
<tr>
<td>Participants</td>
<td>0.137</td>
<td>60</td>
<td>8,22</td>
<td>90</td>
<td>12,33</td>
<td>80</td>
<td>10,96</td>
</tr>
<tr>
<td>Quality Meas. &amp; Contr.</td>
<td>0.100</td>
<td>70</td>
<td>7,00</td>
<td>20</td>
<td>2,00</td>
<td>50</td>
<td>5,00</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.075</td>
<td>90</td>
<td>6,75</td>
<td>0</td>
<td>0,00</td>
<td>80</td>
<td>6,00</td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.038</td>
<td>80</td>
<td>3,04</td>
<td>60</td>
<td>2,28</td>
<td>90</td>
<td>3,42</td>
</tr>
<tr>
<td>Total</td>
<td>1,000</td>
<td>510</td>
<td>220</td>
<td>480</td>
<td>470</td>
<td>450</td>
<td>260</td>
</tr>
<tr>
<td>Final ranking values</td>
<td>69,51</td>
<td>26,74</td>
<td>64,23</td>
<td>62,25</td>
<td>63,87</td>
<td>39,34</td>
<td>73,36</td>
</tr>
</tbody>
</table>

7.) Make a provisional decision.
Based on the outcome of the SMART analysis the provisional decision for selecting the best service opportunities for further service approach development is:

- Providing Indonesian business sector information to Dutch organizations in selected business sectors for considering Indonesia as outsourcing option and for staying up to date when organizations are already outsourcing to Indonesia;
- Providing a screening tool for analysing and pre-selecting potential Indonesian partners for Dutch outsourcing manufacturing companies in the Metal & Machinery sector;
- Providing compared macro information of Asian countries to selected business sectors with which a well founded choice between potential outsourcing-countries can be made;
Providing extended and, preferably digital, datasheets regarding Indonesian companies;
Providing expanded matchmaking services with extensive data about potential Indonesian partner organizations.

8.) Perform a sensitivity analysis to check the validity of the decision.
Next table shows that the results are quite comparable.

<table>
<thead>
<tr>
<th>Outcome attributes</th>
<th>Alternative 1</th>
<th>Alternative 2</th>
<th>Alternative 3</th>
<th>Alternative 4</th>
<th>Alternative 5</th>
<th>Alternative 6</th>
<th>Alternative 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weightings Values</td>
<td>0.038</td>
<td>0.075</td>
<td>0.1</td>
<td>0.137</td>
<td>0.187</td>
<td>0.213</td>
<td>0.250</td>
</tr>
<tr>
<td>Competence</td>
<td>50</td>
<td>60</td>
<td>80</td>
<td>80</td>
<td>70</td>
<td>90</td>
<td>80</td>
</tr>
<tr>
<td>Return on investment</td>
<td>1,90</td>
<td>2,25</td>
<td>2,00</td>
<td>8,22</td>
<td>7,40</td>
<td>9,17</td>
<td>20</td>
</tr>
<tr>
<td>Processes</td>
<td>0</td>
<td>0.25</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Participants</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Quality Meas. &amp; Contr.</td>
<td>13,09</td>
<td>3,74</td>
<td>3,74</td>
<td>20</td>
<td>15,00</td>
<td>15,00</td>
<td>20</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>Tangibles</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>1,000</td>
<td>510</td>
<td>220</td>
<td>480</td>
<td>470</td>
<td>450</td>
<td>260</td>
</tr>
<tr>
<td>Final ranking values</td>
<td>76.38</td>
<td>35.32</td>
<td>72.76</td>
<td>72.24</td>
<td>64.48</td>
<td>34.51</td>
<td>72.11</td>
</tr>
</tbody>
</table>

Weighting does not have much influence on the SMART-analysis. The sensitivity analysis shows that the provisional decision for choosing best alternatives is robust. Therefore the initial choice for service opportunity selection (step 7) is maintained.

6.3 Service approach development

The context in which the service approach development takes place is explained, based on scientific insights as described in Section 2.5. The matching model of Ghauri & Holstius (1996) is used as prescriptive level model for service approach development instead of the outsource process model of Franceschini (2003). Main reason is that selected services opportunities can be divided in macro/meso and micro levels and not in process elements of the outsource process model. Three of the five selected services to be developed (expand practical matchmaking activities, provide screening tool and expand available detailed company profiles) are combined in order to develop one combined service. This combined service focuses at the lowest and most practical (micro) level. The other selected services to be developed (compared macro information of Asian countries and business sector information) are appointed to the macro and meso levels distinguished. All approach development aspects under approach description and service delivery system are extensively described in Appendix 3.
Proper database management is important for providing the developed service approach effectively to service buyers. Internal analysis findings show that current database management is poor. The database for the new service approach is developed on three levels and has again close relationship with matchmaking model of Ghauri & Holstius (1996).
This overall approach is based upon the three approach description models and their subsequent content information as stated in Appendix 3.

6.4 Conclusion

In this chapter a SMART-analysis has been used to carefully select the best service opportunities (Chapter 5) to be developed at INA. The service approach exists of 3 aspects:

- Global/macro: Compared macro information of Asian countries;
- Meso: Indonesian business sector information;

This service approach has been (pilot) tested on PT Matahari Alka in Gkarang, Indonesia. The service development is to be regarded as starting point for the service approach implementation (Chapter 7).

Capabilities that positively influence changes that INA has to make for this service approach are:

- Flexibility of the internal structure;
- Willingness for change;
- Capabilities of employees;
- Cooperation between employees;
- Educational level of staff.

Constraints that negatively influence the changes INA has to make when offering this service approach are:

- The database management risks;
- Little financial resources;
- Too many tasks at management level.
7. Service implementation/integration

7.1 Introduction

Critical elements of the service approach versus current procedures & methods of INA are discussed in this section.

The research question to be answered is:

**How should the service approach and its instruments be implemented within INA?**

a. What are the critical elements of the service approach?
b. How should the formulated service model be adapted and implemented?

In this chapter stage 6 & 7 of the planning cycle of success for new service integration (Tax & Stuart 1997), are executed. The impact of change on core service & internal capability to handle change is assessed.

7.2 Impact of change on core service

The impact of change is determined by comparing the new (or improved) service approach with INAs current range of services by using the three design elements of Tax & Stuart (1997) and three levels identified by Ghauri & Holstius (1996).

**Processes of the developed service approach:** are better structured and expanded compared to current services offered. Service outputs are structured in a fixed format instead of making customer specific reports and service outputs which are very labour intensive. The developed reports (according fixed formats) are stored in a multi user interactive database. Some of the processes of the developed service approach are new and this approach from outsourcing perspective is not yet provided by INA. Only market research for selling purposes is provided until now. Also components of current offered services are used in building this new service approach. Employees are therefore to some extend familiar with the elements in the fixed format. With the new developed service approach, processes are extended to provide service buyers with full detailed and objective macro, meso and micro information (company profiles) as described in previous chapter.

**The number of participants:** increases compared to current offered services to require an objective multi insight view on Indonesia, its business sectors and specific companies. Especially cooperation with external participants increases because interviews have to be executed in order to require the relatively hard available Indonesian business sector information and company profiles. INA has to increase its cooperation with its (familiar) (non) members, to derive information to develop the company profiles. INA also faces the opportunity to develop/ provide services in cooperation with other chambers of commerce like e.g. the German chamber of commerce Ekonid.

**The physical facilities:** used to provide the service increase by using a new developed multi user friendly database in which data and service products are stored. This makes it easier to provide service in higher frequencies. No further new physical service facilities are needed for this service. The customer or service buyer is redefined based on executed demand orientated research to small and medium sized organizations in the business sectors Metal, Machinery and Furniture. Because of labour intensive circumstances of developing these macro/ meso and micro information reports and profiles, advice is to appoint a full time staff member who will support the business development manager. The new staff member is also responsible for managing the new database and its related IT facilities.

The impact on current offered service approach is large.

**Macro:** This service approach replaces current macro level services by supplying information in specific formats;

**Meso:** This service approach adds an additional new service on meso level from an outsourcing perspective. This new service approach has a large impact on current meso level services because there is little experience in developing Indonesian business sector reports from Dutch outsourcing point of view;
Micro: This service approach has large impact on current offered micro level services by adding a more detailed service on micro level from an outsourcing point of view with the purpose of matching Dutch outsourcing and Indonesian supplier organizations.

7.3 Internal capability to handle change

To determine the internal capability to handle change, important changes of the new service approach are linked to INAs internal capability to handle change. Internal capability aspects in this section are derived from the executed analysis at INAs capabilities & constraints. Main change for INA is restructuring INA as a service providing organization. This restructuring has its own sub changes as elaborated on below.

7.3.1 Restructuring INA

Core service of INA is to bring Dutch and Indonesian organizations together to realise long lasting (outsourcing) relationships. The following sub changes for INA to handle change are identified (Chapter 3):

1. New information system;
2. Standardized service providing;
3. Upgrading and improving personnel skills and;
4. INA as knowledge centre.

1) Information system

When implementing this service approach INA has to increase its knowledge level about the elements in the developed fixed formats for the macro, meso and micro level services.

Information search (external information suppliers)

INA has the potential to search for the required information and to handle the subsequent change themselves in their information search. According to the executed internal analysis staff is intellectually skilled, dedicated & willing to work for each other. The internal analysis though showed that employees recon extra support staff is needed to increase service quality & scope/ range. New support staff is needed to assist service managers in executing a proper external information search. In depth interviews with personnel showed that current activities are managed properly but that personnel see no further possibilities to execute additional activities. Students may provide valuable contributions in the information search or by creating local networks in the Netherlands and Indonesia.

Information processing and storage

INA has at this moment no capability to handle the change of introducing a new way of information processing. As described INA has no proper information technology system. The current database technology is only based on a MS Access database file and a server with shared files but with little available information confirm developed fixed formats. To process information a database structure as developed in Chapter 6 has to be implemented by an external specialized organization in close cooperation with INA. During service approach development stage contacts and ideas are exchanged between INA and QnAP, a specialized Dutch IT consultancy organization with outsourcing facility in Indonesia Jakarta.

Information sharing within INA between employees

At this moment INA does not have the capability to handle the change of introducing a new information system with relevant information that can be shared between employees. Although the shared files function is active at INA, many employees do not share information (Ch 5). Implementing a new database system requires specialized IT knowledge which is not available at INA. Working with new programs also requires training. Just as the information processing part, INA has to handle this change in close cooperation with an external specialized IT (consultancy) organization.

2) Standardized service providing

Implementing the developed service approach at INA provides more standardized services (especially in the development part). Currently these services are provided purely based on request by the service buyer. Each time a report or service product is constructed from scratch and supplied custom fit. INA is able to handle the change of managing the development towards a more standardized way of service providing by using a multi user database. The director and management have the capabilities of (re) developing a standards & procedures manual. Current standard &
procedures manual lacks a description for market information/research, pre-selecting potential business partners as well as how to handle matchmaking processes.

