

**MANAGEMENT OUTSOURCING BUSINESS MODELS: A PERSPECTIVE OF
SUSTAINABILITY**

Marina Isabel Amoêdo Saraiva

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Supervisor:

Prof. Eng. Carlos Jerónimo, Prof. Auxiliar Convidado, ISCTE Business School,
Departamento Marketing, Operações e Gestão Geral

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SUMMARY

In a world characterized by intense competition, outsourcing has infiltrated the management world in a major way. Outsourcing services are becoming an increasingly important source to companies focus on their core competencies, reduce costs, and increase efficiency in several organizational functions.

Even though outsourcing of business activities has become a prevalent practice amongst organizations, the literature provides only a one-dimensional view of the phenomenon by focusing on the service receivers' perspectives – *buyer*.

This dissertation overcomes this weakness by investigate and analyze the business models of outsourcing companies – *vendor* - as a way to understand how they reach a sustainable competitive advantage that differentiates them in a competitive market. Hence, the whole investigation explores the service provider's perspectives by conducting interviews to 16 top executives from 15 different outsourcing companies in Portugal.

The findings suggest that all the organizations presented in the study face the same challenges/pains in the market and each of them manifest an exclusive combination of mechanisms, methods, strategies and approaches within their business models to be differentiated in the market and sustainable in terms of efficiency and competitive advantage.

Key words: outsourcing, business models, efficiency, competitive advantage, outsourcing companies, Portugal.

JEL: L24, M55

RESUMO

Num mundo caracterizado por forte competição, o *outsourcing* tem estado presente no mundo da gestão de forma cada vez mais significativa. Serviços de *outsourcing* representam atualmente uma importante fonte para as empresas se conseguirem focar nas suas competências e capacidades chave, reduzir custos, e aumentar a eficiência em diversas funções organizacionais.

Apesar do *outsourcing* de atividades de negócio ser uma prática cada vez mais relevante e existente nas organizações, a literatura proporciona apenas uma visão dimensional do fenómeno, focando-se na perspetiva dos recetores do serviço – *buyer*.

Esta dissertação transpõe este *gap* investigando e analisando os modelos de negócio das empresas de *outsourcing* – *vendor* – de forma a perceber como estas alcançam uma vantagem competitiva que as torna diferenciadoras num mercado competitivo. Assim, a presente investigação explora a perspetiva dos prestadores do serviço de *outsourcing* através da realização de entrevistas a 16 executivos de topo pertencentes a 15 distintas empresas de *outsourcing* em Portugal.

Os resultados demonstram que as organizações presentes no estudo enfrentam os mesmos desafios e dores no mercado, e cada uma delas expressa uma combinação exclusiva de mecanismos, métodos, estratégias, e abordagens nos seus modelos de negócio que as torna diferenciadores e sustentáveis no mercado, em termos de eficiência e vantagem competitiva.

Palavras-chave: outsourcing, modelos de negócio, eficiência, vantagem competitiva, empresas de outsourcing, Portugal.

JEL: L24, M55

“You can, you should, and if you are brave enough to start, you will.”

Stephen King

TABLE OF CONTENTS

| | |
|---|----|
| I - Executive Summary | 1 |
| II - Literature Review | 4 |
| 2.1. Outsourcing definition and analysis | 4 |
| 2.1.1. Definition | 4 |
| 2.1.2. Overview of the outsourcing market..... | 7 |
| 2.1.3. Outsourcing arrangement characteristics | 9 |
| 2.1.4. The contract between the buyer and the vendor..... | 10 |
| 2.2. What to outsource? | 12 |
| 2.2.1. Three different approaches | 13 |
| 2.3. Origin and evolution | 16 |
| 2.3.1. Origin | 16 |
| 2.3.2. Evolution | 16 |
| 2.4. Motivations to outsourcing | 18 |
| 2.4.1. Advantages | 19 |
| 2.4.2. Disadvantages..... | 21 |
| 2.5. Outsourcing Trends..... | 24 |
| 2.6. Business models and competitive advantage | 27 |
| 2.6.1. Business models | 27 |
| 2.6.2. Competitive advantage:..... | 28 |
| III – Methodology..... | 29 |
| 3.1. Research paradigm and objectives..... | 29 |
| 3.2. Research questions..... | 30 |
| 3.3. Research hypothesis..... | 31 |
| 3.4. Research approach | 32 |
| 3.5. Methods of data collection..... | 33 |

| | |
|---|----|
| IV - Data Analysis | 36 |
| 4.1. Respondents and company profile | 37 |
| 4.1.1. Interviewee's role | 37 |
| 4.1.2. Number of collaborators in Portugal | 37 |
| 4.1.3. International presence | 39 |
| 4.2. Company and services provided | 40 |
| 4.2.1. Services provided | 40 |
| 4.2.2. Pains and troubles..... | 42 |
| 4.2.3. Innovation in the portfolio of services | 45 |
| 4.2.4. Business model and competitive advantage..... | 48 |
| 4.3. Human resources and talent..... | 51 |
| 4.3.1. Recruitment features and match with the client | 51 |
| 4.3.2. Investment in training..... | 54 |
| 4.3.3. Retention strategies | 57 |
| 4.4. Client's management | 60 |
| 4.4.1. Resources internalization by the buyer | 61 |
| 4.4.2. Practices to close opportunities | 63 |
| 4.4.3. Vendor-buyer relationship | 66 |
| 4.5. Future vision | 68 |
| V – Conclusions | 72 |
| 5.1. Hypothesis' assessment and research conclusions | 72 |
| 5.2. Limitations of the study | 76 |
| 5.3. Future research..... | 77 |
| VI - References..... | 78 |
| VII – Appendices..... | 85 |
| Appendix A - Interviews details | 85 |

| | |
|--|----|
| Appendix B - List of the companies | 86 |
| Appendix C - Interview Guide..... | 89 |

LIST OF TABLES:

| | |
|--|----|
| Table 1: Concepts related to Outsourcing, definition and respective authors. Self-constructed..... | 6 |
| Table 2: Outsourcing arrangements. Self-constructed table, adapted from Bhattacharya et al., 2013. | 10 |
| Table 3: Outsourcing decision based on product architecture, dependency and knowledge. Self-constructed table, adapted from Heizer et al., 2017. | 14 |
| Table 4: Summary table of the questions approached in the interviews and respective sections. Self-constructed table | 36 |

LIST OF FIGURES:

| | |
|--|----|
| Figure 1: Global market size of outsourced services from 2000 to 2017 (in billion U.S. dollars). Self-constructed chart, adapted from The Statistics Portal. | 8 |
| Figure 2: Global outsourcing industry revenue from 2010 to 2017, by service type (in billion U.S. dollars). Self-constructed chart, adapted from The Statistics Portal..... | 9 |
| Figure 3: Outsourcing decision based on contribution to business operations and competitive positioning. Self-constructed image, adapted from Willcocks et al., 2002. | 15 |
| Figure 4: Summary of the outsourcing’s motivations according to the literature reviewed. Source: Self-constructed..... | 18 |
| Figure 5: Summary of the outsourcing’s trends according to the reviewed literature. Source: Self-constructed..... | 27 |
| Figure 6: Overview exhibit of the research process. Source: Self-constructed..... | 29 |
| Figure 7: Participants’ hierarchical position. Source: self-constructed chart based on the conducted interviews, 2018 | 37 |
| Figure 8: Companies’ number of employees. Source: self-constructed chart based on the conducted interviews, 2018 | 38 |

Figure 9: Outsourcing in PT and foreign countries. Source: self-constructed chart based on the conducted interviews, 2018. 39

Figure 10: Outsourcing’s pains and troubles. Source: self-constructed chart based on the conducted interviews, 2018 42

Figure 11: Companies strategies to innovate the portfolio of services. Source: self-constructed chart based on the conducted interviews, 2018..... 45

Figure 12: Companies strategies to retain resources and talent. Source: self-constructed chart based on the conducted interviews, 2018 57

Figure 13: Resources internalization by the buyer. Source: self-constructed chart based on the conducted interviews, 2018. 61

Figure 14: Companies main practices to close/win opportunities. Source: self-constructed chart based on the conducted interviews, 2018 64

LIST OF ABBREVIATIONS:

| | |
|------|--|
| BPO | Business Process Outsourcing |
| CEO | Chief Executive Officer |
| CRM | Customer Relation Management |
| CSR | Corporate Social Responsibility |
| EMEA | Europe, the Middle East and Africa |
| EY | Ernst & Young |
| FM | Facilities Management |
| FR | France |
| HR | Human Resources |
| IAOP | International Association of Outsourcing Professionals |
| IT | Information Technology |
| ITO | Information Technology Outsourcing |
| MBA | Master of Business Administration |
| PMO | Project Management Office |
| PT | Portugal |
| RE | Real Estate |

| | |
|-----|-------------------------|
| R&D | Research & Development |
| SLA | Service Level Agreement |

I - EXECUTIVE SUMMARY

The intense competition aligned with the challenge to stay differentiated in the market leads organizations to develop the best strategies to achieve efficiency and that allow them to focus on their core areas. In this context, the dependency on external supply sources increases, leading companies to contract outsourcing services (Lopes da Costa, 2011; Bacea and Borza, 2015). Hence, outsourcing is considered to be one of the best ways of reshaping management and it is promoted as one of the most powerful trends in management. (Bacea and Borza, 2015).

According to the extended literature, outsourcing involves an externalization of a certain activity usually performed in house by a company to an outsider company. Therefore, there are 2 different parties related to outsourcing: the *buyer* - the company that outsources – and the *vendor* – the company that provides the service. (Dolgui and Proth, 2013).

Despite having two different parties in outsourcing arrangements, the *vendor's* perspective has hardly been explored in outsourcing literature (Currie, 2000; Levina, 2003; Webb and Laborde, 2005; Bhattacharya et al., 2013). Indeed, most of the studies found in the literature are from service receivers' (*buyer*) perspectives since the main objective of outsourcing is to maximize their interests (Bhattacharya et al., 2013).

Regarding this significant lack of literature on understanding *vendor's* perspective and the way the *vendor* and *buyer* cooperate and operate with each other, the present study aims to add value to the existence literature by bringing insights on the topic focusing on the *vendor's* perspective.

Additionally, it is not approached in the existing literature how the different companies' business models contribute to achieve a competitive advantage and make them sustainable in terms of efficiency.

Accordingly, the main objective of this dissertation is to analyze the different management outsourcing business models in several companies with outsourcing services – *vendor* - in order to understand how these models make them sustainable in terms of efficiency and competitive advantage.

This dissertation present features that extend past research on the outsourcing subject, namely, it will bring up the differences of business models within the outsourcing industry

and consequently will enrich the literature on the *vendor's* side by analyzing several *vendor's* perspectives in the Portuguese outsourcing market

It was conducted sixteen in-depth interviews with top executives, namely partners, executive directors, senior managers and managers, from fifteen companies in Portugal where outsourcing services can be found, as a way to collect personal testimonies from experts in the area. The interviews were guided with a questionnaire composed by 15 open-ended questions which were designed to answer the main features that compose a business model according to Slávik and Hanák (2017): the services offered to customers; the way the company is organized to deliver these products and services to customers; the way how to appropriate a part of the produced value, thus the profitable and/or revenue model.

Thus, the questionnaire was organized in 5 main sections - the company structure and context; the services provided and ways to deliver it; a section dedicated to analyse the companies' human resources and talent; the management of the existing clients and ways to catch new ones; and the future of outsourcing – as a way to answer the main question of this dissertation: how outsourcing firms are through their business models sustainable in terms of efficiency and competitive advantage?

Concerning the structure of this dissertation, subsequently of this introductory part, the theoretical concepts and topics are defined, explained and reviewed regarding outsourcing, explicitly, the outsourcing definition, some statistics on the topic, the arrangement characteristics, the contract between the *buyer* and the *vendor*, three different approaches that analyze what should and should not be outsourced by the *buyer*, the origin and evolution of outsourcing, its pros and cons, current and future trends in outsourcing market, and lastly the definition of business models and competitive advantage. Afterwards, it is presented in section three the research paradigm, the objectives, the research questions and hypothesis to be analyzed and tested throughout the investigation, as well as the methodology in place to perform the current investigation. It is also referred in section three the data collection and analysis techniques and identification of the ways information was gathered and processed. The section four is then dedicated to present and analyze the data collected throughout the conducted interviews and describe the main discovered information and findings. The last section, the conclusions of the study, assess the defined hypothesis and presents the conclusions of the whole dissertation, including a brief summary of the key findings, the conclusions from the research, recommendations

for future research and limitations of the study. Lastly, the references used in the thesis are presented and in the section of appendices can be found the list of the companies, the final sample used, as well as the questionnaire drawn for the interview.

II - LITERATURE REVIEW

2.1. Outsourcing definition and analysis

Bacea and Borza (2015) states that a company to be able to offer products and services at the highest standards, the company must focus on the core activities – which allows a company to differentiate itself from the competitors. Accordingly, outsourcing of organisational functions has become a popular practice amongst organisation, being considered to be one of the best ways of reshaping management and promoted as one of the most powerful trends in management. (Bacea and Borza, 2015).