3) **Upgrading personnel skills**
During staff interviews it appeared that INA service managers like extra training in executing their current and future (expanded) activities. Several staff members who are actively offering services have enough knowledge & experience to sufficiently handle their jobs/ tasks, but a transition towards higher lever of servicing requires additional training. Training on computer programmes (handling databases), performing macro, business sector and company studies, should be provided by external specialized organizations. INA does not have the capability to upgrade skills themselves. Supplying training to employees enhances/extends skills that are needed to specialize on specific services tasks and thereby enhances INAs performance & its ability to expand.

4) **INA as a knowledge centre**
When implementing the developed service approach, INAs focus will shift towards a more knowledge based service providing organization. Therefore INA needs to monitor, intervene and adapt when necessary while implementing the service approach. The service managers and director have the internal capability of managing this process. Based on executed internal analysis it appeared that INA has extensive experience with other (external) projects, where change management has not been uncommon. It is believed that no external organizations are needed for managing the change internally.

7.3.2 **Critical elements of the service approach**
Critical elements of the service approach are those elements that are key success factors for INA in implementing the service approach successfully, but for which they lack the capability to handle the required change internally and cannot influence preferred results. The critical elements:

- Information processing and storage;
- Information sharing;
- Upgrading and improving personnel skills.

7.4 **10 step procedure towards service approach implementation**
The actual service approach implementation is described in a 10 step procedure. This procedure is derived from the executed internal analysis at INA, demand orientated research in the Netherlands, meetings with the director of INA, meetings with QnAP and own insights. For an adequate service quality, theoretical perspectives of Parasuraman et al. (1985) are added in this ten step procedure.

Because of the current existence of a diversity of available databases INA will have to merge all current available databases and delete duplicates. This will create a starting point for further database and IT facility development. The combined database will have to be used as staring point for further development.
Step 1  Information stage
INA service managers and support personnel have to be informed about the project and its level of change. To realize service quality it is important to realize a high level of responsiveness, the willingness or readiness of employees to provide the service e.g. giving prompt service (Parasuraman et al. 1995). In order to realize responsiveness the director has to organize meetings to transfer the project contents to the employees and has to determine the level of resistance to change. The director has to make hard copy print outs with a detailed description of the complete project. Weekly internal meetings have to be organized in order to give personnel the possibility to ask questions and stay up to date with latest project developments. Close personnel involvement at this stage is very important because they have to work with the developed service approach; creating credibility in order to realize service quality (Parasuraman et al. 1995). At this stage mutual trustworthiness, believability and honesty have to be realized between the director and INA employees. INA should have the customer’s best interests at heart.

Step 2  Co-operation stage
To provide the developed service approach INA needs a new multi user friendly database system. This has to be developed in cooperation with an external specialized organization. During executed implementation activities at INA office in Jakarta mutual contact has been made with QnAP, a specialized IT organization. QnAP is familiar with INA and involved in IT developments at INA. Currently INAs website is being constructed by QnAP. During this stage close cooperation between both parties has to be realized.
Next activities have to be executed in this stage:

- Creating mutual project guidelines;
- Integrating all service elements, according developed service approach (fixed formats);
- Making offers;
- Project agreement.

Step 3  IT development stage
QnAP develops the new information system for INA consisting of the re-developed database and based on the developed service approach. Security is an important element in realizing service quality (Parasuraman et al. 1985) and therefore QnAP has to develop a database structure which has freedom of danger, risk, and doubt, and involves physical and financial security, and confidentiality. To maintain close cooperation between QnAP and INA regular meetings have to be scheduled.

Step 4  Information search stage
INA service managers have to develop the three service products according to developed fixed formats. INA service managers have to collect and search for data and information covering the fixed format elements. INA should not execute own research on the elements in the fixed formats because INA has not the internal capability of doing large research studies. INA has to search for information externally. The derived data from these external information sources have to be processed into a service product. The information search consists of desk and field research by using in depth interview techniques and questionnaires. At micro level INA has to execute research themselves by collecting information about the individual organizations as described by the fixed formats. This has to be done by means of field research. Questionnaires have to be sent and in depth interviews with (non) members have to be executed. The questionnaire is stated Appendix 5.

Step 5  Service product development/ processing stage
At this stage the derived information is processed into service products. Service products are the products which make the service become tangible for the service buyer or the physical evidence of the service, e.g. physical facilities being the tangibles element (Parasuraman et al. 1985). Service products and physical facilities are in this case closely related because service products are developed and processed with use of the designed IT facilities. Because of the time consuming activity students may be of help to do research on fixed format topics and to develop this information into valuable contributions for service products. Students may also do research on the identified support needs to keep the demands from service buyers up to date. This external independent support decreases the risk of the critical services element of information processing.

Step 6  IT testing stage
At this stage both processes and executed activities of INA and QnAP are tested, based on their functionality and user friendliness. This will consist of integrating the macro, meso and micro level fixed formats into the database in order to be linked to service inquiries from demand side. The service manager will shop in the database and collect the required information as requested by the service buyer. A list is present for the service buyer to indicate his/her needs for information. Testing the IT system is done by adding a limited set of information into the database to test its functionality and user friendliness. If the testing stage is not executed successfully, discrepancies and errors have to be analysed in close cooperation between INA and QnAP. The database and related IT facilities have to be improved and stage 6 will be executed again.

Step 7  Information storage and sharing stage
All derived information from stage 4 and 5 will be stored in the database and its related IT facilities. Current database information will be copied into the new system. This stage has to be updated continuously in order to provide up to date service products. There is no internal capability to handle the critical service approach element of information sharing and storage. For this purpose INA has to hire one full time employee. This IT specialist is responsible for managing and updating INAs database, related IT facilities and its information. He is also responsible for system support to other service managers. Once all available information is stored in the system it can be shared by all service providing managers for QnAP will have to make a multi user system.

Step 8  Training and operationalization stage
Before the actual operationalization, all service managers and support personnel will receive training to make them familiar with the new IT facilities. Of course QnAP has to develop a user
manual. It is recommended that tests have to be passed by employees to show that they possess the required skills and knowledge to perform the service. The training will be used in daily activities by providing services described under service approach development. INA will start providing services in the newly developed way at the end of this stage.

**Step 9  Fine tuning stage**

This stage will be executed after the new services have been provided in practice to service buyers. During this stage service quality dimensions of Parasuraman et al. (1985) are taken into account.

- **Access:** Approachability and ease of contact, e.g. the service is easy accessible;
- **Courtesy:** Politeness, respect, consideration, and friendliness of contact personnel;
- **Communication:** Keeping customers informed in simple language, and listening to them.

Occurred problems will be discussed during meetings with the director, service managers and QnAP project specialist. Every month a meeting is scheduled to evaluate and discuss all services quality dimensions of Parasuraman et al. (1985) to determine whether sufficient services quality is provided to service buyers. The occurred problems have to be analyzed and improved. This stage will be repeated for 12 months in order to fully operationalize/ fine tune the developed service approach.

**Step 10  Evaluation stage**

In this last stage the final service quality element of Parasuraman et al. (1985), reliability, will be analyzed. Consistency of performance and dependability, e.g. performance of the service at the designated time has to be evaluated. The evaluation stage will further consist of an evaluation of all executed stages as previously described. INA has to develop an evaluation list which has to be sent to service buyers in order to get better insights on the quality of the provided service. Special attention should be given to the following elements in this evaluation list and stage:

- Services quality elements (Parasuraman et al. 1985);
- Feedback of service buyers on provided services based on returned lists;
- User friendliness of IT facilities;
- Increase/decrease of turnover;
- Cooperation with QnAP.

To conclude this section the ten step procedure of services implementation is guided by a time schedule. The implementation phase is scheduled for one and a half year. Six months additional project time is added for delays and problems that might occur during the project.

**Table 11 Time table service approach implementation**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
<th>Month 10</th>
<th>Month 11</th>
<th>Month 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Co-operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) IT development stage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Information search</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Service product development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) IT testing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Sharing &amp; Storage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Training and operationalizing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9) Fine tuning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10) Evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stages</th>
<th>Month 13</th>
<th>Month 14</th>
<th>Month 15</th>
<th>Month 16</th>
<th>Month 17</th>
<th>Month 18</th>
<th>Month 19</th>
<th>Month 20</th>
<th>Month 21</th>
<th>Month 22</th>
<th>Month 23</th>
<th>Month 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Co-operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) IT development stage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Information search</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Service product development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) IT testing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Sharing &amp; Storage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Training and operationalizing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9) Fine tuning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10) Evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Many of the stages have to be replicated continuously once the service approach has been implemented. For this service approach these future continuous stages received a certain time schedule to be finished. The future continuous stages are the database and IT activities divided in information search, service product development, information sharing and storage. The service approach has to be fine tuned frequently based on evaluations in order to provide up to date services. Employees have to receive a yearly training in order to test and retrain the required skills to perform the services.

7.5 INA Business processes

Process elements, activities and tasks have been broken down into the business process breakdown structure of Armistad & Rowland (1996). Process elements are the major elements into which a business process can best be organized. Process element can in turn be broken down for ease of management into recognisable activities. Activities can be broken down into tasks that are written down as standard operating procedures for individual process owners to carry out (Armistad & Rowland 1996)

*Figure 19 Business process element Macro, Asian country information compared*
Dutch SMEs and outsourcing: Towards an international service approach for INA

Figure 20 Business process element Meso, Indonesian business sector information

**INA service approach**

- **Macro**
  - Continuous data updating
  - Assess service buyer support needs
  - Service product development
  - Additional information search
  - Service product storage and sharing
  - Tangible service providing

- **Meso**
  - Indonesian business sector information

- **Micro**
  - practical matchmaking, company profiles

- **Macro**
  - Establish contact with service buyer
  - Assess specific support needs
  - Send list fixed format macro elements
  - Process returned list by buyer
  - Make service buyer account

- **Meso**
  - Collect required information by database shopping
  - Develop service product confirm fixed formats
  - Keep service products up to date

- **Micro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Macro**
  - Execute desk, field research
  - Send questionnaires and execute in depth interviews
  - Maintain close relationship with external information providing organizations

- **Meso**
  - Collect required information by database shopping
  - Develop service product confirm fixed formats
  - Keep service products up to date

- **Micro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Macro**
  - Continuous data updating
  - Assess which information is not available
  - Execute desk, field research
  - Send questionnaires and execute in depth interviews

- **Meso**
  - Assess which information is not available
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Micro**
  - Deliver service product to service buyer
  - Send evaluation list
  - Process returned evaluation list
  - Keep service buyer informed with INA news

- **Macro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Meso**
  - Assess which information is not available
  - Execute desk, field research
  - Send questionnaires and execute in depth interviews

- **Micro**
  - Deliver service product to service buyer
  - Send evaluation list
  - Process returned evaluation list
  - Keep service buyer informed with INA news

Figure 21 Business process element Micro, Practical matchmaking and company profiles

- **Macro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Meso**
  - Assess which information is not available
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Micro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Macro**
  - Assess which information is not available
  - Execute desk, field research
  - Send questionnaires and execute in depth interviews

- **Meso**
  - Collect required information by database shopping
  - Develop service product confirm fixed formats
  - Keep service products up to date

- **Micro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Macro**
  - Continuous data updating
  - Assess which information is not available
  - Execute desk, field research
  - Send questionnaires and execute in depth interviews

- **Meso**
  - Collect required information by database shopping
  - Develop service product confirm fixed formats
  - Keep service products up to date

- **Micro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Macro**
  - Continuous data updating
  - Assess which information is not available
  - Execute desk, field research
  - Send questionnaires and execute in depth interviews

- **Meso**
  - Collect required information by database shopping
  - Develop service product confirm fixed formats
  - Keep service products up to date

- **Micro**
  - Service product is stored under service buyer account
  - Share new products with other service managers

- **Macro**
  - Establish contact with service buyer
  - Assess specific support needs
  - Send list fixed format macro elements
  - Process returned list by buyer
  - Make service buyer account
This business process breakdown is the result of integrating the elements as stated in Appendix 3 service approach development and the activities with subsequent tasks as described under Section 7.3. It provides director and INA management with a concise and manageable defined series of process elements, activities and tasks. These have to be managed and executed for an operating service approach.