2.1.1. Definition

Outsourcing is recently defined by many authors as:

- “The act of obtaining semi-finished products, finished products or services from an outside company if these activities were traditionally performed internally” (Dolgui & Proth, 2013);
- “A special form of contractual-based and results-oriented inter-organisational relationship where one party that is the service receiver organisation employs external provider/s to provide services for traditional in-house functions” (Bhattacharya et al., 2013);
- “Contracting another company to do some of the activities that were done in house in the first place” (Bacea & Borza, 2015);
- “Transferring activities that have traditionally been internal to external suppliers” (Heizer et al., 2017).

Accordingly, it becomes clear that outsourcing involves an externalization of a certain activity usually performed in house by a company to an outsider company. Therefore, there are 2 parties related to outsourcing: the *buyer* and the *vendor* - the company that outsources is called *buyer*, whereas the company that provides the service is known as the *vendor* (Dolgui & Proth, 2013). Mella and Pellicelli (2012) refers to these concepts with a different designation: *outsourcee* and *outsourcer* – the *outsourcee* is the company that outsources, while the *outsourcer* is the supplier or provider of the service.

According to Mella and Pellicelli (2012) it is possible to identify 2 main features in outsourcing: the first feature is that the *outsourcee/ buyer* externalize the firm processes and functions that were traditionally performed internally to an outside – the *outsourcer*

or *vendor*. The second feature is the establishment of a permanent and continuous supply relationship between the outsourcee/*buyer* and the outsourcer/*vendor*.

According to the same author, in theory, everything can be outsourced, excluding business or managerial activity, and what can be outsourced depends on the kind of processes. Regarding what can be outsourced in particular, this topic will be developed later in this dissertation.

Literature distinguishes between various sub-concepts related to outsourcing: *outsourcing*, *offshore outsourcing*, *off-shoring*, *subcontracting*, *nearshoring*, *body shopping*, and *staffing*, becoming important to normalize the term outsourcing and to differentiate it from the other referred concepts. According to several authors, the table below was prepared to identify the main differences between the terms:

| Concept | Definition | Author(s) |
|------------------------------------|---|-------------------------|
| <i>Offshore Outsourcing</i> | Transfer of an organisational function to another country. | Manning et al. (2008) |
| <i>Offshore Outsourcing</i> | Outsourcing arrangements with <i>vendors</i> who are situated in a different country from the client. | Oshri et al. (2009) |
| <i>Offshore Outsourcing</i> | The <i>vendor</i> is located in a country different from that of the <i>buyer</i> . | Dolgui and Proth (2013) |
| <i>Nearshoring</i> | Sourcing service activities to a foreign, lower-wage country that is relatively close in distance and time zone. | Kvedaravičienė (2008) |
| <i>Nearshoring</i> | Outsource production to countries closer to the home country of the parent company. | Bock (2008) |
| <i>Nearshoring</i> | Organizational activities are relocated to a neighbouring country. | Oshri et al. (2009) |
| <i>Off-shoring</i> | Relocation of organizational activities to a wholly owned subsidiary or an independent service provider in another country. | Oshri et al. (2009) |

| | | |
|-------------------------------|--|-------------------------|
| <i>Off-shoring</i> | Sourcing from a firm's subsidiaries located in other countries. | Varadarajan (2009) |
| <i>Off-shoring</i> | The company is fully relocated to a country other than his home country | Dolgui and Proth (2013) |
| <i>Sub-contracting</i> | Part of the work is transferred to another company that has special skills or resources. | Dolgui and Proth (2013) |
| <i>Body shopping</i> | A contract employee who works on the client site or under the client's management. | Pereira et al. (2016) |
| <i>Staffing</i> | Staffing and professional services staffing, usually by placing workers onsite at the client base. | Pereira et al. (2016) |

Table 1: Concepts related to Outsourcing, definition and respective authors. Self-constructed.

To sum up the table above and the respective introduced concepts, according to the respective authors, what differentiates outsourcing from *offshore outsourcing* is the location of the seller, since *offshore outsourcing* stands for outsourcing to third party firms based in other countries. Regarding *nearshoring*, this concept is similar to *offshore outsourcing* with the only difference that the company which provides the service is located in a country relatively close to the *buyer*. Moreover, *off-shoring* is distinguished from outsourcing since in the *off-shoring* concept the company that provides the service is a firm's subsidiary (part of the firm) located in other country. *Offshore outsourcing*, *nearshoring* and *offshoring* essentially constitute international trade in goods and services (Varadarajan, 2009), i.e. outsourcing in international countries. Regarding *subcontracting*, this concept involves only the transfer of the specifications of the product or service (Dolgui and Proth, 2013) which means that the subcontractor works for the *buyer* in specific limits, while in the outsourcing concept the seller cooperates with the *buyer*. Finally, concerning *body shopping* and *staffing*, these terms are not usually found in the literature, however, some authors (Pereira et al. 2016) refer to them as being concepts related to outsourcing as well.

In the literature is very usual to find information about *IT Outsourcing* (ITO) and *Business Process Outsourcing* (BPO). Moreover, in the global outsourcing statistics, the outsourcing market is also divided by these two types of outsourcing. The term *IT outsourcing* means “all services which (based on IT infrastructure services) are provided by a service supplier to an economically and legally independent customers” (Burr, 2014). On the other hand, *Business Process Outsourcing* (BPO) refers to “projects where service providers (*vendor*) accept, manage, and control business processes that a client entrusts and selects” (Zhang et al., 2018).

However, in practice, outsourcing is a business practice in a number of organizational functions such as accounting, computers and information systems management, human resources management, facilities maintenance, logistics and supply chain management, manufacturing and marketing (Varadajan, 2009). Furthermore, according to Mella and Pellicelli (2012), more frequently outsourcing activities comprises: the production of parts, components and finished products; the production of industrial services; research and development of new products and services; planning and design; administrative services; the information system sector; managerial consulting services; logistical and transport services; canteen and cleaning services; the distribution network, promotions, advertising, and other marketing services; the management of liquid assets and the corporate treasury; receipts and payments services; the search for sources of financing (Mella and Pellicelli, 2012).

2.1.2. Overview of the outsourcing market

According to *The Statistics Portal* – which provides statistics and studies from more than 22,500 sources - the revenue of the global outsourced services industry has been unstable over the last few years, as it can be seen in the figure 1. In 2017, the global outsourcing market amounted to 88.9 billion U.S. dollars and in 2016, the industry market size dropped to 76.9 billion U.S. dollars, the lowest figure seen in a decade.

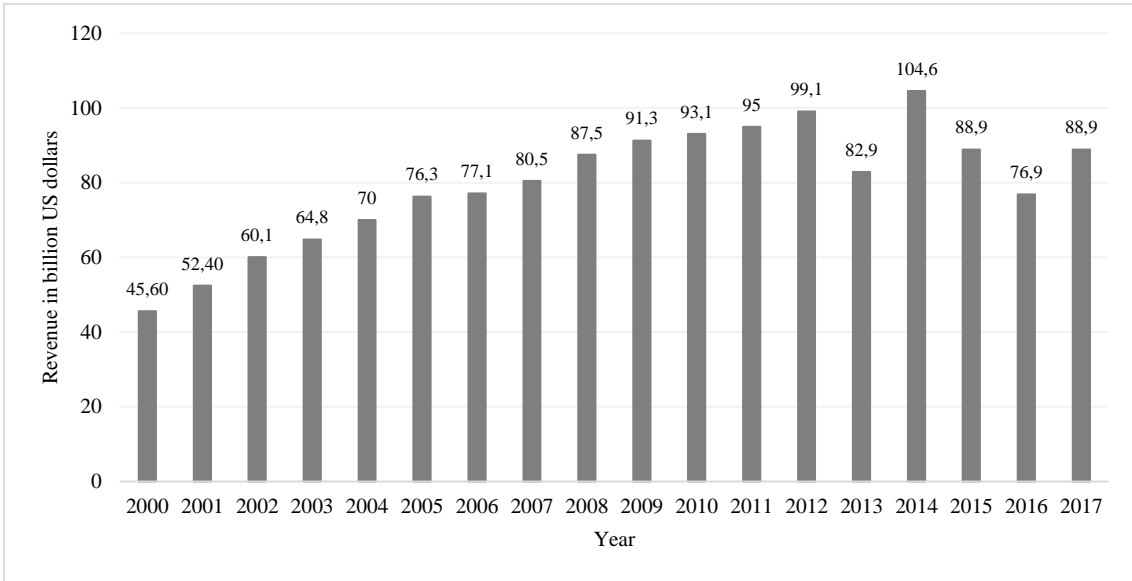


Figure 1: Global market size of outsourced services from 2000 to 2017 (in billion U.S. dollars). Self-constructed chart, adapted from The Statistics Portal.

Regarding the outsourcing industry by service type (BPO and ITO), as it can be seen in the figure 2, in 2017, a revenue of 24.6 billion U.S. dollars was generated through business process outsourcing (BPO) and 64.3 billion U.S through information technology outsourcing (ITO). In 2016, business process outsourcing contributed a much smaller proportion of the industry’s global revenue than information technology outsourcing, generating 24 billion and 52.9 billion U.S. dollars respectively. Other outsourcing segments within the global industry include business services, energy, healthcare and pharmaceuticals, retail, travel and transport, and telecom and media.

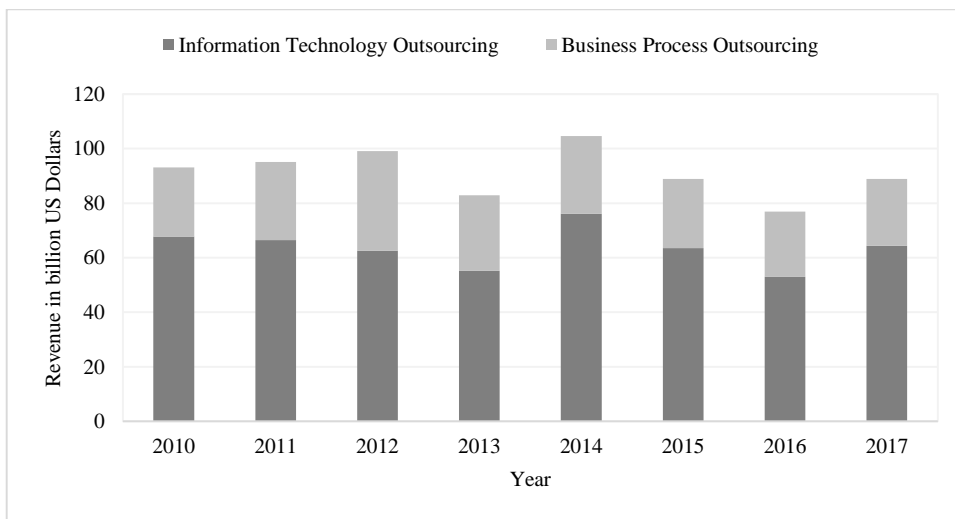


Figure 2: Global outsourcing industry revenue from 2010 to 2017, by service type (in billion U.S. dollars). Self-constructed chart, adapted from The Statistics Portal.

In 2017, the largest share of revenue for this industry came from EMEA (Europe, the Middle East and Africa) followed by the Americas. More than half of the outsourcing revenue was generated in Europe, the Middle East and Africa. Latin America and South Africa also had high proportions. A much smaller share of global revenue came from the Asia Pacific region, and Southern Europe was the region with the largest share of business process outsourcing.

According to 2017 A.T. Kearney *Global Services Location Index: The Widening Impact of Automation*, the top 10 global outsourcing industries are, by order of significance: India, China, Malaysia, Indonesia, Brazil, Vietnam, Philippines, Thailand, Chile, and Colombia.

There are two renowned and reputable associations in the topic of outsourcing: Global Sourcing Association and IAOP (International Association of Outsourcing Professionals). The Global Sourcing Association is considered as the professional body for the global sourcing industry, which provide to the world a portfolio of best practices and methodologies supported by both *buyers* and *vendors*. The IAOP is an outsourcing association that provides learning, share of knowledge, and networking with service receivers and service providers.

2.1.3. Outsourcing arrangement characteristics

According to the Bhattacharya et al. (2013), it is possible to characterize the outsourcing arrangement depending on the degree of formality, extent of outsourcing, extent of maturity, duration of the contract, number of providers, and number of the outsourced functions.

According to the same author, the table below identifies these characteristics, define and differentiates them:

| | | |
|--|--|---|
| Degree of formality | Formal: written terms in the contract, penalty clauses, and strict regulation. | Informal: contract based on trust, collaboration, cooperation. |
| Extent of outsourcing | Selective: <i>buyer</i> transfers less than 20% of its in-house functions to an external source – <i>vendor</i> . | Total: <i>buyer</i> supplies more than 80% of its in-house functions to an external source – <i>vendor</i> . |
| Extent of maturity | Mature: many possible providers; intensive competition; low prices and pressure on profit margins. | Immature: new and unstable technology, underdeveloped external market and weak know-how about it from the organizations. |
| Duration of the contract | Long: more than 7 years. | Short: less than 4 years. |
| Number of providers for single function | Multiple: allocation of similar functions to be outsourced to multiple <i>vendors</i> . | Single: allocation of all responsibilities to a single <i>vendor</i> . |
| Nature of the outsourced functions | Core: core-functions on which an organization achieve competitive advantage | Non-core: functions which do not provide competitive advantage |

Table 2: Outsourcing arrangements. Self-constructed table, adapted from Bhattacharya et al., 2013.

2.1.4. The contract between the buyer and the vendor

Although outsourcing necessarily involves two separate parties – the service receiver (*buyer*) and the service provider (*vendor*) - only a few studies in the literature have

endeavored to approach the outsourcing concept from the perspective of both parties (Currie, 2000; Levina, 2003; Webb and Laborde, 2005; Bhattacharya et al. 2013). Indeed, most of the studies found in the literature are from service receivers' (*buyer*) perspectives since the main objective of outsourcing is to maximize their interests (Bhattacharya et al. 2013).

According to Bhattacharya et al. 2013, outsourcing success not only depends on the service level but also on *buyer-vendor* relationship. When both parties have a clear understanding about other parties' needs and expected results, it reaches high levels of trust and mutual understanding. As suggested by Gottschalk and Solli-Saether (2006), both the *vendor* and the *buyer* need to be at the same level of outsourcing relationship to achieve a win-win situation.

Webb and Laborde (2005) suggest that *vendors* must make sure that their agreement with the client is cautiously constructed and well-managed from the start. Thus, according to Bhattacharya et al. (2013), the basis for the successful outsourcing *vendor-buyer* relationship begins with the formulation of a contract, since it helps both parties to understand their obligations. Gottschalk and Solli-Saether (2006) define the outsourcing contract as a "legally bound, institutional framework in which each party's rights, duties, and responsibilities are codified and the goals, policies, and strategies are specified".

According to Webb and Laborde (2005), the outsourcing contract should include the explicit products and services to be delivered, how and when it will be delivered, the scope and structure of the project, the terms of payment, what the *vendor* will provide if he fails the contract, who has access to what information, who has the authority, and how conflicts will be solved. The same authors refer that it is also very important to incorporate flexibility into an outsourcing contract. Zhou and Jiang (2012) also refers to the importance of flexibility in the contract by claiming that to achieve effective cooperation between the *buyer* and the *vendor*, it is crucial to readjust the cooperation needs and tasks.

Kaipia (2016) concluded that outsourcing relationships are highly complex – they involve high *buyer* power, information asymmetries, and task and location-specific features – which requires a highly rich information exchange, communication, and integration between the parties. Thus, according to Zhou and Jiang (2012) continuous interaction is a key factor that is also related to outsourcing relationship.

Nevertheless, Zhou and Jiang (2012) suggest that outsourcing cooperation need to much more mutual adjustment based on mutual trust and commitment rather than legal contract. Webb and Laborde, in 2005 referred that are the aspects of the “unwritten contract” between both parties that strengthens the relationship in outsourcing.

2.2. What to outsource?

Indeed, companies cannot perform with excellence in all areas, therefore they must concentrate their efforts in what is determinant to create value (Lopes da Costa and António, 2011; Bacea and Borza, 2015). As mentioned before, in theory everything can be outsourced, excluding business or managerial activity (Mella and Pellicelli, 2012). Nevertheless, according to the literature, organizations should focus on activities in which it possesses a sustainable competitive advantage and externalize those that do not bring value. In other words, companies must make internally everything that uses the core competencies of the production system and outsource other tasks (Dolgui and Proth, 2013; Bacea and Borza, 2015). Moreover, according to Lopes da Costa and António (2011) outsourcing should be considered only in activities that involve a low strategic importance - the “non-key activities”. Thus, activities related to the strategic decision making and activities that require confidentiality should rarely be outsourced. (Caruth et al, 2013). Lankford (1999) seemed to agree with what was mentioned by suggesting that firms should ponder outsourcing when certain functions can be completed faster, cheaper, and/or better by an outside organization. Otherwise, skills or knowledge that deals with the product or service of the company must be kept in-house.

According to Oshri et al. (2009), the decision to outsourcing or not depends on the criticality of the activities for the operations of the company or for the creation of a competitive advantage. The scale of the process is also important, as well as the costs associated with searching and selecting an appropriate vendor, establishing service level metrics, creating and managing the contract, monitoring the ongoing outsourcing relationship, and enforcing the contract – when a process is too large, outsourcing adds costs and difficult operations.

Heizer et al. (2017) add more inputs to this topic by arguing that the decision about which specific components should be outsourced depends on customer importance, component clock speed, competitive position, number of capable suppliers, and architecture -

modular versus integral. Oshri et al. (2009) also refers clock speed as a point explaining that processes that are being influenced by rapidly changing technologies constitute good candidates for outsourcing, unless they are critical to the company's business model and operations, as well as activities that have a high degree of variance. Concerning HR outsourcing in particular, activities that require confidentiality, related to the strategic decision making and that requiring specific management knowledge should rarely be outsourced (Caruth et al, 2013). As regards offshoring, Metters (2008) suggests that, because of time-zone, language and other sorts of communications barriers, processes that require substantial levels of communication between the client and the supplier do not constitute good candidates for offshoring. Furthermore, processes that are important for the creation of value should not be offshored.

2.2.1. Three different approaches

It is crucial to have a fundament decision concerning what should and should not be outsourced because problems may arise if the decision is not the right choice – confidentiality possibly being broken, work probably not executed correctly or finished on time, unnecessarily spent money, and other problems (Caruth et al., 2013).

In order to help the decision of what should be outsourced and what shouldn't, it was found in the literature three different approaches.

The first approach is suggested by Oshri et al. (2009) and it suggests that by ranking all the company's processes, a value hierarchy is created that reflects which processes should be outsourced and which shouldn't. Thus, from the rank it is possible to identify the crucially of a process to the company's strategy and consequently classify them into candidates for outsourcing.

The second approach is suggested by Heizer et al. (2017) and it categorize the type of product by its architecture - modular product or integral product – and analyzes if the company is dependent in knowledge (an organization does not have the people, skills and knowledge required for in-house production) and/or dependent on the capacity (an organization may lack the infrastructures required for in-house production) according to the type of product. The table below summarize the main idea under this approach:

| | Dependency on knowledge and capacity | Independent for knowledge, dependent for capacity | Independent for knowledge and capacity |
|-------------------------|---|--|--|
| Modular Product | Outsourcing is risky. | Outsourcing is an opportunity. | Opportunity to reduce cost through outsourcing |
| Integral Product | Outsourcing is very risky. | Outsourcing is an option. | Keep production internal. |

Table 3: Outsourcing decision based on product architecture, dependency and knowledge. Self-constructed table, adapted from Heizer et al., 2017.

The logic under this framework is:

- To a modular product, if the organization has neither the knowledge nor the capacity, outsourcing may be a risky strategy because the knowledge developed by the supplier may be transferred to competitors. Additionally, if the organization has the knowledge, outsourcing may provide an opportunity to reduce costs.
- To an integral product, if the organization has the knowledge and the capacity, outsourcing should be avoided as a way to keep the knowledge internally.

The third approach has been suggested by Willcocks et al. (2002) and in this case the decision is made from the contribution to business operations and from the contribution to competitive positioning. The scheme below sums up the main idea under this approach:

| | | | |
|--|----------|-------------------------------------|---|
| Contribution to business operations | Critical | <i>Qualifiers</i> Best source | <i>Order Winners</i> In-house/ buy-in |
| | Useful | <i>Necessary Evils</i> Outsource | <i>Distractions</i> Migrate or eliminate |
| | | Commodity | Differentiator |
| Contribution to competitive positioning | | | |

Figure 3: Outsourcing decision based on contribution to business operations and competitive positioning. Self-constructed image, adapted from Willcocks et al., 2002.

According to the author (Willcocks et al., 2012), the idea under this approach is:

Order winners represent the activities that contribute critically to the company’s business operations and are differentiator in the competitive positioning – these activities are what differentiate the firm from its competitors and therefore should be kept in-house.

Qualifiers symbolise the activities that are critical for business operations, however, do not contribute significantly to the company’s competitive positioning. Thus, these activities should best be sourced.

Necessary Evils are those activities that do not contribute to the company’s business operations in a major way nor to its competitive positioning. Hence, these activities are good candidates for outsourcing.

Distractions represent activities that contribute to competitive positioning, yet are useful to business operations. Accordingly, those activities failed to differentiate a company from its competitors, and therefore called “distractions”. Hence, those activities should be eliminated.

Transversal to the referred approaches, in practice, the functions considered to be low risk for outsourcing, according to Mella and Pellicelli (2012), are benefits administration, maintenance, and telemarketing. Functions that are considered to be medium risk for outsourcing are customer service, accounting transactions and computer services. Finally,

functions with high-risk for outsourcing, and thus to be avoided, are investment analysis, cash flow forecasting, and product pricing (Mella and Pellicelli, 2012).

2.3. Origin and evolution

2.3.1. Origin

According to the literature, outsourcing is not a recent concept and paraphrasing Gonzales et al. (2004) “the history of outsourcing is deeply embedded in the history of the growth of the Modern Business Enterprise”. According to Bhattacharya et al. (2013) the origin of outsourcing was in the 1970s, when organizations changed their vertical integration strategy to outsourcing mainly to reduce costs and gain control over diverse businesses. Also Dolgui and Proth (2013) consider that outsourcing appears on the seventies when companies started outsourcing low added value products such as textiles, consumer electronics, etc. Jae-Nam Lee (2003) also claimed that outsourcing appeared between 1960 and 1970 with professional services and facility management services in the financial and operation support areas. However, Gonzales et al. (2004) contradict those remarks by claimed that outsourcing appeared in the 1950s with time sharing. Mella and Pellicelli (2012) defend that the term outsourcing was first used in 1982. Even though those theories, outsourcing was not formally identified as a business strategy until 1989 (Glaa et al., 2014).

2.3.2. Evolution

Regarding the evolution of outsourcing, according to Kakabadse and Kakabadse (2005), it was in 1970 that outsourcing emerged, when large and diverse corporations were considered to be underperforming and companies started outsourcing activities concerned low added value products such as textiles, consumer electronics (TV sets E.G.), toys, etc. (Dolgui and Proth, 2013).

In 1980s the major consulting firms invented remote management services and outsourcing incorporated car parts and even full assembly of cars. Also in the 1980s, a change of direction in business strategy thinking and companies started focus on core competencies and outsource other activities (Kakabadse and Kakabadse, 2005).

In the late of 1980s and 1990s, new models of outsourcing came with the big step in internet technology and software (Gonzales et al., 2004) and at this stage outsourcing requirements concerned products with high added value such as software, semiconductors (for IBM, Intel, Texas Instruments, etc.), and medical equipment (Dolgui and Proth, 2013). At this time, according to Currie (2000), senior executives pursued ways to enforce outsourcing to control and shape IT costs in combination with changing business requirements.

In the 1990s, organizations began to outsource the functions needed to run the business but not related with the core business what allowed to save costs (Glaa et al., 2014). With the confidence that competitive advantage could be achieved by following “core” strategies, many firms began reengineering and redesign business processes in order to reduce costs, improve quality, service, and speed (Kakabadse and Kakabadse, 2005). Moreover, Dolgui and Proth (2013) referred that outsourcing concerned with higher added value products and services (research and development, key auto parts, key airplane components, machinery and so on) was since the middle of the nineties.

Now, focusing on IT industry in particular, it is possible to identify 3 main stages: first generation - extending functionality; second generation - physical outsourcing; third generation - offshore and process outsourcing (Gonzales et al., 2004).

According to the same authors, the first generation - extending functionality - occurred halfway through the century when IBM and other companies were building huge computing machines hard to afford by others, which resulted in the development of remote terminals and time sharing. The customers outsourced extended functionality to the provider.

The second generation - physical outsourcing - happened between the 1960s and 1970s, when new technologies were implemented in order to cut down costs (automation, for example). However, large companies who were looking for cutting down costs with technologies were not specialized in IT and therefore IT companies started outsourcing hardware and operations from their customers (Gonzales et al., 2004).

The third generation - offshore and process outsourcing - with particularly two models of outsourcing: BPO and offshoring. At this stage, outsourcing was used to support and maintain tasks of units to local suppliers – with the new technologies in place at the time, several tasks became standardized and organizations more and more difficult to manage

due to globalization. Thus, outsourcing allowed organizations to focus on their local knowledge and cut down costs (Gonzales et al., 2004).

2.4. Motivations to outsourcing

Although outsourcing provides several advantages for the *buyer*, Bacea and Borza (2015) stated that many organizations regularly decide on outsourcing without considerate the full consequences. Although the potential value of outsourcing might tempt any organization to adopt the strategy, outsourcing often comprises some harmful effects (Caruth et al., 2013). The pros and cons of outsourcing are detailed and explained below with the contribution of several authors mentioned along the text, and the scheme below exhibits, in a broader way, the outsourcing's advantages and disadvantages.