7.6 Conclusion

The impact of change, information processing & storage, information sharing & upgrading and improving personnel skills were identified as critical elements of the service approach developed. INA has no internal capability to handle the impact of change on these elements. Therefore INA should implement the service approach in close cooperation with IT organization QnAP in order to handle the critical elements and implement the service approach successfully. This implementation phase is divided into ten stages with a subsequent time schedule. Each step has to be defined more specifically to decide which and how much means are needed to fulfil them. This task is appointed to the director, management staff and Qnap, because they have the best perspectives on the means that are available and the goals they want to achieve. The steps as formulated here are a guideline to successfully implement the service approach.
8. Conclusions & recommendations

This section concludes on the problem definition formulated in Chapter 1.

What service approach should INA offer to Dutch small and medium sized enterprises (SMEs), interested in outsourcing business activities to Indonesia, and how should this be implemented?

In Section 8.1 overall conclusions are stated. All other aspects are already concluded on in the last section of each chapter. In Section 8.2 recommendations for INA are stated. Section 8.3 discusses subjects for further research. Section 8.4 reflects on the research process and obstacles that came along during the study.

8.1 Conclusions

The research framework used for this research is developed by using several scientific theoretical perspectives on services, matchmaking and outsourcing literature. The resulted research framework has functioned as a manual in executing all research activities. Main scientific theories and models are the matchmaking models of Ghauri & Holstius (1996) and the planning cycle of success for new service integration by Tax & Stuart, (1997).

Service approach

To conclude on the developed service approach the overall approach model is stated below. The service approach is extensively described on in Chapter 6 and Appendix 3. It is based on a combination of research findings and scientific models & theories. This service approach is developed for offering to Dutch SMEs interested in outsourcing business activities to Indonesia.

*Figure 22 Database and INA service approach*
Main concluding reasons for this approach development are:

? The three pie elements in the circle represent selected business sectors relevant for outsourcing business activities to Indonesia:
- Metal;
- Furniture;
- Machinery.

Dutch SMEs in the selected business sectors interested in outsourcing activities to Indonesia are potential service buyers;

? The selected services opportunities from the confronting process and SMART analysis have been translated into a three level service approach. The matching model of Ghauri & Holstius (1996) has been used as prescriptive level model for service approach development instead of the outsource process model of Franceschini (2003).

First reason is that selected services opportunities can be divided in macro/meso and micro levels and not in process elements of the outsource process model:
- Asian country information compared;
- Business sector information;
- Company profiles.

Second reason is that the matching model of Ghauri & Holstius (1996) has close relationship with the core service of INA. INA aims to support trade between Indonesia and the Netherlands by matching Dutch SMEs to Indonesian supplier manufacturers successfully. Every service level is translated into a fixed format containing the elements for services product development. The fixed formats (Appendix 3) are aspects on which Dutch SMEs would like to receive support and information as explained in Chapter 5. The fixed format on micro level contains the elements and subsequent questionnaires and question lists for in depth interviews to analyse and select Indonesian and Dutch organizations suitable for matchmaking purposes. The questionnaire is stated in appendix 5;

? The developed services are the result of confronting support needs with INA capabilities & constraints resulting in a set of services opportunities. The support needs of Dutch SMEs in the selected business sectors are identified based on primary data by executing in depth interviews with Dutch SMEs in the selected business sectors. General as well as business sector specific support needs have been identified. INA should focus her service organization on these support needs (Table 7, p39);

? For internal data sharing the approach has been developed as multi user friendly. INA staff is added on both sides of the model to represent multi user friendliness of the database to be developed in close cooperation with Qnap. The arrows represent information and service flows as described by the individual service models in Appendix 3;

Service approach implementation
To implement the service approach at INA Jakarta the implementation plan as described in Chapter 7 has to be executed by INA. Main concluding reasons for this implementation approach are:

? To overcome the critical elements and to implement the service approach at INA next ten steps have to be executed in close cooperation with the specialized IT organization:
1) Information stage;  
2) Co-operation stage;  
3) IT development stage;  
4) Information search stage;  
5) Service product development stage;  
6) IT testing stage;  
7) Information storage and sharing stage;  
8) Training and operationalization stage;  
9) Fine tuning stage;  
10) Evaluation stage.

Critical elements of the service approach are those elements which are to be considered as key success factors for INA in implementing the service approach but for which INA lacks the capability to handle the required change internally. Critical elements are defined as:
- Information processing and storage;
- Information sharing;
- Upgrading and improving personnel skills.

To handle these critical elements INA should use external assistance by involving a specialized IT organization in the project.

? The choice to develop a 10 step implementation plan has been made because this makes it possible to add a time table which shows which step has to be executed at what time. For realizing an adequate service quality, theoretical perspectives on services quality of Parasuraman et al. (1985) are added. Relevant services quality dimensions are appointed to the different implementation and integration stages and subsequently dealt with;
In order to achieve a concise manageable and defined series of tasks, process elements, activities and tasks have been broken down into the business process breakdown structure of (Armistad & Rowland 1996). This to make the service approach more tangible for INA in order to increase implementation effectiveness and efficiency.

8.2 Recommendations

On top of the suggested changes in services and outputs additional recommendations are developed for INA.

1. Information system

Chapter 7 emphasises the improvement of the total IT-system at INA to fulfil support needs of service buyers. An improved IT-system prevents the loss of information, makes information easier retrievable and improves processes. It is recommended to involve IT-specialist QnAp in developing an IT-system. This company is familiar with INA, has a western working approach, skills and competitive prices. The first contacts have taken place.

2. Service development

Chapter 7 recommends that INA should work together with other chambers of commerce. All bilateral chambers of commerce in Jakarta offer more or less the same services to their country and specific customers and all Chambers execute their own research in Indonesia. By combining knowledge more business sectors can be researched and costs can be shared. They all have their own specific customers and therefore it is expected that no competitive problems will arise. Ekonid stated to be interested in the possibilities that cooperation on certain areas may offer.

3. Service development

Chapter 7 also recommends the hiring of Dutch as well as Indonesian students to certain assignments. Students are normally quite educated, are able to work independently outside the borders of the company and are not expensive. Also multi-cultural teams of students can be very useful to research broader subjects and to gather specific knowledge of different countries. An example: an assignment in gathering information and the development of a well founded macro analysis of Indonesia and competing countries like China and India. Maybe a combined project with interns at other chambers of commerce like Ekonid and/ or BritCham is a worthy initiative. It is recommended that Dutch and Indonesian students will do research on the fixed format elements and create discussion groups with interns of other chambers.

4. Service development

An approach and implementation plan for the support need for macro information of Asian countries compared has been developed. This is an important service for Dutch SMEs and INA is capable to supply this service themselves. This service does however request a lot of time/ effort and INA is probably not the most independent party to provide this information. As proposed in Appendix 3 it therefore is recommended to look into the possibilities to develop the macro information of Asian countries compared reports together with the EVD or other (Dutch or foreign) government agencies. These organizations are specialized in macro environmental factors and have much more contacts and access to information about other Asian countries. Another positive aspect is the fact that the EVD is independent, where INA is focused to attract business to Indonesia and therefore probably not independent of a service buyer perspective.

5. Assisting Dutch SMEs in the Netherlands

Support from INA Nederland to INA Jakarta is not sufficient (Chapter 3). Therefore it is recommended to improve support to SMEs in the Netherlands. Research has to be executed on how to improve this support. It is recommended to do a full and comprehensive marketing communication study (see Section 8.3). At this moment there are two options that partly can fulfil this problem:

1. Cooperate with Willem Linders. Mr. Linders is a consultant with an extensive knowledge base on the Dutch as well as the Indonesian market and has a large network among Dutch and Indonesian SMEs. Mr. Linders has indicated that he is willing to help INA supporting Dutch SMEs in the Netherlands. Mr. Linders however has business interests and is therefore maybe not the most independent partner for INA;

2. Cooperate with Dutch branch organizations in selected business sectors. Once outsourcing advantages of Indonesia are identified, FME and CBM are willing to promote Indonesia as a viable outsourcing option towards their members.
6. Implementation
INA has to give serious thought and attention to the provided implementation plan. Special focus should be addressed to the budget involved. It is recommended to take a closer look at the reasons for services to be rejected prior to introduction as stated in Section 2.6.

8.3 Further research

Acknowledging a lack of information
No specific implementation aspects on marketing communication related issues towards service buyers have been taken into account in this service approach implementation/integration. Main reason is that there is no information available to facilitate proper decisions to improve communication with service participants and especially buyers.

Marketing communication
INA has no clear perspective on how to reach Dutch SMEs in the selected business sectors. INA Jakarta has no bridgehead in the Netherlands that is able to reach, inform and support (potential) service buyers. Upon till now INA Nederland was the Dutch partner that should communicate and inform the Dutch SMEs but they seem incapable of executing this task. Dutch service buying organizations do not now the difference between INA Jakarta and INA Nederland. This perception problem results that INA Jakarta is associated with the poor service providing image of INA Nederland. For successful services delivery it is important to improve assistance in the Dutch market because usually Dutch firms will contact a Dutch office in the first place.

Following research questions are provided for further research:

1. Is INA Nederland able to function as a proper service provider in supporting INA Jakarta?
   ? What current cooperation problems with INA Jakarta and INA Nederland can be identified?
   ? What are the causes of identified problems?
   ? How may identified problems be solved?
   ? How realistic is the role of INA Nederland or should its tasks be provided by other service providing organizations?