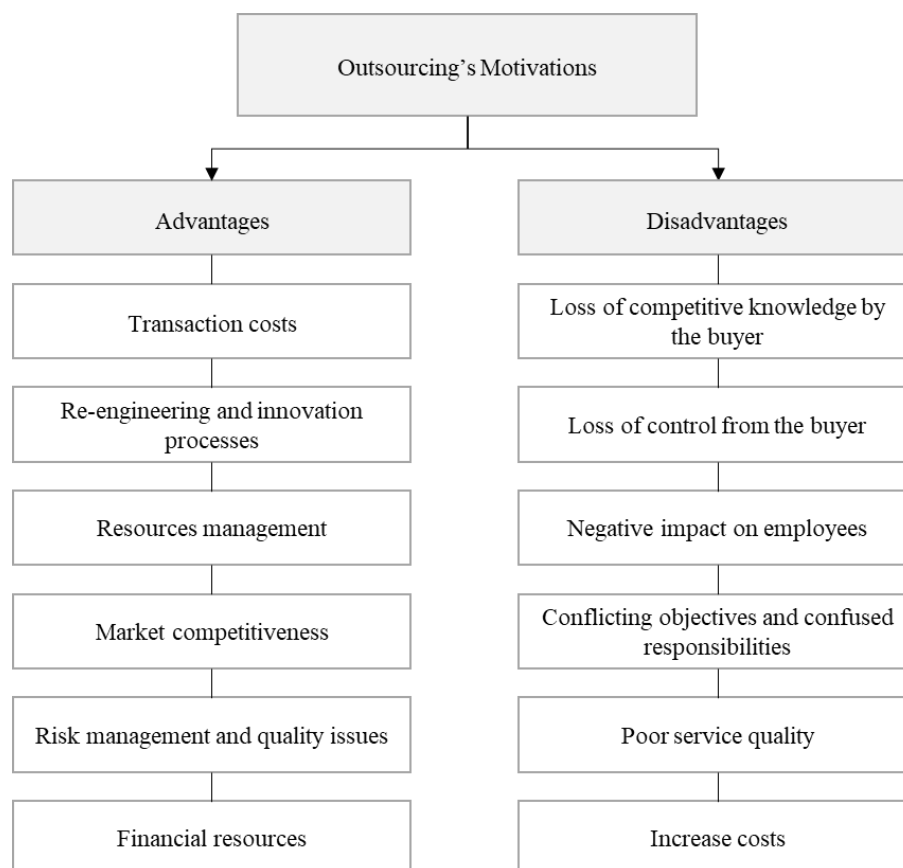


Figure 4: Summary of the outsourcing's motivations according to the literature reviewed. Source: Self-constructed.

2.4.1. Advantages

Chou and Chou (2011) classified the advantages of outsourcing into 6 different groups: transaction costs; re-engineering and innovation processes; resources management; market competitiveness; risk management and quality issues; and financial resources. Following this idea, in this part of the thesis, the several advantages founded in the literature by several authors will be categorized into one of these groups already mentioned.

Transaction costs:

Saving money has been identified as one of the main reasons why companies outsource (Cha et al. 2009; Noe et al., 2010; Dolgui and Proth, 2013; Caruth et al, 2013; Bacea and Borza, 2015; Heizer et al., 2017). Outsourcing allows companies to reduce and control operating costs (Chou and Chou, 2011) - outsourcing firms may frequently perform activities better, cheaper, and faster than a company can perform these activities in-house (Cha et al., 2009; Caruth et al., 2013). Therefore, according to Dolgui and Proth (2013), a lower cost is obtained by choosing a *vendor* that can perform the activities to be outsourced at a higher performance level. Additionally, with outsourcing by the aggregation of multiple orders there is a cost reduction, both in purchasing and in manufacturing, and therefore companies may achieve economies of scale (Cha et al. 2009; Heizer et al., 2017).

Re-engineering and innovation processes:

Chou and Chou (2011) claim that outsourcing accelerate re-engineering processes. Also Mello and Pellicelli (2012) refers to this advantage in their paper and according to them, outsourcing accelerates the benefits from re-engineering by rewriting the firm's processes. Additionally, Dolgui and Proth (2013) state that external expertise provided by the *vendor* contribute to more efficient and innovative processes.

Resources Management:

According to Dolgui and Proth (2013), and Bacea and Borza (2015), a company outsources in the first place the repetitive activities, which require a lot of time invested but do not bring value added. Thus, according to Lankford and Parsa (1996) outsourcing improves employee productivity and morale, and this is possible because outsourcing provides the possibility of freeing up internal resources for other purposes to focus attention on the management of the core competencies (Cha et al., 2009; Chou and Chou,

2011; Mella and Pellicelli, 2012). Dolgui and Proth (2013) and Bacea and Borza (2015) agree with the mentioned by referring that outsourcing free employees from tedious tasks and therefore allows them to concentrate on core activities. Additionally, outsourcing conserves management time and effort (Caruth et al., 2013) because repetitive problems become the responsibility of the outsourcing firm thereby reducing in-house management involvement thus enabling to focus on the core competencies. Employee morale may be improved by the knowledge that well qualified outsiders are performing important human resource activities and therefore feel that the organization has the employees' best interests in mind (Caruth et al, 2013).

Besides, Dolgui and Proth (2013) also mention reduction of staff as an advantage of outsourcing. According to them, the *buyer* will not concern anymore in facing the fluctuations in staffing due to changes in demands because he pays for the amount of work that needs to be done and not for the persons needed to perform it. The hiring of the resources, training and efficient knowledge transfer is the responsibility of the *vendor*.

Market competitiveness:

According to Cha et al. (2009) and Heizer et al. (2017), outsourcing allows the *buyer* to focus on its core strength and increased organizational competencies since it relieved the companies of routine activities hence management can devote more attention to primary activities of the organization (Caruth et al., 2013) and therefore allows *buyer* to differentiate from its competitors. Outsourcing guaranteeing access to world-class capacities and competencies (Mella and Pellicelli, 2012; Chou and Chou, 2011) due to the expansion of services and expertise that outsourcing provides. Also, Dolgui and Proth (2013) and Bacea and Borza (2015) mentioned that companies gain benefit by taking advantage of external expertise since outsourcing companies typically offer a depth of expertise and experience (professional expertise) and this expertise allows an outside firm to perform activities more effectively (Caruth et al., 2013) and gain access to external skills and technologies.

Besides, Heizer et al. (2017) in their book referred increased flexibility as an advantage of outsourcing by claiming that outsourcing provides an ability to better react to changes in customer demand, to use the supplier's technical knowledge to accelerate product development cycle time, and to gain access to new technologies and innovation.

Risk Management and quality issues:

Sharing risk is also considered to be an advantage of outsourcing by Heizer et al. (2017), Mella and Pellicelli (2012), and Chou and Chou (2011). The authors suggest that with outsourcing the risks are shared between the *outsourcee* and the *outsourcer* since the uncertainty in the demand is transferred to the suppliers (*vendor*) and the therefore reduce uncertainty through the risk-pooling effect.

Regarding quality issues, outsourcing improves service quality (Caruth et al., 2013) since outsourcing firms typically offer a high level of professional expertise, companies can expect to reap the benefits of improved service quality. Furthermore, Dolgui and Proth (2013) and Bacea and Borza (2015) state that *vendors* are assumed to provide quality activities once paying for service creates the expectation of performance (in costs, quality, flexibility, etc).

Financial resources:

According to Cha et al., (2009) and Chou and Chou (2011), outsourcing make capital funds available and allows cash infusion. Additionally, Heizer et al. (2017) suggest that outsourcing reduces capital investment since it is transferred to suppliers, although suppliers' higher investment is shared with the customer (Heizer et al., 2017). Dolgui and Proth (2013) and Bacea and Borza (2015) refer to this advantage by arguing that the *buyer* achieves greater financial flexibility by selling assets that were formerly used in the outsourced activity in order to improve company's cash flow.

2.4.2. Disadvantages

In the previous section were presented the arguments in favor of outsourcing, though some of them are considered disadvantages as well, according to the literature. This is the case of employee morale, cost, and service quality. Mella and Pellicelli (2012) mentioned that the most obvious disadvantages arise from the complexity in the management of contracts and from the existing differences in terms of traditions, culture and values. According to several researchers and authors founded in the literature, the main disadvantages of outsourcing are enumerated below:

Loss of competitive knowledge by the *buyer*:

Outsourcing critical components to suppliers is a potential creation of future competition since it may open up opportunities for competitors (Mella and Pellicceelli, 2012; Heizer et al., 2017). This disadvantage is also mentioned by Dolgui and Proth (2013) denominated as “competition dilemma” - according to the author, outsourcing implies the existence of a relationship between the *vendor* and the *buyer* and consequently a flow of information between these two, which possibly may transfers data and know-how. Thus, it is a potential consequence that the *vendor* appropriates all the skills of the *buyer* and that becomes a competitor of the *buyer*. Moreover, Oshri et al. (2009) also mention the loss of critical skills or overdependence on an outside organization as a disadvantage of outsourcing, stated that this may bring considerable threats to the *buyer*.

Loss of control from the *buyer*:

Outsourcing reduces the degree of freedom of the *buyer* (Oshri et al., 2009; Dolgui and Proth, 2013; Costa da Marques, 2016; Heizer et al., 2017). According to Heizer et al. (2017), outsourcing brings dependency on suppliers’ agenda. In addition, Bacea and Borza (2015) claims that every change of procedure must be negotiated with the *vendor*. Costa Marques (2016) refers to this disadvantage by identifying the inability to control the entire production cycle, provision of goods and services, and the dependence on other entities. Dolgui and Proth (2013) mention loss of control as a disadvantage of outsourcing denominating it in their article as “loss of initiative by the *buyer*” – they suggest that freedom of the *buyer* is reduced, since “all activities that include a *vendor* cannot be changed without a rebalancing of the organization”. Additionally, according to the authors, because of the costs spent with the *vendor*, there is an existence of a loss of investment opportunity of the *buyer*.

Oshri et al. (2009) mentioned in their book that an important issue in outsourcing is losing control over the timing and quality of outputs since these will be undertaken by an outside *vendor*.

Negative impact on employees:

It was mentioned in the advantages of outsourcing the increase of employee productivity and morale. However, some authors mention the opposite. Costa Marques (2016), mention that outsourcing decrease employees’ productivity associated with internal discontent. According to Bacea and Borza (2015), outsourcing may create a situation of

tension between the employee and the company since employees may lose their job with outsourcing. Also Caruth et al. (2013) mention the decrease of employee morale since employees have to work and deal with people external to the organization.

Furthermore, Oshri et al. (2009) point out that according to research and experience, outsourcing generate internal fears and employee resistance and it can increase the insecurity and decrease the motivation of the workforce.

Conflicting objectives and confused responsibilities between the *vendor* and the *buyer*:

According to Oshri et al. (2009) outsourcing usually implies changes in the organizational structure, and therefore redundancies and layoffs are typically present in outsourcing situations. With regard to conflicting objectives, Heizer et al. (2017) states that in outsourcing the *buyer* and *vendor* have different focus and objectives: *buyers* insist on flexibility whereas *vendors* focus on cost reduction.

Caruth et al. (2013) moreover mention confused responsibilities as a con of outsourcing, explaining that when multiple outsourcing firms are used, some conflict may occur concerning which entity is to perform which functions.

Poor service quality:

It was mentioned previously in this dissertation that outsourcing improves service quality (Caruth et al., 2013), since outsourcing firms typically offer a high level of professional expertise. However, the poor service quality is referred as a disadvantage of outsourcing by many authors (Oshri et al., 2009; Dolgui and Proth, 2013; Caruth et al., 2013; Bacea and Borza, 2015). The *buyer* may sometimes be related with the performance of the *veendor*, which can be an advantage or a disadvantage.

According to Caruth et al. (2013), the research does not always suggest that service quality is improved through outsourcing. Moreover, according to Oshri et al. (2009), some functions are providing by an outside *vendor* which may result in a poorer quality of the final product or service which could be very negative to the *buyer*'s image.

Increase costs:

Costa Marques (2016) refers transaction costs as a disadvantage of outsourcing, referring to costs associated with trading, maintenance and accountability. Besides, Caruth et al. (2016) bring up the increase of direct costs related to human resource costs. According to

them, when human resources are identified as specific costs through the outsourcing function, these costs seem to be high.

Some additional disadvantages founded in the literature include: poor fit with outsourcing company (Caruth et al., 2013); risk of security and confidentiality of data (Oshri et al., 2009); issues related to human resources management policies of third parties; and potential reduction of public values of neutrality and impartiality (Costa Marques, 2016).

Another approach to the disadvantages of outsourcing is given by Aron et al. (2016) who identifies 4 different types of risks: strategic risks; operational risks; long-term intrinsic risks of atrophy; and intrinsic risks of location. According to the same author, strategic risks refers to risks caused by actions that *vendors* may take deliberately as part of a profit-maximizing strategy. Operational risks are caused by the complexity of operations caused by the geographic, cultural, and communication reason. Long-term intrinsic risks of atrophy refers to the loss of the core group of people who were more valuable to the company. Finally, intrinsic risks of location are risks caused simply by moving activities to remote locations.

2.5. Outsourcing Trends

From the *2013 Outsourcing in Europe report by EY* - survey of 3,700 respondents from eight European countries (Denmark; Finland; Germany; Netherlands; Norway; Spain; Sweden; United Kingdom) – the most important trend in the outsourcing market is cloud computing. Outsourcing cloud services enables the transfer of problems and costs with systems and software to the provider, and therefore, in the future more and more companies will outsource cloud services. Also from the post *Outsourcing Trends In 2018* by *Outsourcing Insight* - founded by seasoned professionals from outsourcing sector with more than 15 years of experience – cloud computing is seen as a big outsourcing trend mentioning that the industry of cloud computing is expected to reach 200 billion USD in a short period of time.

In addition, from the same source - *2013 Outsourcing in Europe report by EY* - another important trend in outsourcing market is big data development. Companies believe that with the help of an outsourcer to find, gather, organize and analyze data, they can save time and resources, allowing them to stay focused on business and on their market place.

Furthermore, sustainable outsourcing is also considered as an outsourcing trend from the report by EY. The report mentioned that organizations are more and more under inspection for their sustainability efforts and aware of the impact this can have on the brand and reputation of the company, becoming a crucial factor when choosing the outsourcing provider - companies want an *outsourcer* that follows their CSR directives and requirements.

More recently, from *Deloitte's 2014 Global Outsourcing and Insourcing Survey* – a survey of 140 companies in nearly 30 different countries – technology is seen as a big outsourcing trend. Cloud computing, as already mentioned before by EY, and business process as a services are growing in the outsourcing industry. Also big data (as referred by EY in 2013) is mentioned in this report by having a prevalent impact on sourcing decisions.

Additionally, from the same report by Deloitte - *Deloitte's 2014 Global Outsourcing and Insourcing Survey* - regarding location strategy, India will continue to represent the primary destination for offshoring and a global hub for multi-location sourcing strategy. Poland, Philippines and China are a chosen destination for offshoring as well. Technological advancements are having immediate impacts on the outsourcing landscape, reducing geographic barriers. Furthermore, customer growth in mature services (information technology; human resources; finance and accounting; and procurement) will remain to play a substantial role in growth. However, new functional offering will also contribute for this growing, like facilities management and legal process outsourcing and vertical business process outsourcing.

According to the *Deloitte's 2016 Global Outsourcing Survey* – a survey composed of more than 70 questions covering the whole outsourcing lifecycle and trends - outsourcing is expected to see growth across IT, Legal, RE & FM, Tax, HR, Finance and Procurement. However, according to the report, it will growth majority in IT, Finance, and HR. Moreover, from the same source, outsourcing is becoming more important in enabling mergers and acquisitions deals.

From the post *Outsourcing Trends In 2018* by *Outsourcing Insight*, it is possible to indicate 5 more outsourcing trends: information and data security; artificial intelligence and robotic process automation; rise in virtual employment; outsourcing will be a key for the companies; digital transformation of traditional communication; rise in freelance and independent outsourcing services.

A study entitled “Outsourcing in 2020” was conducted by The Global Sourcing Association in 2016 which surveyed 134 organizations related to outsourcing, since one-third were *buyers*, one-third were *vendors*, and one-third were support organizations. In this study it was investigated the future trends of outsourcing, and the findings suggest that outsourcing industry will continue to grow in the future with *buyers* increasing the outsourcing scope. Moreover, the outsourcing market is expected to be more collaborative and at the same time more competitive. In the future, *buyers* and *vendors* will prefer contracts based on outcomes rather than outputs, with risk sharing. Concerning technology, as already mentioned by other sources, robotic process automation and artificial intelligence will be realities present in outsourcing.

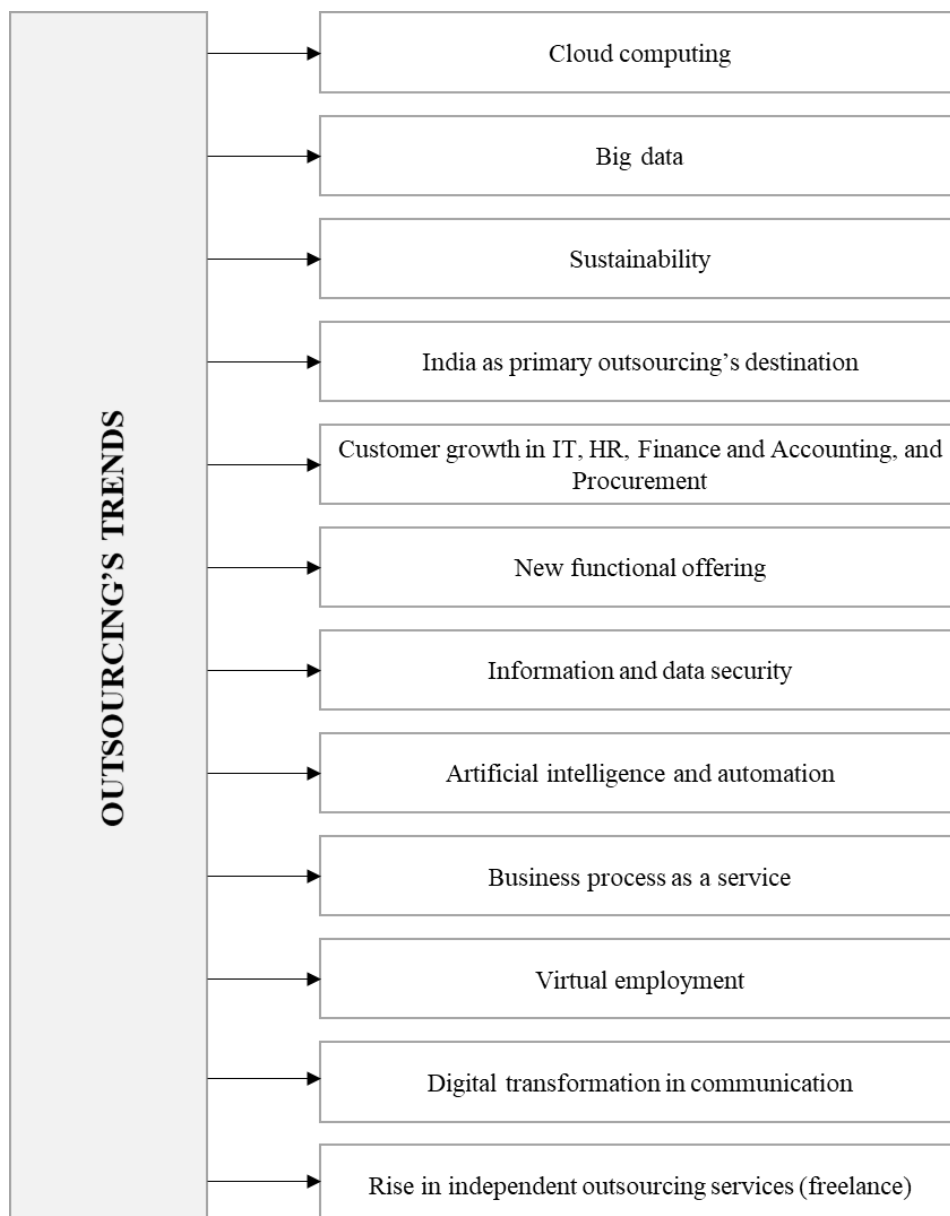


Figure 5: Summary of the outsourcing's trends according to the reviewed literature.

Source: Self-constructed.

2.6. Business models and competitive advantage

2.6.1. Business models

The title of this dissertation is “management outsourcing business models: a perspective of sustainability”, becoming important to clarify not only the terms related outsourcing but also what is the definition of business models in the literature.

According to Stoilkovska et al. (2015), a business model is a theoretical frame for identifying the manner a company generates, accomplishes and extracts values. Slávik and Hanák (2017) add value to this definition by arguing that what determines the essence of a company and its action are business models and business strategy, and also Ranjith (2016) argues that a company's business strategy is strongly influenced by the company's business model.

There are several and distinct definitions of business models, however all definitions connect the concept with firm's value and/or performance. Ranjith (2016) mentioned that an effective business model is a combination of resources and capabilities to achieve competitive advantage. Moreover, Newth (2012) affirmed that business models can offer value proposition, stronger competitive positions compared to the competitors, and profitability. Also Zott and Amit (2010) mentioned that business model is a system of interrelated activities that allow to create value.

According to Stoilkovska et al. (2015), the creation of a business model hardly to imitate involves the combination of complementary components. According to Slávik and Hanák (2017) the elements that compose a business model include products or services offered to customers, the way the company is organized to deliver these products and services to customers, and the way how to appropriate a part of the produced value, thus the profitable and/or revenue model.

2.6.2. *Competitive advantage:*

The main objective of this dissertation is to analyse the different management outsourcing business models in several companies with outsourcing services, in order to understand how these models make them sustainable in terms of efficiency and competitive advantage. Hence, competitive advantage is another concept that need to be clarified in this chapter. In spite of being a common term used in business, it will be brought here some definitions and analyses to the mentioned term.

According to Ranjith (2016), firms in the emerging markets are determined to gain sustainable competitive advantage. A justification of this statement is given by Liu (2013) by emphasizing the importance of a sustainable competitive advantage referring that firms that can sustain their competitive advantage are able to achieve stronger positions in the long-term.

Competitive advantage has been studied strongly ever since the 1980s (Liu, 2013). Porter (1985) stated that the competitive business strategies are based on differentiation by quality, product, service technology or cost leadership. Moreover, Barney (1991) defends another theory and mentioned that sustainable competitive advantage arise from the resources and capabilities that have four attributes: valuable, rare, imperfectly imitable and not substitutable.

However, how does a firm achieve sustainable competitive advantage? According to Terwiesch and Ulrich (2009), a sustainable competitive advantage is achieved through a strategy which the company's rivals are either not able to reproduce or is too expensive for them. Zott and Amit (2010) seemed to agree with the previous justification by stating that sustainable competitive advantage is achieved if a company works and operate in a different way than its competitors or if it works in the same way than its rivals but in a better way.

Although it doesn't seem to have in the literature a clear definition of sustainable competitive advantage nor the way of achieving it, it has always been highlighted its importance. Mentioning Stoilkovska et al. (2015): *The creation and maintenance of the competitive advantage is an unavoidable and necessary answer of the companies to the impulses of the surrounding.*

III – METHODOLOGY

The main purpose of this thesis is to make a research about the different business models within the outsourcing industry in Portugal. Therefore, since this thesis doesn't exhibit a concrete business problem (case-study) neither present an innovative project and neither study a concrete problem within a specific company, this thesis represents a traditional dissertation.

The research methodology applied in this dissertation follows the structure and the approach demonstrated in figure below:

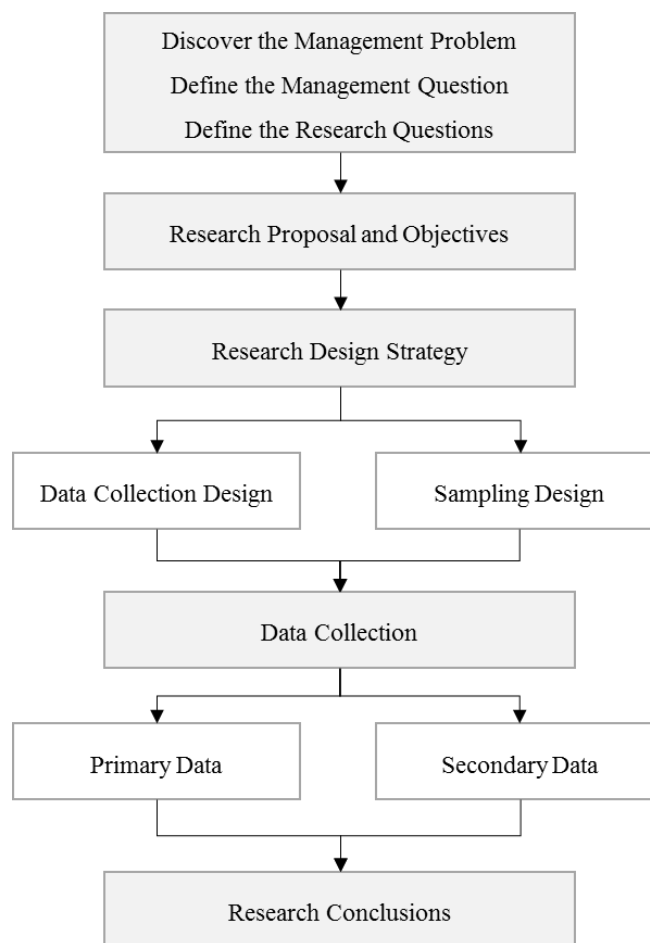


Figure 6: Overview exhibit of the research process. Source: Self-constructed.

3.1. Research paradigm and objectives

Indeed, as mentioned in the literature, the dependency on external supply sources has increased, leading companies to contract outsourcing services, which makes outsourcing

a powerful trend in management nowadays (Lopes da Costa, 2011; Bacea and Borza, 2015).

Despite there are 2 different parties related to Outsourcing, the *buyer* and the *vendor*, the *vendor's* perspective has hardly been explored in previous researches (Currie, 2000; Levina, 2003; Webb and Laborde, 2005; Bhattacharya et al., 2013). Moreover, it isn't still well-defined in the literature how the business models of the outsourcing companies make them competitive and sustainable overtime, and specifically, the *modus operandis* and the elements of the outsourcing contracts is not clear in the literature and the topic has hardly been explored in the existing studies related to outsourcing.

Hence, the main purpose of this dissertation is to study and analyse the different business models within the outsourcing industry in Portugal, as a way to understand how the outsourcing companies achieve a competitive advantage through outsourcing and understand how are they sustainable in such a competitive market.

Therefore, this dissertation will focus on understanding in which way the structure of the outsourcing companies and their operation in the market, i.e. their business model, contribute to achieve a sustainable competitive advantage. In more detail, this investigation will aim to:

- i. Study and analyse the operating business models of the outsourcing companies in Portugal, identifying the main differences on those models and consequently be able to extract insightful conclusions.
- ii. Create a relationship between the referred business models and its sustainability in the market, referring the concept of sustainability to clients repurchase services.

3.2. Research questions

For the purposed objective of this dissertation, the research question to be explored is:

How are outsourcing companies, through their business models, sustainable?

The core research question can be analysed by exploring the following sub questions:

- How are outsourcing firms organized in terms of structure, considering the services provided, the number of employees and the international presence?