2. How may INAs overall image be improved as a service providing organization specialized in matchmaking activities?

3. How may INA increase pro-active behaviour in the Netherlands in triggering and supporting Dutch SMEs in their outsourcing decisions and activities to Indonesia?

8.4 Reflection

This section shortly reflects on the activities executed during this half year study. In answering the research questions an approach has been chosen that did require 7 distinct areas of investigation:
1.) A study to identify useful theoretical perspectives in the business fields relevant for this research assignment;
2.) A careful examination of the current internal organization and services of INA;
3.) A study to identify the most relevant business sectors in the Netherlands for outsourcing certain business activities towards emerging economies;
4.) A study to identify the support needs that Dutch SMEs are facing in these selected business sectors by interviewing a number of those organizations;
5.) A SMART-analysis is to identify the right service options and to decide on the elements the service approach should consist of;
6.) Developing (process) models to implement the developed service approach at INA;
7.) Identification of other possible obstacles that (might) occur in (future) service delivery processes.

The steps 1, 3, 4, 6 & 7 were executed in the Netherlands. Steps 2 & 5 were executed in Jakarta (June till August 2006).

In hindsight, this has been a labour intensive process that might have been shorter when we would not had to cope with very broad theoretical perspectives. Furthermore, the study has been slowed down by a change in the initially agreed assignment due to unforeseen circumstances. Our study
however did result in an extensive analysis of literature and did supply us with a clear perspective on what to do and how to execute the study. Because of the time spent on the theoretical framework we were able to build up a network of branch organizations, chambers of commerce, consultants, government agencies and of course SMEs. This network has proved to be very valuable in retrieving information and knowledge about the subject outsourcing to Indonesia.

The internal analysis and service selection/development stage have been carried out in Jakarta. We have spent the summer months in Indonesia. We are grateful for this experience and we are convinced that is has contributed much to our findings. However, as was to be expected, the summer months were not the most effective in terms of contacting people. The directors of INA as well as some external parties were often hard to reach and sometimes processes went slow. The advantage is that we were more or less independent and have learned therefore rapidly to deal with local circumstances and INA processes/employees.

In regard to the results versus the objectives we do believe this assignment has produced the desired results. Based on the research on promising business sectors in the Netherlands and their support needs, a service approach has been developed.

The new and improved services and its output schedules should provide INA with a service approach that is up to date in terms of what the market is requiring and will therefore offer more value for money to (potential) service buyers.

Over all we have concluded that the research process ran smoothly. After the theoretical framework was developed it has been clear to us what kind of information was needed in every phase of the research. The theoretical research framework has been easy to use and has functioned as a proper manual.

Most important, of course, INA’s director has showed his appreciation for the results. Parts of the service approach developed are implemented at this moment and other parts will be implemented probably in the short run. During the time spent in Jakarta we have contributed for large extent to the Asia Invest II proposal that INA is applying for at the EU at this moment. This research has functioned as scientific backbone for the ASIA INVEST II proposal which due to confidential reasons is not added in the Appendices.
List of abbreviations

BritCham  British-Indonesian Chamber of Industry and Commerce
BSO  Business support organization
EEC  Emerging Economy
EKONID  German-Indonesian Chamber of Industry and Commerce
EVD  Netherlands Foreign Trade Agency
FDI  Foreign Direct Investment
INA  Indonesian Netherlands Association
IT  Information Technology
LDC  Less Development Country
OEM  Original Equipment Manufacturer
R&D  Research & Development
SMART  Simple Multi-Attribute Rating Technique
SME  Small & Medium Enterprises
USP  Unique Selling Point
Reference & Literature List

Articles and books


Internet sites

www.cbm.nl
www.cbi.nl
www.cbs.nl
www.ec.europa.eu
www.ekonid.com
www.emeraldinsight.com
www.evd.nl
www.fme.nl
www.google.com
www.ina.ir.od
www.ing.nl
www.jstor.org
www.kvk.nl
www.outsourcing.startpagina.nl
www.plantum.nl
www.utwente.nl/ub
www.wikepedia.nl
www.statline.nl
Brochures


INA, 2005, INA Standards & Quality Procedures

INA, 2005, INA Services

INA, 2005, INA Members 2005/2006


Appendix 1  Description business sectors

Metal: Description, trends & developments
The Dutch metal & metal products industry is an important sector. Companies are often important subcontractors to the machinery/ electro and transport equipment business. The metal sector is capital intensive. The number of paid employees has increased from 123,000 in 1994 to 131,000 in 2001. In 2002 growth stagnated. In 2003 employment decreased heavily reaching the 1994 level. The future perspective for labour intensive production in the Netherlands looks poor. Companies also start shifting activities (sales & marketing) because of increasing potential of new markets (Haverhals et al. 2004).

Table 1.1 Key figures metal industry (FME, 2004)

<table>
<thead>
<tr>
<th></th>
<th>Sales*</th>
<th>Labour costs*</th>
<th>Value added*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic metal industry</td>
<td>6,196</td>
<td>1,07</td>
<td>1,924</td>
</tr>
<tr>
<td>Metal products</td>
<td>10,978</td>
<td>2,673</td>
<td>3,613</td>
</tr>
<tr>
<td>Machine industry</td>
<td>12,246</td>
<td>3,098</td>
<td>3,979</td>
</tr>
<tr>
<td>Transport industry</td>
<td>10,788</td>
<td>1,74</td>
<td>16,746</td>
</tr>
<tr>
<td>Total</td>
<td>40,217</td>
<td>8,582</td>
<td>12,301</td>
</tr>
</tbody>
</table>

Companies > 20 employees
* billion €

Geographical location of customer and supplier is important. The metal sector, especially the metal products industry heavily depends on the production location of their buyers for example in machinery/ electro/transportation equipment organizations. OEM’s leave for cost advantages, the availability of a well educated and skilled workforce and growing market opportunities in foreign countries. This also forces suppliers of OEMs to shift activities because they are interdependent (Economisch Bureau ING 2006). Findings from executed qualitative research in the Netherlands confirm this tendency. Norma BV for instance is now shifting production activities to Indonesia because its role is changing. Norma BV follows its buyer to remain viable. Norma BV also emphasized the interdependence of the metal and machinery sector.

Last ten years, there has been a continuous development of outsourcing to low wage countries in the metal industry (metal and metal products). At the moment growth in shifting business activities is increasing rapidly. Last year about 2%, last three years about 5% and last ten years 5% of the companies has shifted activities. The findings show that 8% of the organizations intend to shift business activities this year and next year.

The activities are especially shifted to Central & Eastern Europe (63%), Western & Southern Europe (27%) followed by China (18%). Shifting activities is executed especially by the companies themselves (69%). The decisive reasons for outsourcing are clearly aimed at realizing cost reductions (69%) and defending & increasing market position (31%). 58% of the organizations realized cost reduction up to 25%. 14% of the organizations have realised a cost reduction of more than 25%. Important factors in accomplishing cost reductions are wage costs, labour flexibility (24x7), physical distance to buyer and transportation costs (determined by the location of metal supplier, inward transportation costs and on the other hand the location of buyers, outward transportation costs of produced products) (Haverhals et al. 2004).

Furniture: Sector description, trends & developments
The Netherlands is the sixth EU furniture market with total retail sales of € 3,322 million in 2004. In 2004, consumption per capita of € 203 was well up to EU average. The furniture industry is featured by smaller often family owned companies. Larger organizations arise through acquisitions and joint ventures between small organization with the purpose of achieving economies of scale and its related advantages. The furniture sector is a relatively small sector in the Netherlands. Employment increased by 3,600 employees within 10 years from 25,400 in 1994 to 29,000 in 2003 according to CBS (2004) and CBI (2005a).

Because of the high employment factor in cost prices of finished products and high wages in the Netherlands combined with high competition from low wage countries, production in the Netherlands can hardly be sustained. Profitability is low and many re-organizations occurred last few years. The furniture sector in particular is under pressure by imports from Asia. Also a rapidly decreasing market for office furniture has caused pressure. Demand for office furniture decreased
by 30 to 50%. As a result about 12% of companies in the furniture sector have shifted (a part of) production activities in last ten years but especially in the last three years. It is expected that 21% of organizations will shift activities next year. But 68% has still no specific plans to outsource. Core activities executed in the Netherlands are in areas of design, marketing and logistics. Regions to which production activities have been shifted are Central & Eastern Europe (74%), China (64%) and Western & Southern Europe (36%). 74% of organizations shifted business activities through a combination of own investment and outsourcing (Haverhals et al. 2004).

Poland is the largest supplier to the EU and has a fast growing furniture industry strongly dedicated to exports. In 2003, EU imports from Poland valued € 2,644 million and increased between 2001 and 2003, by 27% in value. In the same period, supplies from other countries also increased, such as those from Czech Republic (+13% in value terms), Romania (+21%), Slovenia (+2%), Hungary (+8%), Slovakia (+39%), Estonia (+20%) and Lithuania (+102%) (CBI 2005a).

Following a period of growth in the late 1990s, Asian countries, especially China, continued to strengthen their position in furniture supply to the EU. In 2003, EU imports from China reached a value of € 1,740 million, an increase of 68 % over 2001. China overtook Indonesia in 1999. Since 2001, EU imports from Indonesia have fallen due to the crisis and to falling demand of rattan furniture. Between 2001 and 2003, EU imports from Vietnam, Turkey and Brazil continued to rise in the period under review. Beside these developments Indonesia still is among the main suppliers of furniture to the Netherlands. Indonesia ranks first (18%) in the dining and living furniture and is absolute number one in rattan (59%). Indonesia ranked second in non-upholstered (13%) and ranked third (8%) of other furniture as can be seen in figure 18 (CBI 2005a).

About 74% percent of the organizations that shift activities realised cost reductions between 5% and 25% against 26% that did not realise any cost reduction.

**Machinery: Sector description, trends & developments**

The machinery sector is changing rapidly. The labor intensive production of simple products & components is disappearing at fast rate to Asia and Central- & Eastern Europe. On the other hand we can see the fast development of advanced product & machine business in a number of specific segments. The machinery sector is an important sector for the Netherlands and an important sector in Western Europe as well.

**Table 1.2** Key figures of Dutch metal & electronic industry sector (FME 2004)

<table>
<thead>
<tr>
<th>Industry</th>
<th>No of enterprises</th>
<th>No. of employees x 1.000</th>
<th>Total sales mln €</th>
<th>Sales export mln €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic metal industry</td>
<td>80</td>
<td>21,3</td>
<td>6,198</td>
<td>4,913</td>
</tr>
<tr>
<td>Metal products industry</td>
<td>1,155</td>
<td>73,3</td>
<td>10,978</td>
<td>3,403</td>
</tr>
<tr>
<td>Machine industry</td>
<td>935</td>
<td>75,7</td>
<td>12,246</td>
<td>6,699</td>
</tr>
<tr>
<td>Transport equipment industry</td>
<td>345</td>
<td>43,8</td>
<td>10,788</td>
<td>4,549</td>
</tr>
<tr>
<td>Total</td>
<td>2,515</td>
<td>214,1</td>
<td>40,218</td>
<td>19,565</td>
</tr>
</tbody>
</table>

Source CBS

Companies > 20
The loss of labor intensive production tends to be irreversible and continues. Innovative companies in specialized markets do have a bright future however by producing products in which they combine the power of the Dutch expertise and supply of labor intensive components of low labour costs countries. The number of organizations that are shifting business activities abroad is high.