- Which strategy do outsourcing firms have to constantly innovate their services despite the existing limited portfolio?
- How are consulting firms differentiating its current business models from the ones carried out in other companies?
- What are the main features searched in a candidate since the candidate will work in the *buyer's* company? Does it follows the client requirements?
- Which strategies have the outsourcing companies to deal with the current high rotation levels and therefore to retain people and talent?
- What are the *vendor's* strategies in practice to close/ win new opportunities, and how is characterized the relationship between the *vendor* and the *buyer* during the outsourcing service?

3.3. Research hypothesis

The hypothesis to be researched and tested in this dissertation are the follows:

Hypothesis 1 (H₁): Outsourcing companies present specific procedures, methodologies, and mechanisms, to be constantly innovating its services despite the existing limited portfolio.

The *hypothesis 1 (H₁)* is dedicated to study how the companies are constantly innovating its portfolio of services in the competitive market, i.e. what are the strategies, procedures, methodologies, and mechanisms implemented by the outsourcing companies in order to follow the trends and therefore adjust/reformulate its services offer.

Hypothesis 2 (H₂): Each outsourcing company present a differentiate business model composed by different features, elements and specifications in order to maintain a sustainable competitive advantage in the market.

The whole dissertation was drawn to study the business models of the outsourcing companies, and the *hypothesis 2 (H₂)* has the objective to specifically assess how the companies achieve a sustainable competitive advantage through outsourcing, i.e. what differentiates its current business models from the ones carried out in other companies, in terms of features, elements and specifications.

Hypothesis 3 (H3): The outsourcing companies have concrete strategies to close/ win opportunities and the relationship with clients during the outsourcing service is characterized by closeness, communication and transparency.

The outsourcing business is only possible with clients, being the main stakeholder of the outsourcing companies. Therefore, the *hypothesis 3 (H₃)* assess the origin of new opportunities and the inherent strategies to win deals and gain new clients, and also assess how is characterized the *buyer-vendor* relationship during the outsourcing service itself, that according to the literature, it is a critical thematic in the outsourcing subject since the outsourcing success not only depends on the service level but also on the *buyer-vendor* relationship.

Hypothesis 4 (H4): Outsourcing companies are strongly concerned with their consultants' evolution, motivation and professional objectives and have explicit policies to retain people and talent.

The ones that provide the outsourcing service are the consultants, i.e., the *vendor's* resources that execute an outsourcing service in the *buyer's* company. Thus, *hypothesis 4 (H₄)* aims to assess the *vendor's* concern and investment in their consultants evolution and retention in the company, studying the policies and procedures in practice to ensure the referred.

3.4. Research approach

In order to analyse the different business models within the outsourcing industry, the target of this research represents top executives from outsourcing companies in Portugal and/or companies in Portugal with outsourcing services in 2018. Thus, the target population in this study will include top executives who represents a significant role in the management of the company, including partners, executive directors, senior managers and managers from firms located in Portugal and where outsourcing services can be found.

For this purpose, it was prepared a list of outsourcing companies and/or companies with outsourcing services, corresponding to a non-probability sampling – judgmental sampling. In non-probability sampling, subjective methods are used to decide which elements should be included in the sample (Lavrakas, 2008). A judgmental sampling was the one used in the research, which is a type of non-probability sampling where the main

objective is to identify a sample that can be reasonably assumed to be illustrative of the population (Lavrakas, 2008). In this kind of sampling, the selection from the researcher follows some judgement or arbitrary ideas looking for a kind of “representative” sample. (Wolf et al., 2016).

The selected sample contained 49 companies and invitations were sent to firms’ executives of every firm that integrated the list - which can be found in appendix B - only depending on their response to define the final sample size – appendix A. The invitations were sent by e-mail and/or through social platforms, namely LinkedIn, to the companies’ top executives (partners, executive directors, senior managers and managers). From the list with 49 companies were sent 50 invitations. The response rate was 32% which correspond to a final sample size of 16 interviews from 15 different companies – appendix A.

It was then conducted a qualitative research, namely, through a questionnaire with open-ended questions were conducted in-depth interviews, whose duration was estimated to be from 30 minutes to 1 hour. Qualitative research is an inductive and context-specific research that focuses on observing and describing a specific phenomenon, behavior, opinions and event. (Lavrakas, 2008). According to the same author, qualitative research is based on data collected by observations, documents, physical artifacts, interviews and focus groups. For this investigation, the collection of data was through in depth-interviews which according to Arthur et al. (2017) are interactions in which an investigator attempts to learn what another person knows about a topic, to discover and record what that person has experienced, what he or she thinks and feels about it, and what significance or meaning it might have. This process of collecting data was the chosen one since experiences, opinions and perceptions are shared with open questions and provide more completely answers than simply respond to an answer from a closed questionnaire. (Arthur et al. 2017).

3.5. Methods of data collection

In this research it was collected primary and secondary data. Secondary data was the first source used to collect qualitative data through scientific articles, papers, books and reports about the subject as a way to gain a deeper understanding about the research topic.

The main type of data collected in this research was primary data, which means original data collected for a specific research goal (Hox and Boije, 2005), that results from the outputs of the interviews with top executives from outsourcing firms. The interview was guided with a questionnaire composed by 15 open-ended questions which were designed to answer the main features that composes a business model according to Slávik and Hanák (2017) mentioned in the theoretical background - services offered to customers; the way the company is organized to deliver these products and services to customers; the way how to appropriate a part of the produced value, thus the profitable and/or revenue model.

Thus, the questionnaire was organized in 5 main sections - the company structure and context; the services provided and ways to deliver it; a chapter dedicated to analyse the companies' human resources and talent; the management of the existing clients and ways to catch new ones; and the future of outsourcing – as a way to answer the main question of this dissertation *how outsourcing firms are through their business models sustainable in terms of efficiency and competitive advantage?*. The questionnaire can be found attached in appendix C.

According to Cooper & Schindler (2013), the final step toward improving survey results is *pretesting*, i.e. doing an assessment of questions and instruments before pursuing with the study in order to discovering errors in the questionnaire, such as suppositions in the questions, confusing wordings, content, wording or sequencing problems (Cooper & Schindler, 2013; Presser et al., 2004). In a nutshell, the pretesting conducted had the main objective to find out aspects to improve the overall quality of the questionnaire data and consequently address those aspects.

The pretesting of this investigation was made with the interview with a participant from *company II* at 26th of January, 2018. In that experiment, it was collected the feedback to add one more question that wasn't firstly included in the questionnaire, namely the question 2.3 in the questionnaire found in appendix C, that was also answered by the participant. The suggestion was taken into consideration and the questionnaire was improved. According to the interviewer, the time was proved to be ideal, the questions were considered very pertinent as well as their sequence. As a result, the results and data obtained from the interview were included in the analysis of the theme.

To analyse the obtained data from the interviews, it is conducted a content analysis which is a “research method that is applied to the verbatim responses given to open-ended

questions in order to code those answers into a meaningful set of categories.” (Lavrakas, 2008).

The data collected was analysed and summarized in a conceptual framework as a way to condense the main information and to identify patterns between the companies. The findings of the data collected are detailed in the chapter IV – Data Analysis.

It’s important to note that in order to guarantee the assured confidentiality of the participants and the companies involved in the study, their designation won’t be published in this dissertation.

IV - DATA ANALYSIS

This section is dedicated to present the findings collected throughout the interviews conducted as a way to accomplish the objectives of the study, to answer the designated research questions and enabling to assess the proposed hypothesis.

This chapter is organized into 5 sections: the respondents and the company profile; the company and services provided; human resources and talent; client's management; and lastly, future vision. The correspondence between the referred sections and the questions analyzed in the interviews is represented in the table below:

| Section | Question to be analyzed |
|--|--|
| <i>Respondents and company profile</i> | Interviewee's role |
| | Number of collaborators in Portugal |
| | International presence |
| <i>Company and services provided</i> | Services provided |
| | Pains and troubles |
| | Innovation in the portfolio of services |
| | Business model and competitive advantage |
| <i>Human resources and talent</i> | Recruitment features and match with the client |
| | Investment in training |
| | Retention strategies |
| <i>Client's management</i> | Resources internalization by the <i>buyer</i> |
| | Practices to close opportunities |
| | <i>Vendor-buyer</i> relationship |
| <i>Future vision</i> | Future of the service and the company |

Table 4: Summary table of the questions approached in the interviews and respective sections. Self-constructed table

4.1. Respondents and company profile

4.1.1. Interviewees' role

As it was mentioned in the previous chapter, in this research were conducted in-depth interviews with the companies' top executives (partners, executive directors, senior managers and managers) who accepted the invitation. There were conducted a total of 16 interviews with managers, senior managers, department heads, partners, directors and CEO's.

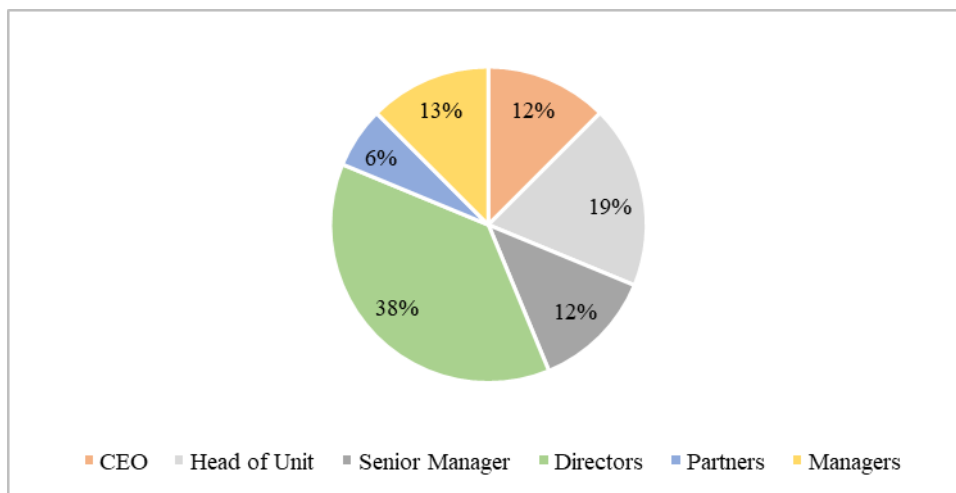


Figure 7: Participants' hierarchical position. Source: self-constructed chart based on the conducted interviews, 2018

By looking at figure 7, it is possible to note that, during the period in which interviews were conducted, 38% of the participants had the role of directors, 19% were head of specific units (specifically: head of business development; head of IT recruiting; business head), 13% hold the position of manager, 12% each had the role of CEOs and senior managers (same percentage for each category), and lastly 6% had the role of partner.

4.1.2. Number of collaborators in Portugal

In order to better understand how the size of the companies influence/affect the internal and external organization and strategy of the companies, they were asked about how many collaborators the company holds and how many of them are performing outsourcing functions.

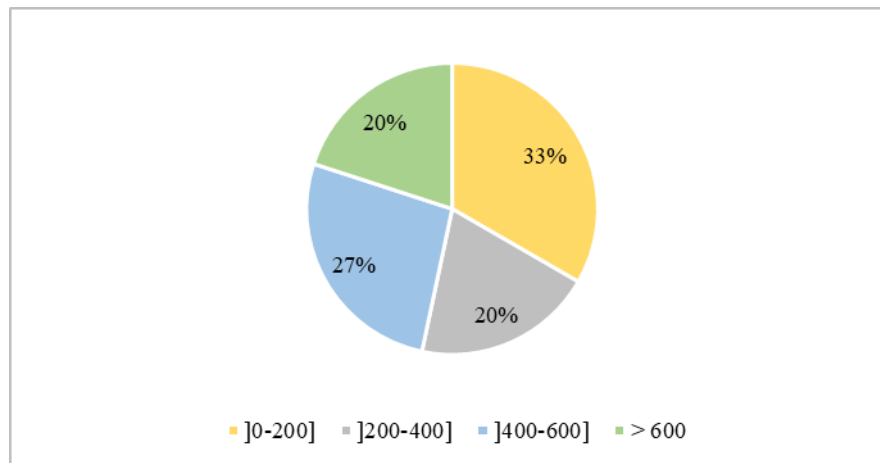


Figure 8: Companies' number of employees. Source: self-constructed chart based on the conducted interviews, 2018

As a result and according to the figure above, 33% of the companies that make part of the investigation hold until 200 collaborators (ranging from 60, 132, 143, and 150 collaborators), 27% have between 400 to 600 employees (the answers oscillate from 500, 550, and 600 employees), 20% hold between 200 to 400 collaborators (alternating between 230, 250, and 398 employees), and finally again 20% of the companies have more than 600 employees (the answers were 1000, 2000, and 4500).

When asking about how many of these collaborators are dedicated to outsourcing functions, the companies that provide exclusively IT services (*company I, company V, company VI, company VIII, company IX, company XI, company XII, company XIII, and company XIV*) mentioned that between 80 to 95% of the total employees are performing outsourcing functions, and the remaining employees are allocated to consulting projects, *nearshoring* - as mentioned in the literature *nearshore* means “sourcing service activities to a foreign, lower-wage country that is relatively close in distance and time zone” (Kvedaravičienė, 2008) - competency centres, R&D, training, and functional/support areas. The companies that provide outsourcing services but not only IT (*company II, company III, company IV, company VII, company X, company XV*) demonstrated that less than 60% of the employees are dedicated to outsourcing, being the remaining allocated to several different functions, ranging from consulting projects, administrative and sales, research and development (R&D), competency centres, and lastly functional/support areas.

4.1.3. International presence

During the interviews it was possible to identify two different types of international presence: a company is international present with physical offices and/or international present with projects.

Regarding the international presence with projects, only one company appeared to not have projects outside Portugal, all others companies referred to have projects in several foreign countries, more specifically, *nearshore* projects.

Regarding the international presence with physical offices, only three respondents referred the absent of international presence, i.e. there is physical office only located in Portugal and the companies aren't physically present in international countries. The majority of the companies referred having one to five physical offices outside Portugal, and other singulars answers mentioned 10, 21, 22 and 120 physical offices in foreign countries.

In the course of the interview it was also asked, based on their international experience, if in their opinion outsourcing is more successful in Portugal or in foreign countries.

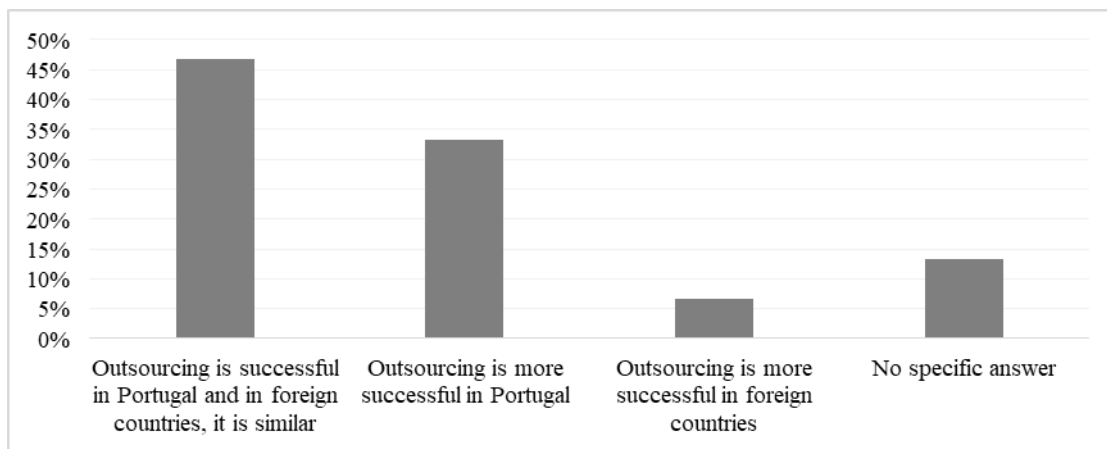


Figure 9: Outsourcing in PT and foreign countries. Source: self-constructed chart based on the conducted interviews, 2018.

By looking at figure 9, it is possible to note that, the majority of the participants argues that outsourcing is not a reality only present in Portugal, and stated that it depends of the foreign country but Portugal is on the European average regarding outsourcing and the concept is very similar with different features.

The participants who referred that outsourcing is more successful in Portugal, mentioned that outsourcing is a reality more present here. It was also mentioned that Portugal is more successful “because of the versatility and value resource/hour”. Moreover, one of the participants referred that outsourcing works better in Portugal because in foreign countries there is no outsourcing culture and it has a bad reputation there. Furthermore, some participants denoted that in some foreign countries, the concept of outsourcing is very different and it is common the existence of freelancers.

There was only one participant who mentioned that outsourcing is more successful in foreign countries, arguing that there is lack of specialized IT professionals outside Portugal and then Portugal is considered as an advantage because of the professionals' knowledge and lower rates.

Two interviewees didn't provide a specific answer to this thematic, just claiming that Portugal is on the top of the countries where it makes more sense to provide outsourcing services and that outsourcing is a business that can have success in any country with financial capacity.

The answers were not unanimous but there isn't a right or wrong answer in this question, the objective was only to understand the point of view of the interviewees in this topic and the respective justification for it.

4.2. Company and services provided

In a more internal perspective, this group of questions had the objective to understand how the companies operate internally and how they differentiate itself in the competitive market. To understand and analyse this matter was asked to the interviewees what are the services provided, what are the main pains and troubles in the outsourcing service, which kind of strategies companies have (or not) in order to innovate the portfolio of services, and how the companies' business models are different from the ones carried out in other companies, i.e., what are the companies' main features that provides differentiations in the market.

4.2.1. Services provided

Every single company of this investigation provides IT services, either through outsourcing and/or other type of services (consulting, nearshore, R&D, training, etc).

However, there are companies that provide exclusively IT services (*company I, company V, company VI, company VIII, company IX, company XI, company XII, company XIII, company XIV*) and companies that provides other type of services besides IT (*company II, company III, company IV, company VII, company X, company XV*).

The referred companies that provide exclusively IT services, provide it through outsourcing, consulting (development, business intelligence, etc.), *nearshore*, some of them also through R&D, training, offshore (as mentioned in the literature, offshore means “sourcing from a firm's subsidiaries located in other countries” - Varadarajan, 2009) and hybrid services – according to one of the participants, hybrid services means a hybrid service between consulting and outsourcing.

The companies that do not only provide IT services, also provide a wide range of services. *Company VII* and *company III* provide Engineering and IT services, through outsourcing, *nearshore*, consulting, and R&D. The participant from *company VII* also mentioned *academies* that according to him, it means recruiting and training undergraduates to execute a specific project.

Company IV provides BPO – “projects where service providers (vendor) accept, manage, and control business processes that a client entrusts and selects” (Zhang et al., 2018) - IT outsourcing, strategy and digital consulting. *Company X* provides outsourcing and *nearshoring* services as well as ICT solutions and services (technology and business consultancy; design and construction; deployment and commissioning; managed services & support).

Company XV provides BPO, outsourcing and consulting in a wide range of services – processes, HR and IT. *Company II* delivers Outsourcing (IT, processes, and PMO) and consulting in innovation, strategy, operations, IT, PMO, and business analysis.

To sum up, 60% of the companies present in this investigation delivers exclusively IT services and 40% provides IT but also other range of services. Though, the total of the companies provide IT Outsourcing services.

In the course of the discussion, since every company mentioned the provision of consultancy services, it was asked to the interviewees if in their opinion the revenue margin in outsourcing projects is higher or lower when compared with consulting projects and to justify their answer. All the participants seemed to agree that the margin in consulting projects is theoretically higher than outsourcing projects. The interviewees

from *company I*, *company II*, *company V*, *company VII*, *company VIII*, *company IX*, *company X*, *company XIII*, and *company XIV* mentioned that in consulting projects the revenue margin is theoretically higher because the inherent risk is higher and consequently the margin has to be higher, however, since in consulting projects the responsibility of the project and resources is from the *vendor*, if something goes wrong (time, schedule cost) the final margin can decrease. Moreover the participant from *company III* mentioned that the margin in outsourcing is lower because the added value is lower, the revenue margin is related to the added value and in consulting projects this is higher. Furthermore, at *company IV* it was referred that in outsourcing models where the final results and risks are shared the margin is very close to the ones in consulting projects. Additionally, the participant from *company XII* stated that the margin in outsourcing is lower since it is characterized with longer time positions with lower budgets whereas consulting projects have less duration and are better remunerated - it is an inevitable reality, according to the participant.

4.2.2. Pains and troubles

In order to understand what the threats through outsourcing are and how the companies deal with it, it was asked what are the main pains and troubles faced in the outsourcing service. When this question was asked it was given the sense that the interviewees knew the answer right away without think or reflect too much. The responses were spontaneous and very similar which demonstrate that almost all the companies face the same pains and troubles.

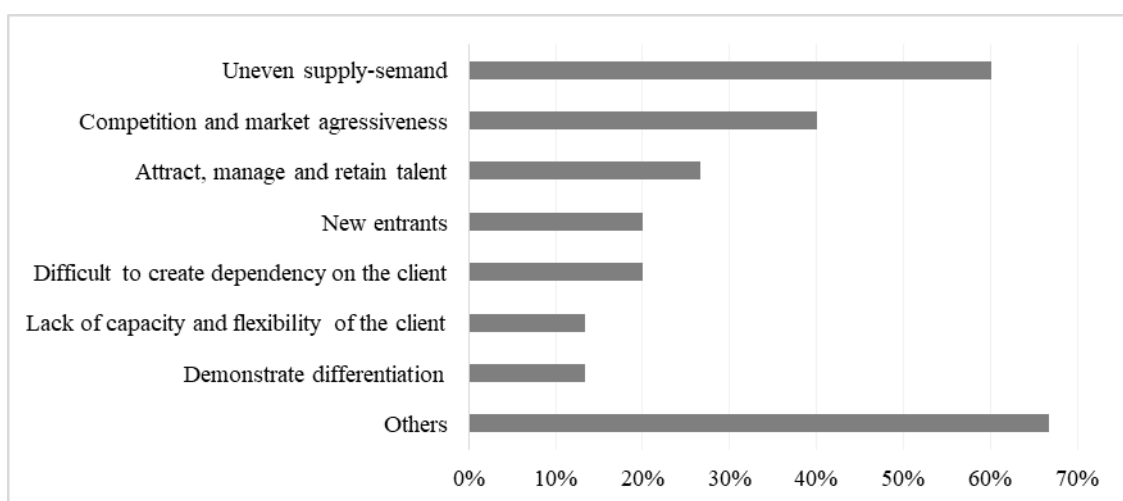


Figure 10: Outsourcing's pains and troubles. Source: self-constructed chart based on the conducted interviews, 2018

By looking at figure 10, it is possible to note that, the main troubles identified by the interviewees were: uneven supply-demand (scarcity of qualified resources); competition and market aggressiveness; difficulty in attract, manage and retain talent; new entrants in the market; difficulty to create dependency on the client; lack of capacity and flexibility of the client to create value through outsourcing; difficulty to demonstrate differentiation; and others pains. Others pains were singulars answers that include: inexistence of entry barriers; unfair competition; difficult to construct a solid back office; find resources who fit with the company; the lack of quality control; the mandatory recruitment; the lack of commitment from the candidates in the recruitment process; the operational management on the side of the client; the low margins; and lastly, the celerity in response that outsourcing involves.

Accordingly, 60% of the participants identified uneven supply demand as a significant pain/trouble in the outsourcing service. They mentioned the existence of a large demand of IT professionals and the qualified resources are not enough to face this demand. The participant from *company III* mentioned that the number of graduates and students in IT is very low in comparison to the market demand. The interviewee from *company IX* referred that the lack of talent compromises the business itself. According to the participant from *company VI*, due to this scarcity of talent, some investment in talent retention should be made from outsourcing companies in order to retain the people that is already part of the company. Moreover, the interviewee from *company IX* referred that to fulfill the demand, the company is working on a project of people reconversion, i.e. transform people that aren't graduate in IT to an IT profile, and/or reconvert technologically people already graduate in IT.

The second most identified pain/trouble by the participants was competition and market aggressiveness. The participant from *company I* denoted that the outsourcing market is boiling, even if the branding is appellative, the market is very vulnerable and the follow up to the consultants is crucial to deal with competition. The interviewee from *company VII* mentioned that the outsourcing market is very aggressive and there is a lot of competition, becoming hard to manage and retain resources when they receive new job offers every day. The partner of *company III* interviewed specified the inexistence of entry barriers to new entrants as a trouble. According to him, the market is practically

non-regulated which makes the market fragmented with different levels of requirements. Therefore, the competition is considered to him as unfair.

Regarding new entrants, the interviewees mentioned that there are a lot of new companies entering in the outsourcing market, national and international ones. Thus, as some foreign companies are now present in Portugal, it is not possible for Portuguese companies to offer the salaries that those companies can afford, i.e. it is impossible to Portuguese companies to compete with foreign companies that came to Portugal.

Concerning the difficulty to attract, manage and retain people, the respondent from *company XIV* mentioned staff turnover as a problem in outsourcing, he mentioned that is tough for resources to create a connection and a relation with the company and it is difficult to deal with new generations of professionals. The interviewee from *company VI* considered a constant challenge to attract and retain people and talent. *Company VIII* demonstrated the difficulty to find professionals who fit with the company's ADN and career perspective by mentioning the lack of professional that fit with the growing perspective of the company - find people willing to learn, with the necessary humility to work in the company.

Company IX and *company X* considerate the expression of differentiation as a pain in outsourcing. The interviewee from *company IX* mentioned that it is hard to prove to client that there is differentiation in outsourcing and that the outsourcing companies are not all equal. The participant from *company X* mentioned the existence of low differentiation in the final output since the majority of the resources are not effective and therefore they are present in the data base of the competitors as well.

At *company IV* and *company XV*, it was mentioned the lack of capacity and flexibility of the client to create value through outsourcing. According to the participant from *company IV*, there are barriers related to the capture of value associated with outsourcing processes on the side of the client, since client may not have the capacity and flexibility on the management of their resources and do not have the capacity to look to outsourcing as value creator. Moreover, the participant from *company XV* mentioned the lack of consistency from the clients in the processes.

4.2.3. Innovation in the portfolio of services

The present question was dedicated to study how the companies are constantly innovating its portfolio of services in the competitive market, i.e. what are the strategies in place by the companies to follow the trends and therefore adjust/reformulate its services offer.