Dutch import of engineering products has stayed virtually the same at a value of € 4.9 billion in 2004. The only product group to see a relatively significant change was pneumatics, which has risen 17% to € 355 million. Drives and transmissions have remained the largest product group with a value of € 2.1 billion (-1%). Leading supplier in 2004 has been Germany (26%) followed by Sweden (12%), Japan (9%), USA (8%), and Belgium (8%). LDC share in imports was 8%, with China being the most important country, accounting for 4% (CBI, 2005b).

<table>
<thead>
<tr>
<th>Table 1.3 Different equipment &amp; most important suppliers (CBI 2005b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Drives &amp; transmissions</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Handling equipment &amp; systems</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Hydraulic</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Pneumatics</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Tooling</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Engineering products</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Appendix 2  Service opportunities for INA

This appendix confronts research findings of Chapter 3 “Internal Analysis”, with the outcome of Chapter 5, “Support needs identification”. We have tried to identify similarities, gaps & discrepancies between identified support needs and internal capabilities & constraints of INA. Identified support needs in the business sectors Metal, Machinery & Furniture, have been used as starting point to determine to what extend support needs can be fulfilled with current offered services by INA. A distinction is made between:

- Already fully offered service
- Partly offered service that needs service expansion
- Not offered service

General identified support needs

1.) Need for country (macro) specific information
Interviewed organizations in selected business sectors have a need for Indonesian country information especially compared to other competitive Asian countries to identify advantages & disadvantages of outsourcing to Indonesia (macro).

INA Service
INA offers the “Information Service” focussed on business information services. Provided information contains some general economic information. Constraint: there is no comparison to other competitive Asian countries to identify outsourcing opportunities.

Services opportunity/possibility
The “Information Services” is therefore described as partly offered service that needs service expansion. Service opportunity: offering country information to selected business sectors compared to other Asian countries, with which they can make a well founded decision about whether or not to outsource to Indonesia.

2.) Need for branch (meso) specific information
Interviewed organizations in selected business sectors have a need for Indonesian branch/ business sector specific information (meso). Interviewed organizations request that information among other things should contain current and future trends & developments.

INA Service
INA offers the “Information Service” & “Market Research Service” focussed on business information services. Provided information contains market or industry survey on request. Constraint: branch specific (meso) information for Dutch outsourcing organizations considering Indonesia as outsource location has not been provided yet.

Services opportunity/possibility
The “Information Service” & “Market Research Service” is described as not offered service compared with the support need for branch specific information. Service opportunity: offering Indonesian branch/business sector information to Dutch organizations in selected business sectors for considering Indonesia as outsourcing option and/or staying up to date when already outsourcing.

3.) Need for partner/business relation information
Interviewed organizations in selected business sectors have a need for potential & interesting partners/ business relations and information should be reliable and objective (micro). According to Interviewed organizations information should state potential partners with addresses, contact persons, company data/information further described as company profiles.

INA Service
INA offers “Information Service”, “Business Mediation, Representation & Advice Service” & “Conferences, Matchmaking, Exhibitions & Trade fair Service”. Focus is on provision of addresses, partner/agent search and matchmaking events. Constraint: there is no detailed digital company information available that fulfils support needs and selection criteria stated by Cavusgil et al. (2002). Much information is based on practical experience and knowledge of the business development manager.
4.) **Need for support on cultural problems, difficulties & discrepancies**

Interviewed organizations distinguished following cultural areas in which support is needed:

- Need for improving Indonesian perception of products produced and manufactured in their branch for Western purposes;
- Need for improving skills of employees and a need for improvement of labour attitude;
- Need for improving communication between Indonesian and Dutch organization.

**INA Service**

INA offers “Business Mediation, Representation & Advice Service” with focus on business advice and human resource management. Constraint: no specific service is developed on how to deal with cultural problems. Especially the support need on how to improve Indonesian perception of products being produced/ manufactured is found important by interviewed organizations in the selected business sectors.

**Services opportunity/possibility**

The “Business Mediation, Representation & Advice Service” is described as partly offered service that needs service expansion compared with the need for support on cultural problems, difficulties & discrepancies. Service opportunity: offering services containing information and advice on how to handle cultural problems, difficulties & discrepancies. Organizations especially demand assistance on how to improve the Indonesian perception of the Western purposes, demands, standards & requirements on products. For, how and for what purpose products are sold in Western markets.

5). **Need for support in arranging and dealing with legislation and jurisdiction**

Interviewed organizations in selected sectors have a need for advice/ assistance in Indonesian legislation & jurisdiction, the legislative fields of international trade between Netherlands & Indonesia. Starting up businesses in Indonesia; property ownership, guarantee terms, return shipments and import & export documentation.

**INA Service**

INA offers the “Legal Services, Permits & Taxes Services”. Focus is on:

- Providing advice & assistance in establishment of a foreign direct investment company;
- Providing advice & assistance in establishment of a representative office;
- Providing general information and/or practical issues on investment law & regulations, corporate law, labour law, and other areas of law/regulations regarding trade and investment;
- Providing advice & assistance in liquidation process of PT. PMA companies and representative offices.

**Services opportunity/possibility**

The “Legal Services, Permits & Taxes Service” is described as already fully offered service by INA compared to the identified support need. No specific constraints have been identified in the internal analysis for extending or improving this provided service.

6.) **Need for support in dealing with the Indonesian corruption problem**

Interviewed organizations in the selected sectors have a need for support and assistance in dealing with the problem of corruption.

**INA Service**

INA offers the “Legal Services, Permits & Taxes Service” & “Business Mediation, Representation & Advice Service” with focus on business advice. The director has written a book on how to deal with corruption; it will be published in the short run.

**Services opportunity/possibility**

The “Legal Services, Permits & Taxes Service” & “Business Mediation, Representation & Advice Service” is described as already fully offered service by INA compared to the identified support need.
need. No specific constraints have been identified in the internal analysis for extending or improving this provided service.

7.) **Need for support on quality issues**
Interviewed organizations in selected business sector are very eager about quality management. Constant product quality: delivering the right number of products at the right time, manufactured according to ordered product specifications and requirements and shipped and delivered in good proper packaging.

**INA Service**
INA offers “Business Mediation, Representation & Advice Service” & “PUM Service” with focus on business advice. Constraint: there is no quality service developed at INA. An important criterion for outsourcing manufacturing organizations is realizing and receiving constant product quality according to specific requirements.

**Services opportunity/possibility**
The “Business Mediation, Representation & Advice Service” & “PUM Service” are described as not offered service compared with the identified support need. Service opportunity: offering assistance and advice on how to realize constant product quality. Assistance can be provided by e.g. assisting in getting ISO certification of potential partners.

8.) **Need for support and assistance on practical issues**
Interviewed organizations in selected business sectors have a need for practical advice and assistance in following matters:
- Commercial & professional translators for translating Bahasa Indonesia, English and Dutch;
- Arranging VISA for Dutch and Indonesian people;
- Providing information on subsidy possibilities;
- Drivers, especially in Jakarta;
- Practical matchmaking initiatives.

**INA Service**
- INA offers “Administrative and Office Services” focussed at certified translations & interpreting and are described as already fully offered service;
- INA offers “Legal Services, Permits & Taxes Services” with focus at all sorts of VISA provision & extension possibilities and are described as already fully offered service;
- INA offers “Mediation, Representation & Advice Service” with focus on job mediation. INA assists in obtaining subsidies to finance transactions or projects for demanding organizations. This service is described as already fully offered service;
- INA offers “Administrative and Office Services” with focus at Travel/meeting/discount arrangements for visits to Indonesia. INA can arrange travel, stay and meeting/ seminar accommodation. This service is described as already fully offered service;
- INA offers the “Information Service” with focus on provision of addresses, “Business Mediation, Representation & Advice Service” with focus on partner/ agent search and “Conferences, Matchmaking, Exhibitions & Trade Fair Service”. Constraint: there is little information available about potential interesting partners for Dutch organizations in the selected business sectors. Constraint: current database management does not fully support matchmaking activities. Inquiries are not connected to potential partner organizations in the database. Main matchmaking knowledge is based on experience of the business development manager and no procedures and quality standards are described. These services are described as partly offered services that needs service expansion. Service opportunity: offering expanded matchmaking services with more knowledge (company profiles in database connected to inquiries) about potential Indonesian partner organizations for matching Dutch SMEs in selected business sectors.
Specific identified support needs per business sector

9.) Interviewed organizations in the sector furniture have a support need for finding unique craftsmanship in Indonesia for manufacturing low volume high quality furniture products. This support need is branch specific. Information is needed for executing matchmaking activities between SMEs in the furniture sector focussed at low volume/ high quality products. The support need is appointed to the “Information Service”, “Business Mediation, Representation & Advice Service”, “Conferences, Matchmaking, Exhibitions & Trade Fair Service”. Part of the knowledge is present (detailed company profiles) for the previously described matchmaking service opportunity and will be accordingly.

10.) Interviewed organizations in business sectors machinery & metal need support on raw material availability issues. There is a need for information on availability & supplier reliability of the desired quality of raw materials with proper stamps and documents enclosed. This support need is a part of the need for Indonesian machinery & metal branch specific information and is appointed to the service opportunity: “offering Indonesian branch specific information to Dutch organizations in metal & machinery sector for considering Indonesia as outsourcing option and staying up to date when already outsourcing to Indonesia”.

11.) Interviewed organizations in the sector machinery & metal have a support need for criteria in screening potential partners.
INA offers “Business Mediation, Representation & Advice Service” focused at partner/ agent search for finding potential partners.
Constraint: there are no selection criteria present at INA for pre-selecting potential partners. Another constraint: lack of available information about INAs network according to the provided six partner & six task related selection criteria for selecting a foreign partner for Collaboration/Joint Venture by Cavusgil et al. (2002).

Services opportunity/possibility
The “Business Mediation, Representation & Advice Service” is described as not offered service compared to the support need for criteria in screening potential partners. Service opportunity: offering a screening tool with a list of criteria for analysing and pre-selecting potential Indonesian partners for Dutch outsourcing manufacturing organizations in metal & machinery sector.

Table 2.1 Identified summarized services opportunities

<table>
<thead>
<tr>
<th>New service opportunities to be developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing Indonesian business sector information to Dutch organizations in selected business sectors for considering Indonesia as outsourcing option and for staying up to date when organizations are already outsourcing to Indonesia.</td>
</tr>
<tr>
<td>Providing assistance and advice on how to realize constant product quality.</td>
</tr>
<tr>
<td>Providing a screening tool for analysing and pre-selecting potential Indonesian partners for Dutch outsourcing manufacturing organizations in the Metal &amp; Machinery sector.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service expansion opportunities to be developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing compared macro information of Asian countries to selected business sectors with which a well founded choice between potential outsourcing-countries can be made.</td>
</tr>
<tr>
<td>Providing extended and, preferably digital, datasheets regarding Indonesian companies</td>
</tr>
<tr>
<td>Providing services containing information and advice on how to cope with cultural differences</td>
</tr>
<tr>
<td>Providing expanded matchmaking services with extensive data about potential Indonesian partner organizations.</td>
</tr>
</tbody>
</table>
Appendix 3  

Service approach development

Next figure states the aspects that each service in the service approach to be developed consists of. Each of these aspects is taken into account in the service approach development process.

Figure 3.1  Service approach description & delivery systems

Compared macro information of Asian countries

The first service opportunity to be developed is providing compared macro information of Asian countries to selected business sectors. With this information a proper decision can be made whether or not to choose Indonesia to shift business activities to.

Approach description
Define new service “processes” and degree of change
Chapters 3 & 5 showed a lack of and a need for compared country (Macro) information of Asian countries. Practical purpose of the offered service is that organizations will get the information to identify advantages & disadvantages of Indonesia as outsourcing possibility.

This macro information is usually the starting point of external information gathering by organizations. It is of great importance to Indonesia to identify and specify opportunities & threats between Indonesia and other competing Asian countries. Based on interviews with organizations in selected business sectors, and the view from INA director as well, competing Asian countries are China, India, and Vietnam. INA should not do this research themselves, there are enough sources that supply macro information about the different Asian countries. It is recommended to gather this research and develop consistent reports with it. It might even be an option to develop these reports together with the EVD. A format has been drawn up on how such a service should look like.

For this service a fixed format has been drawn up. The PESTEL framework (Ball et al. 2004) consists of checklists of macro-environmental influences which might affect an organization. The framework distinguishes six main types: Political, Economic, Social, Technological, Environmental and Legal. It provides a summary of the specific key forces at work in the macro-environment that influence companies and there processes. It is particularly important that the PESTEL framework is used to look at the future impact of environmental factors that may be different from their past impact. When using the PESTEL framework one should try to identify some structural drivers of change. These are forces that possibly influence or change the whole structure of an industry, sector of market and are key drivers for the next service development, Indonesian business sector information.
Table 3.1  PESTEL format compared macro information of Asian countries

<table>
<thead>
<tr>
<th>Format</th>
<th>Indonesia</th>
<th>China</th>
<th>India</th>
<th>Vietnam</th>
<th>Country X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Economic</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Social</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Technological</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Environmental</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Legal</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
</tbody>
</table>

The service process is divided in two sub processes:
1. Continuously develop compared country reports in order to provide objective up to date information. Information is derived from different sources in order to develop clear insights on future trends per PESTEL element per relevant country;
2. Service providing to service buyers based on their support need and request for compared macro information of Asian countries. The flow schedule shows the actual service demand from Dutch organization at INA Jakarta.

Figure 3.2  Macro information service model

INA receives an inquiry from the service buyer. Next step is to assess service buyer’s specific needs for compared Asian country information. The assessed need is linked to the information available in the database. These country analyses are developed by the following procedure:

- Extensive desk research is executed to search and collect required information at identified sources by eg. searching own data and already available internal information, visiting internet websites, write information inquiries, use external accessible databases, visit meetings, trade fairs and exhibitions;
- All collected data is reviewed and information is processed into service products according developed fixed format and is properly stored in INAs database;
- Service buyers are asked to fill in a questionnaire to sustain quality control;
Degree of change: an increase of the complete service process. Service products are developed in house, based on received information from external information suppliers.

**Define new service “participants” and degree of change**
Participants are all parties involved in providing the service to the service buyer. Participants involved in this service are:

- INA and its staff: Service providing organization;
- INA members & non member in the selected business sectors: Service buyers;
- Universities: Independent party for scientific research on macro information of Asian countries;
- Supporting & information: Supplying organizations in networks of INA for providing required country information as previously described;

Degree of change: INAs network and involvement of participants increases compared to current situation by asking information from new resources such as Foreign Embassy's and Foreign Ministries of Economic Affairs.

**Define new service “physical facilities” and degree of change**
Physical facility: document containing requested information that is provided to the service buyer.

Degree of change: providing additional macro economic information about other competitive countries compared to Indonesia instead of only providing macro economic information about Indonesia.

**Define new service benefits**
This service will have the following benefits when implemented:

- Service buyers can make proper choices based on compared macro information of Asian countries to determine whether Indonesia is suitable for further orientation as outsourcing option. Already outsourcing service buyers stay up to date about current and future trends and developments in their outsourcing and neighbour countries. Service buyers extend their knowledge base;
- INA extends its own knowledge base of Asian global/macro information and derives more insights from other Asian countries compared to Indonesia. INA is better able to identify unique selling points of Indonesia as an outsourcing option;
- Services will be provided faster and at lower prices when using fixed formats and ready made products;
- INA tightens its co-operation with external information suppliers.

**Service delivery system**
The service delivery system describes how and with what resources the service is delivered to the service buyer.

**Service personnel**
This service is offered by INAs information service under the sub service Business information.

Service providing personnel are: Business development manager and Assistant Business development manager, Marketing manager and Director. They are responsible for:

- Continuously searching & processing macro economic information of different competing countries by expanding current network of information suppliers;
- Developing the documents with compared macro information of Asian countries;
- Storage of developed documents and keeping information up to date;
- Providing service to service buyers by assessing service needs and providing requested documents;
- Asking for feedback on provided services in order to realize and measure quality control;
- Providing non personal communication to target group by promoting provided INA services;

The director will monitor the process on a constant basis and staff will supply feedback about provided services to the director.

**Service facilities & equipment**
For providing this service following service facilities and equipment are needed by INA:

- Office and all its standard equipment like computers, printers, communication and other related facilities;
Digital multi user database for storage of processed received information and developed services products;
External access to macro economic information of different competing countries;
Proper internet connection.

Non-personal communication
This service is communicated to target group by using non personal communication resources:
INA quarterly magazine;
INA monthly news letter;
INA services book;
INA website at www.ina.or.id;
Leaflets and prospects about the service and summary of document contents;
Direct mail to INA (non) members;
Services advertisements and articles in non INA magazines.

Interviewed organizations would like to stay up to date about current and new developments in offered services by INA. They like INA to take initiatives itself to inform about new services and the trends & developments in contents of the services.

Customer
INAs target group: all SMEs (in the selected business sectors) in the Netherlands interested in outsourcing business activities to Asia. The target group in Indonesia is described as medium and large supplier companies, interested in exporting to the Netherlands and willing to take over production capacity from Dutch SMEs.

Invisible part of the service system and organization
Referring back to the processes, the invisible part of the service system is the whole process before making the service tangible by delivering actual requested information in a visible way like for example a hardcopy document.

Indonesian business sector information
The second service opportunity developed is providing Indonesian business sector information to Dutch SMEs in selected business sectors considering shifting business activities towards Indonesia.

Approach description
Define new service “processes” and degree of change
For this service a fixed format has been drawn up as well., which is applied on every business sector and is replicated continuously to provide up to date information and services. This format contains all steps to be taken in order to develop a good theoretical and practical orientated business sector study. Elements have been derived from the Environmental Analysis Framework (Austin 1990). Emphasis lies on the institutional analysis and the distinctive characteristics of LDC industry actors. Elements are used as an overall format. Existing formats for market research and elements derived from current draft proposal of ASIA INVEST are appointed.

<table>
<thead>
<tr>
<th>Meso elements</th>
<th>Metal sector</th>
<th>Machinery sector</th>
<th>Furniture sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business sector characteristics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Business sector size in:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- number of PT’s;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- estimated turnover;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- estimated Fte;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Main industrial drivers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Export/import figures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic production figures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current &amp; future trends/developments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Future growth &amp; forecasts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Opportunities &amp; threats</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Labour situation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Supplier manufacturers
- Geographical location of suppliers
- Availability of suppliers
- Levels of capacity utilization

Table 3.2 Meso information format
Dutch SMEs and outsourcing: Towards an international service approach for INA

- State of technology/technical standards
- Product developments
- Cost price developments
- Raw material availability

Buyers
- Local buyers
- Regional buyers
- International buyers

Competition
- Level of competition
- Major market players/organizations

Governmental and legal issues
- Legal aspects of production co-operation:
  - Ownership regulations;
  - Technology transfer;
  - Import/export duties;
  - Transportation issues;
  - Packaging, labelling and marking;
- Investment possibilities (subsidies)

According to interviews with the director and the internal analysis, ready made objective business sector analyses are hardly available in Indonesia. Business sector information is hard to obtain. INA is already developing market research (sales oriented) with own resources. Also business sector studies (outsource oriented) are developed with own resources. Secondary data is derived by executing desk research. Field research is used for finding relevant primary data by executing in depth interviews and (sending) questionnaires.

**Figure 3.3 Meso information service model**

**Selected business sectors Indonesia** | **Service providing organization** | **Service buyers**
---|---|---

**Desk research**
(secondary data)

- Indonesian ministry of domestic/economic affairs
- EVD
- CBI
- FMO
- BKPM

**Field research**
(secondary & primary data)

- Indonesian ministry of domestic/economic affairs
- Indonesian branch organizations
- Other foreign chambers of commerce

INA receives an inquiry for Indonesian business sector information by the service buyer.

First step is to assess the service buyer’s specific needs for business sector information. The assessed need is linked to business sector information available in the database. These business sector analyses are developed based on following procedure:
Second step is to execute extensive desk research at identified sources. This step contains following activities: searching own data and already available internal information, visiting internet sites, write information inquiries and use external accessible databases;

Information shortage is added with field research. Examples are in depth interviews, questionnaires, visit meetings, trade fairs and exhibitions;

All collected data is reviewed and information is processed into a service product according developed fixed format and stored in INAs database;

Service buyers are asked to fill in a questionnaire in order to sustain quality;

Degree of change: increase of complete service process. Reports are developed in house based on received and requested information from executed desk and field research from external information suppliers.

Define new service “participants” and degree of change
Participants are all parties involved in providing the service to service buyer:

INA and its staff: Service providing organization;

INA members & non member in the selected business sectors: Service buyers;

Universities: Independent party for scientific research on compared macro information of Asian countries;

Supporting & information: Supplying organizations in networks of INA for providing the required country information as previously described under desk & field research.

Degree of change: INAs network and participants involved will grow compared to current situation by asking information from new resources such as Ministries of Economic/Domestic Affairs, Indonesian branch organizations and other foreign chambers of commerce. Also see the note at end of this section.

Define new service “physical facilities” and degree of change
Physical facility: document or report containing full, objective and up to date business sector (meso) information according the previously described fixed format requested by the service buyer.

Degree of change: service to be offered is completely new to INA. INA has experience with doing market research that is offered to organizations which show interest in Indonesia as an option. These market reports are made in house on request by each demanding organization. The business sector reports should be custom made products that are supplied to the target group efficiently.

Define new service benefits
This provided service will have the following benefits when implemented:

Service buyers can make proper choices based on business sector information to determine whether Indonesia is suitable for further orientation as outsourcing option. Already outsourcing service buyers will stay up to date about current and future trends and developments in their business sector. Service buyers extend their knowledge base;

INA extends its knowledge base on Indonesian business sector information and derives more insights from other Asian countries compared to Indonesia. INA is better able to identify unique selling points of Indonesia as an outsourcing option;

Services are provided faster and against lower prices when using fixed formats and ready made products;

INA tightens its co-operation with external information suppliers.

Service delivery system
The service delivery system elements explain how and with what kind of resources the service is delivered to the actual service buyer.

Service personnel
This service is offered by INAs Information service and is named Business sector research. Service providing staff: the Business development manager, Assistant Business development manager, Marketing manager and Director. They are responsible for:

(Continuously) searching & processing meso information of different selected business sectors in Indonesia according fixed format;

Storage of developed documents and keeping information up to date;

Providing service to service buyers by assessing service needs and providing requested documents;

Asking for feedback on provided services in order to realize and measure quality control;
Providing non personal communication to target groups by promoting provided INA services; The director monitors the process on a constant basis and personnel will supply feedback to the director.

Service facilities & equipment
Next service facilities & equipment are needed by INA:
- Office and all its standard equipment like computers, printers, communication and other related facilities;
- Digital multi user database for storage of processed received information and developed documents;
- External access to business sector/meso information of selected sectors in Indonesia;
- At least average speed and stable internet connection;
- Voice recorders for taping executed in depth interviews;
- Transport facilities for executing field research.

Non-personal communication
This service is communicated to the target group by using non personal communication resources:
- INA quarterly magazine;
- INA monthly news letter;
- INA services book;
- INA website at www.ina.od.ir;
- Leaflets and prospects about the service and summary of document contents;
- Direct mail to INA (non) members;
- Services advertisements and articles in non INA magazines.

The interviewed organizations would like to stay up to date about new and current developments in offered services by INA. They would like to see INA taking initiatives to inform about new services and the trends and developments in the contents of the services.

Customer
Target group of INA: all small and medium sized organizations (in the selected business sectors) in the Netherlands interested in outsourcing business activities to Asia. The target group in Indonesia can be described as medium and large supplier companies. They are interested in exporting to the Netherlands and willing to take over production capacity from Dutch SMEs.

Invisible part of the service system and organization
Referring back to the processes the invisible part of the service system is seen as the whole process before making the service tangible by delivering the actual requested information in visible way like for example a hardcopy document.

Practical matchmaking/ company profiles
The third service opportunity: providing expanded matchmaking services with more knowledge (extended and increased current digital Indonesian available partner/company information) worked out in detailed company profiles for the purpose of matching. Providing a screening tool for analysing and pre-selecting potential Indonesian partners for Dutch outsourcing manufacturing organizations.

Service framework
Define new service “processes” and degree of change
Chapter 4 and 5 showed a large support need for extensive matchmaking services and the lack of knowledge of INA about supplier manufacturer information to fulfil this need. For this service a fixed format is drawn up, with which INA is able to retrieve requested Indonesian supplier manufacturer company information. This format contains all elements to provide the requested Indonesian company information to work out detailed Indonesian company profiles.

Twelve partner selection criteria developed by Cavusgil et al (2002) are used as an overall framework for development of the fixed format. During executed in depth interviews, organizations have been asked which partner characteristics & selection criteria are the most important. Eisenga (2006) developed a practical partner screening list for screening & selecting of potential
production/manufacturing companies with focus on metal and machinery sector. These screening and selection criteria have been adapted and inserted in a fixed format with which INA should provide detailed company profiles to Dutch SMEs.

<table>
<thead>
<tr>
<th>Table 3.3 Micro information format</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partner related criteria</strong></td>
</tr>
<tr>
<td><strong>Partner characteristics:</strong></td>
</tr>
<tr>
<td>- Size of the company;</td>
</tr>
<tr>
<td>- Size compared to outsourcing company;</td>
</tr>
<tr>
<td>- Strategic importance of partnership;</td>
</tr>
<tr>
<td>- Communication (proper English);</td>
</tr>
<tr>
<td>- Communication infrastructure;</td>
</tr>
<tr>
<td>- Ownership of the factory;</td>
</tr>
<tr>
<td>- Adapted to western standards;</td>
</tr>
<tr>
<td>- Local network of partner;</td>
</tr>
<tr>
<td><strong>Property rights protection:</strong></td>
</tr>
<tr>
<td>- Are products and processes described &amp; patented.</td>
</tr>
<tr>
<td><strong>Compatibility of business philosophies:</strong></td>
</tr>
<tr>
<td>- Vision;</td>
</tr>
<tr>
<td>- Mission;</td>
</tr>
<tr>
<td>- Strategy;</td>
</tr>
<tr>
<td>- Goals;</td>
</tr>
<tr>
<td><strong>Commitment:</strong> (by management)</td>
</tr>
<tr>
<td>- Number of days needed for returning first information enquiry;</td>
</tr>
<tr>
<td>- Reception by middle management/ top management;</td>
</tr>
<tr>
<td>- Willingness to make sample without immediate profit;</td>
</tr>
<tr>
<td>- Willingness to share financial stability figures;</td>
</tr>
<tr>
<td><strong>Motivation:</strong></td>
</tr>
<tr>
<td>- Do they share their shortcomings?</td>
</tr>
<tr>
<td>- Do they look/ act reliable?</td>
</tr>
<tr>
<td><strong>Reliability:</strong></td>
</tr>
<tr>
<td>- Reliability in suppliers relations;</td>
</tr>
<tr>
<td>- Reliability in numbers of products;</td>
</tr>
<tr>
<td>- Reliability in supply to outsourcing organizations ;</td>
</tr>
<tr>
<td>- Reliability in not supplying competitors the same products;</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

INA has no company profiles resembling the fixed format on the previous page. Information has to be derived by desk and field research in order to retrieve the required information. For this purpose the fixed format is translated into a screening tool covering all elements. This screening tool is added as appendix 4. The tool can be used by INA to collect the valuable information on Indonesian supplier manufacturers. It is also be used by Dutch organizations assessing their preference over some elements with which INA then (once collected the information) can give a more detailed selection of Indonesian potential partners. It consists of a questionnaire for Indonesian organizations and extensive interview questions to be executed by INA employees. A final list is added in which all collected data are showed and preferences can be added to some elements by Dutch organizations. Starting point for INA to collect information for the company profiles is to use its current member and non member databases.
INA receives an inquiry from the service buyer. The demand is being assessed on the elements found important by the service buyer. INA provides services by linking the inquiry to its database resulting in a selection of company profiles. The company profiles are developed according next procedure:

1. INA starts searching its own resources with developed screening tool;
2. INA sends questionnaires to Indonesian manufacturers interested in starting joint production with Dutch outsourcing organizations;
3. Based on provided information, follow up appointments are made to collect additional information by using the interview list;
4. Information will be internally processed and the relevant information will be developed in a detailed company profile according developed fixed format;
5. Completed company profiles will be stored in a multi user database to which the inquiry will be linked in order to find matching partners for Dutch organizations.

Degree of change: an increase of the complete service process. The service process is extended by collecting and searching detailed company information actively by sending questionnaires and executing in depth interviews with Indonesian companies.

Define new service “participants” and degree of change

Participants are all parties involved to some extent in providing the service to the service buyer:

1. INA and its staff: Service providing organization;
2. INA members and non member in the selected business sectors: Indonesian supplier manufacturers (supply side) and Dutch service buyers as being the demand side;
3. For future purposes additional supplier organizations can be derived from other information supply organizations like for example the German Chamber of Commerce EKONID. INA however should first focus on the organizations they are already familiar with to make a good foundation of company profiles.

Degree of change: INAs network and participants involvement will not increase significantly compared to current situation. INA should focus on current available contacts in its members and non-members lists and different databases. This involves no large degree of change in the number of new participants involved in providing this service.
Define new service “physical facilities” and degree of change
Physical facility: the document or report containing full, objective and up to date company profiles according the previously described fixed format requested by the service buyer.
Degree of change: future availability of these company profiles in a multi user friendly accessible electronic database. For further information about this database we refer to service facilities in next section and next chapter Services implementation and integration.

Define new service benefits
This provided service will have the following benefits when implemented:

- Service buyers can start realizing partnerships by receiving full company profiles of potential Indonesian supplier manufacturers. Service buyers will extend their knowledge base about Indonesian supplier manufacturers;
- With this service INA extends its knowledge base on Indonesian companies;
- With this service INA is better able to provide matchmaking activities to service buyers. The rate of successful matches will be improved when implemented according next chapter;
- Services can be provided faster and against lower prices when using fixed formats and ready made products and procedures like the company profiles;
- In providing this service INA can tighten its co-operation with its (non) members and give additional value to the success of their businesses.

Main service benefit of this service approach as a whole is that INA provides collective services on individual level. This is in line with Bratton (2003) who states that chambers of commerce should provide individual advisory support services, collective services and representation of the collective interests of businesses.

Service delivery system
The service delivery system elements provide an as complete possible insight on how and with what resources the service is delivered to the service buyer.

Service personnel
This service is offered by INAs Business Mediation, Representation and Advice Service under current description as Partner/agent search. Service providing personnel: Business development manager & assistant Business development manager, Legal manager & assistant legal manager, Marketing manager and director. They are responsible for the following activities:

- Continuously searching and developing Indonesian supplier manufacturer company profiles from selected business sectors in Indonesia according fixed format;
- Storage of developed documents and keeping information up to date;
- Providing service to service buyers by assessing service needs and providing requested documents;
- Asking for feedback on provided services in order to realize and measure quality control;
- Providing non personal communication to target group by promoting provided INA services.

The director monitors the process on a constant basis and personnel supplies feedback about provided services to the director.

Service facilities and equipment
For providing this service next service facilities and equipment are needed by INA:

- Office and all its standard equipment like computers, printers, communication and other related facilities;
- External access to company profile information of selected sectors in Indonesia;
- Proper internet connection;
- Voice recorders for taping executed in depth interviews;
- Transport facilities for executing field research;
- Digital multi user database for storage of processed received information and developed documents.

Non-personal communication
This service is communicated to the target group by using non personal communication resources:

- INA quarterly magazine;
- INA monthly news letter;
- INA services book;
- INA website at www.ina.od.ir;
Leaflets and prospects about the service and summary of document contents;
- Direct mail to INA (non) members;
- Services advertisements and articles in non INA magazines.

These organizations would like to stay up to date about new and current developments in offered services by INA.

**Customer**

Target group: all small and medium sized organizations (in the selected business sectors) in the Netherlands interested in outsourcing business activities to Asia. The target group in Indonesia is described as medium and large supplier companies. They are interested in exporting to and willing to take over production capacity from Dutch SMEs.

**The invisible part of the service system and organization**

Referring back to the processes the invisible part of the service system is seen as the whole process before making the service tangible by delivering the actual requested information in visible way like for example a hardcopy document.
## Appendix 4  Partner selection criteria

<table>
<thead>
<tr>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A  Partner related criteria</strong></td>
</tr>
<tr>
<td><strong>I  Partner characteristics</strong></td>
</tr>
<tr>
<td>What is the size of the company?</td>
</tr>
<tr>
<td>How does the company perceives a partnership?</td>
</tr>
<tr>
<td>How is the communication (English)?</td>
</tr>
<tr>
<td>How is the company’s infrastructure (internet, telephone, and fax)?</td>
</tr>
<tr>
<td>Is the partner owner of the factory?</td>
</tr>
<tr>
<td>In how far is the company adapted to western standards?</td>
</tr>
<tr>
<td>What local networks does the company (esp. suppliers, buyers, government) have?</td>
</tr>
<tr>
<td><strong>II  Property rights protection</strong></td>
</tr>
<tr>
<td>Are products and processes described &amp; patented</td>
</tr>
<tr>
<td><strong>III  Compatibility of business philosophies</strong></td>
</tr>
<tr>
<td>Vision?</td>
</tr>
<tr>
<td>Mission?</td>
</tr>
<tr>
<td>Strategy?</td>
</tr>
<tr>
<td>Goals?</td>
</tr>
<tr>
<td>Core competences?</td>
</tr>
<tr>
<td><strong>IV  Commitment (by management)</strong></td>
</tr>
<tr>
<td>Number of days needed for returning first information enquiry</td>
</tr>
<tr>
<td>Reception by middle management/ top management</td>
</tr>
<tr>
<td>Willingness to make samples without immediate profit</td>
</tr>
<tr>
<td>Willingness to share financial stability figures</td>
</tr>
<tr>
<td><strong>V  Motivation</strong></td>
</tr>
<tr>
<td>Do they share their shortcomings?</td>
</tr>
<tr>
<td>Do they look/ act reliable?</td>
</tr>
<tr>
<td><strong>VI  Reliability</strong></td>
</tr>
<tr>
<td>Reliability in suppliers relations</td>
</tr>
<tr>
<td>Reliability in numbers of products</td>
</tr>
<tr>
<td>Reliability in supply to outsourcing relations</td>
</tr>
<tr>
<td>Reliability in not supplying competitors the same products</td>
</tr>
</tbody>
</table>
B Task related criteria

I Financial resources
   Turnover (5 years)?
   What is your ROI?
   What is your Liquidity?
   What is your Solvability?

II R&D and technical resources
   Is there a quality system present, if yes, what?
   Are ISO and other certification present?
   Quality report on delivery?
   Quality control during process?
   Quality control machines?
   Is the company experienced with customer-supplier relationships?
   Does the company have design capabilities?
   Are there continuous improvement measures?

III Marketing resources
   What is the price of complete module?
   What is the price of a sample?
   What is the price of complete product delivered in Netherlands?
   What is the duration for a product to be produced and delivered in Netherlands?

IV Production resources
   How many employees in fixed service?
   How many employees not in fixed service?
   What are the Shifts (hours per day)?
   What is the revenue per year (mln)?
   What is the capacity of machines?
   Raw materials authenticity certificates present?
   Raw material import experience present?
   Does the company provide quality samples?
   What machines are present?
   Does the company make special tools for own use?
   What is the educational level of employees?
   What is the duration of fabrication process?

V Organizational resources
   Does the company have international business experience?
   What is the Learning curve/ problem solving experience?
   What is the amount Project managers vs. functional management?
   Does the company have direct export experience?
Appendix 5  Questionnaire SMEs

The questions stated here are used as a guideline for interviewing. The in depth interview should be as open as possible in order to retrieve as much information as possible.

**Theoretical framework support needs identification**

1) What kind of business activities do you maintain with foreign countries/ Indonesia?
2) Which are the most eminent problems that you have faced by shifting business activities towards foreign countries/ Indonesia?
3) What do you expect from a foreign partner in foreign countries/ Indonesia?
4) Which characteristics do you demand/ need from a (potential) partner?
5) How is your outsourcing process structured and which stages can be distinguished in the process of shifting your business activities abroad? (Franceschini)
6) In what stage(s) of shifting your business activities abroad did you have a need for support from an external support organization (BSO)? Which organization should supply this support to you in your opinion?
7) Do you have the intention in the near future to outsource (more) business activities abroad (maybe to other countries)?

**Practical framework**

1) Which organizations were involved in your outsourcing process?
2) Describe your experiences with the EVD and other governmental organizations. What kind of other organizations?
3) What information sources did you use to retrieve information about Indonesia? Internet (specific websites), brochures, partners, magazines, etc.
4) Did you visit seminars, shows and/or conventions, which ones, have your visits been useful?
5) Do you know other companies in your line of business that are shifting business activities to Indonesia and do you exchange opinions and experiences?

**INA**

**Theoretical framework internal analysis**

1) Are you acquainted with the bilateral chamber of commerce INA and if so, how did you get acquainted?
2) Do you have a clear perception of the services that INA can render to your organization?
3) Did INA provide any kind of service to you in the past, if so which service and were you satisfied?
4) Do you have a personal contact at INA who handles your business?
5) Are you satisfied about the quality of the services and contacts provided by INA, and why?

Do you have suggestions for improvement?
# Appendix 6 Interviewed SMEs & organizations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Business sector</th>
<th>Contact</th>
<th>Position</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Branche organizations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEVAT</td>
<td>Supplies</td>
<td>Carolina Tubbing</td>
<td>Manager</td>
<td>Zoetermeer</td>
</tr>
<tr>
<td>Metaalunie</td>
<td>Metal and Machinery</td>
<td>Leendert Remmelink</td>
<td>Manager</td>
<td>Nieuwegein</td>
</tr>
<tr>
<td>FME</td>
<td>Metal and Machinery</td>
<td>Marvin Bruijstens</td>
<td>International Manager</td>
<td>Zoetermeer</td>
</tr>
<tr>
<td>CMB/ BTCM</td>
<td>Furniture</td>
<td>Johan Westerbeek</td>
<td>Manager</td>
<td>Haarlem</td>
</tr>
<tr>
<td>Plantum</td>
<td>Agro</td>
<td></td>
<td></td>
<td>Gouda</td>
</tr>
<tr>
<td><strong>BSOs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FMO</td>
<td>Investment program</td>
<td>Joyce Borstboom</td>
<td>Secretary</td>
<td>Den Haag</td>
</tr>
<tr>
<td>KvK</td>
<td>Chamber of Commerce</td>
<td>Marco Platvoet</td>
<td>Business Manager</td>
<td>Enschede</td>
</tr>
<tr>
<td>EVD</td>
<td>Chamber of Commerce</td>
<td>Anke Schepmaker</td>
<td>Country Manager</td>
<td>Den Haag</td>
</tr>
<tr>
<td><strong>Consultants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willem Linders Quality</td>
<td>Consultant</td>
<td>Willem Linders</td>
<td>Director</td>
<td>Geldrop</td>
</tr>
<tr>
<td>EG Advies</td>
<td>Consultant</td>
<td>Rein Eijsbroek</td>
<td>Director</td>
<td>Den Bosch</td>
</tr>
<tr>
<td><strong>Organizations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Van Leeuwen Precisie</td>
<td>Metal and Machinery</td>
<td>Rob Blokvoort</td>
<td>Student</td>
<td>Deventer</td>
</tr>
<tr>
<td>HMM Asiades</td>
<td>Furniture</td>
<td>Jan Wout Hulsteijn</td>
<td>Director</td>
<td>Bathmen</td>
</tr>
<tr>
<td>QnAp</td>
<td>Software</td>
<td>Johan Nooteboom</td>
<td>Sales Manager</td>
<td>Nuenen</td>
</tr>
<tr>
<td>Technomed</td>
<td>Medical equipment</td>
<td>John Peas</td>
<td>Director</td>
<td>Airport Maastr.</td>
</tr>
<tr>
<td>Rene Teerink</td>
<td>Furniture</td>
<td>Rene Teerink</td>
<td>Director</td>
<td>Laren (Gld)</td>
</tr>
<tr>
<td>ELT Eeuwige Lente</td>
<td>Agro</td>
<td>Herman Kuipers</td>
<td>Director</td>
<td>Goor</td>
</tr>
<tr>
<td>GP Plants</td>
<td>Agro Handelskwekerij</td>
<td>Gert Pezie</td>
<td>Director</td>
<td>Almelo</td>
</tr>
<tr>
<td>Woontrend/ York meubelen</td>
<td>Furniture</td>
<td>Willem Jan Onstein</td>
<td>Director</td>
<td>Amsterdam</td>
</tr>
<tr>
<td>Slot Agencies &amp; Consultancy</td>
<td>Textile</td>
<td>Cees Slot</td>
<td>Director</td>
<td>Hengelo</td>
</tr>
<tr>
<td>Sfeervol wonen</td>
<td>Furniture</td>
<td>Matie Tegelaars</td>
<td>Director</td>
<td>Eindhoven</td>
</tr>
<tr>
<td>Eurospilt</td>
<td>Furniture</td>
<td>Matie Tegelaars</td>
<td>Director</td>
<td>Huizen</td>
</tr>
<tr>
<td>DTE</td>
<td>Metal and Machinery</td>
<td>Derksen</td>
<td>Director</td>
<td>Gaanderen</td>
</tr>
<tr>
<td>De Tropen</td>
<td>Furniture</td>
<td>Sparreboom</td>
<td>Director</td>
<td>Brielle</td>
</tr>
<tr>
<td>ALMI</td>
<td>Metal and Machinery</td>
<td>Bertelink</td>
<td>Director</td>
<td>Vriezeveen</td>
</tr>
<tr>
<td>DOOR Furniture &amp; Home Decoration</td>
<td>Furniture</td>
<td>Dorien Spil</td>
<td>Director</td>
<td>Bussum</td>
</tr>
<tr>
<td>Norma</td>
<td>Metal and Machinery</td>
<td>Stan oude Mulders</td>
<td>Director</td>
<td>Hengelo</td>
</tr>
<tr>
<td>Ned Deck Marine</td>
<td>Metal and Machinery</td>
<td>Olav Duyn</td>
<td>Director</td>
<td>Barneveld</td>
</tr>
</tbody>
</table>