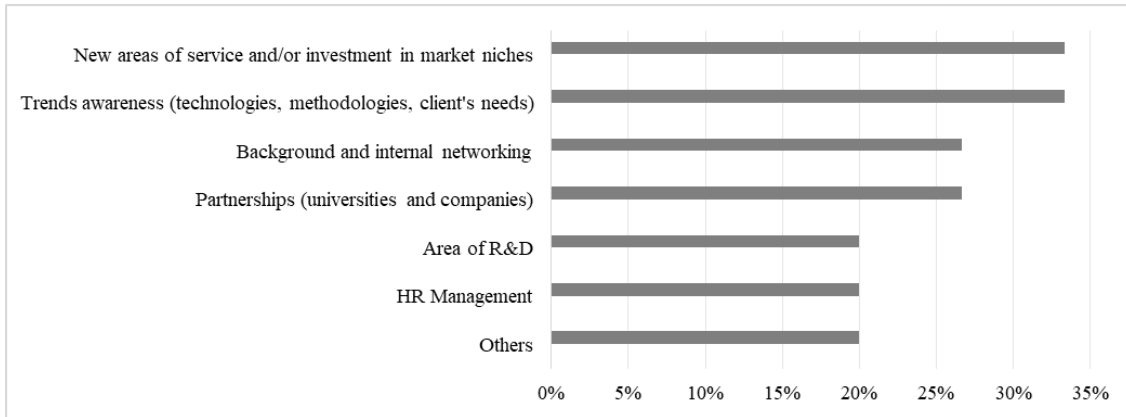


Figure 11: Companies strategies to innovate the portfolio of services. Source: self-constructed chart based on the conducted interviews, 2018

As it is possible to observe in the figure above, the main strategies that the participants from different companies identified regarding the innovation of the portfolio of services were, for order of significance: investment in new areas of service and/or market niches; being aware of the market trends, in terms of technologies, methodologies, and client's needs; background of the company and the inherent networking of the fact of the companies having projects across Portugal and the world, which provides knowledge about the market; partnerships with universities and companies; the existence of a R&D area which provides much knowledge and market updates; and the differentiate management of the employees. It is important to refer they were not ordered by relevance or any other specific order by the interviewees.

Regarding the investment in new areas of service and/or market niches, the participant from *company I* mentioned that the company is innovating in new service's areas, as consulting and *nearshoring*. At *company VI* it was mentioned the innovation in terms of new products and inside the projects that execute. The participant referred the opening of new technological areas (software development from scratch and sales force) and investment in a new market niche (CRM – client relation management). At *company VIII* the interviewee mentioned that the company is constantly investing in some areas, and

the proof of that is the recent creation of the game lab (gamification). The participant from *company XIV* stated that the innovation in services comes from the investment in vanguard niches, as smart cities. Finally, the participant from *company XI* also mentioned that the company innovates in portfolio of services with the strategy of the creation of 8 specialized competency centers, each of them responsible to execute projects in a specific area.

Concerning the awareness of the market trends, in terms of technologies, methodologies, and client's needs, the participant from *company XV* referred that the company in order to innovate the portfolio of services, follows the trends, the new practices and above all, technological innovations. At *company VII* it was mentioned that every year the strategy is designed according to the technological innovations and operating countries. At *company XII*, the innovation passes being aware of the market and trends, especially methodologies. As an example, the participant mentioned that the traditional project management is outdated and as the company is aware of the trends, they start to train the consultants in agile, scrum, kanban and lean methodologies of project management. The interviewee from *company IX* mentioned that the company try to understand the trends and client's needs in 2 ways: what are the needs in terms of skills, and how can outsourcing provides more added value – sharing risk (response times, SLA's, resources rotation). At *company VIII*, the interviewee mentioned that the company is always aware of new trends and affirmed that the company is not trying to innovate the portfolio but evolve/ develop the existing models, evaluating the market, target and the company capacity.

Relating to company's background and internal networking, it was notable in the interview that what provides the innovation in portfolio of services in *company IV* is the international networking and experience inside the group. The international presence of the company enables it to be in touch with a wide range of clients all over the world, who have different kind of needs and inherent kind of solutions and projects. This international background provides knowledge and identifies best practices used and tools. *Company III* and *company X* mentioned the exact same strategy, it was referred in the interview with *company X* that the international presence provides information sharing and synergies, i.e., new trends and solutions in practice in some countries by the company, are sharing with the company in Portugal with the respective know-how, innovating the services delivered to the clients. It was also mentioned by the same person that the

innovation in the portfolio of services is provided by the fact of the company being an ICT company always executing new solutions for the clients. Moreover, also *company VII* referred to the background and internal networking by stating that the company have consultants in outsourcing across the country what provides knowledge about the trends and on what is been doing in different projects that are being executed. In practice, the knowledge is caught by the people who are working to them across different projects and companies.

The establishment of partnerships with companies and universities was mentioned by the interviewees from *company II*, *company III*, *company IV*, and *company VI*. At *company II* it was mentioned that one of the strategies to innovate the portfolio of services is being present in university events in order to start partnerships to catch the best talents. *Company IV* and *company III* do research and development with universities and startups in order to identify new trends and practices in the outsourcing market.

The previous strategy is inter-related to one that was also mentioned by *company III*, *company IV* and *company VII*: investment in R&D. At *company III*, the company invests a lot in R&D (together with universities and companies) what provides knowledge about the market and feed the portfolio of services, according to the participant. The company invests around 2 million of euros per year in R&D in Portugal. *Company IV* do research together with universities and startups to identify new trends and practices. Also has a laboratory to test ideas and prototyping.

Lastly, the innovation in the management of human resources was mentioned by *company I*, *company XIII* and *company XIV*. At *company I*, it was mentioned that the innovation in the company is through the manner they manage their resources and clients. The interviewees from *company XIV* and *company XIII* mentioned that the company try to innovate in the way the HR are managed, providing attractive projects in good clients, but mainly, manage them with a closeness and transparent relationship.

Others answers were given when asked this question, namely, a philosophy of never say no when it provides innovation and learning (*company V*), and lastly, innovation in being disruptive and resilient in searching profiles, collect information from the recruitment interviews – source of knowledge.

4.2.4. Business model and competitive advantage

The main objective of this dissertation is to understand how the business models of the companies present in this study make them sustainable in terms of efficiency and competitive advantage. The whole interview was conducted to the referred objective, and especially in this question the interviewees were asked about that, specifically: *how does the company achieve competitive advantage through outsourcing? What differentiates its current business model from the ones carried out in other companies?*

The answers given from the interviewees were contradictory, i.e. some participants referred equivalent factors that differentiate the company from others companies, and other interviewees mentioned certain factors completely different. As this question is extremely important in this study, the results are shown individually by company. It is important to refer they were not ordered by relevance or any other specific order by the participants.

Starting with *company I*, the interviewee mentioned remuneration & benefits, as well as transparency as a differentiated factor. Moreover, he considered the training and certification provided to the employees as a differentiator factor as well - since every employee has a training and certification plan associated – as well as the social events (fun), and the mutual aid promoted. Another relevant aspect mentioned is the fact that the company's managers have a small number of consultants associated, as a way to provide a closer and more effective follow-up. The participant also mentioned that the company is creating a coaching and tutoring program in order to senior managers help the juniors to integrate themselves in the company and to provide a more effective and assertive answer in the daily job.

Regarding *company II*, the participant mentioned that the company gets competitive advantage through outsourcing throughout talent retention and the correct identification of profiles and opportunities. IT recruiters at *company II* carry out a previous selection of the clients, and then try to look for profiles who perfectly fit with client's needs. It was also mentioned by the interviewee that usually at outsourcing companies IT recruiters have the obligation to carry out a determined number of recruitment interviews per week, and at *company II* it doesn't happen. Moreover, the participant mentioned that as the company is a consulting and outsourcing company, the outsourcers have consulting skills and knowledge what brings more value to the client.

During the interview with the senior executive from *company III*, he mentioned the fact of the company being extremely lean what enables an agile capacity when challenged by the clients. The company also have the capacity to create enormous team projects, and the international experience and background are also a differentiated factor, according to the participant. It was also said that the company is highly certified which demonstrates quality (ISO's) and safety.

At *company IV*, a different perspective was shared. The participant mentioned that the company in outsourcing look for processes in clients where is possible to capture value by transformation rather than cost – a perspective of value creation and not a contextual competitive advantage provided to the client. To *company IV*, the theme of transformation is critical to be differentiated in the market and in the proposals is included a component of continuous improvement. The participant also shared the fact of the company share the risk with the client – agreement on what are the supposed financial and performance objectives and if the objectives aren't meet, the risk can be either on the side of *company IV* or shared with the client.

The answers collected at *company V* reveals DNA and values of the company as a differentiated factor, as well as the marketing strategy and the follow-up given to the consultants due to the availability of business managers (as also referred previously at *company I*). It was also mentioned the professionalism of IT recruiters and HR team, the financial models implemented in the company, the existence of a strong team of back-office and nice infrastructures with a relaxing environment.

The interviewee from *company VI* considered the training services as a differentiator factor - the company sells training and certification as a service and also provide it to the consultants. The training plan is part of the career of the consultants and there is a lot of investment on that by the company.

At *company VII*, the differentiation is accomplished with the response aptitude and the dynamism present on the daily activity with a growing objective. The objective, the method of work and the responsiveness is what differentiates *company VII* from others outsourcing companies in the market, according to the participant. Furthermore, the relationship with the consultants is another differentiation factor.

The interviewee from *company VIII* mentioned 3 differentiated factors: the company do not have subcontract resources nor freelancers and temporary contracts; the existence of

qualitative training and certification; a differentiated outsourcing model implemented with mutual aid, experience sharing, consultants not isolated in the client with a regular career follow up.

At *company IX* it was mentioned that as *company IX* is part of a prestigious company of technologies, it is easier to capture more talent, provide more opportunities of career development, and provide a closer follow-up to consultants. It was also mentioned that sometimes it is difficult to capture a client because the factor price, but once it did it is rare to lose it – customer loyalty. Another differentiator factor is the fact that the company does not withdraw the consultants from one client to allocate them in other client and make out an excuse.

At *company X*, the business model of the company is very different from the ones in other outsourcing companies since outsourcing is just a small component of the company and the company is specialized in infrastructures. The company is differentiated with the know-how that owns from the 13 different areas of service and the inherent background and context of the company. Moreover, regarding the client prospection there is a differentiator factor: each business manager has a group of clients associated and they cannot be addressed by others business managers.

The differentiation at *company XI* is achieved by the fact of the company being not only an outsourcing company but a technological company. The company also is differentiated by its values and principles, by the people who work there, quality and seniority, and experience of consultants.

At *company XII*, the interviewee stated that the company differentiates itself with training and constant update. Moreover, the attention and close follow up to consultants is crucial and have an initiative of project rotation in order to provide constant learning and motivation to consultants.

Regarding *company XIII* and *company XIV*, the companies are differentiated by the people who work in the company and the given follow-up – there is a close relationship with the employees. Moreover, another differentiated factor is the internal culture of the company that is spread to the consultants. *Company XIV* also referred the proactivity on resources management rather than reactivity.

The participant representing *company XV* only mentioned that in outsourcing are defined the volumes, the quality level, and associated SLA's. The basis of the service is the meeting of the objectives rather than the way it is achieved.

In conclusion, one may say that the companies of the study have different factors that make them differentiated in the market and characterize their business models. Some factors are common between the companies and others are very different, it is not possible to identify a pattern.

4.3. Human resources and talent

The current section of questions was conceived to address one of the most internal critical part of outsourcing companies – the resources, i.e. the consultants. This group of questions will therefore analyse and study how the outsourcing companies presented in this study manage their resources. Attract, manage and retain talent was considered as a main pain in outsourcing market by the interviewees, therefore this section will analyse the recruitment process, the management of the resources, and lastly the retention of talent and resources.

4.3.1. Recruitment features and match with the client

The recruitment process is crucial in outsourcing companies due to the scarcity of qualified resources that characterizes the market. As mentioned in the literature, outsourcing involves an externalization of a certain activity usually performed in house by a company to an outsider company (Dolgui & Proth, 2013; Bhattacharya et al., 2013; Bacea & Borza, 2015). Therefore, the resources from the *vendor* will perform functions and tasks in the company's client. Hence, it was asked to the interviewees what are the main features searched in a candidate in the recruitment process, and if it depends on the market trends or it's based on the client's requirements.

Starting with *company I*, the interviewee mentioned that recruitment not only happens when there is a need from a client, sometimes the company hire a candidate without a defined project. When it's found a person that stands out from others, they contract either with a defined project or not. He also mentioned that every employee has an effective contract. However, when recruiting for a specific opportunity of a client, the recruitment meets the client's requirements but if a project doesn't make sense for the company and it implies hire a very specific person they decline the project.

Regarding *company II*, the interviewee noted that understand the need and the reality of the client as well as the environment of the company is crucial to find the right profile with the best fit. Besides technical skills, they look for intellectual humility of the candidate. The outsourcer selection depends of the opportunities and also the manner of work of the *buyer* and the recruiter team must have this sensibility.

During the interview with the senior executive from *company III*, he mentioned that the recruitment meets the requirements of the company. The recruiter has to pass several tests, has to have a strong background and he's subjected to technical tests. Then, the next step is an interview with the client –in this step 50% of the consultants are already effective in the company. The participant also noted that the company apply proactive recruitment once they know exactly the kind of profiles they need for the company and clients.

At *company IV*, there are different types of profiles (different skills, background, knowledge, and training) needed depending on the project. Clients only informs about the project and respective SLA, and it is *company IV*'s responsibility to manage the process, identify people, quantity, and tools, and ensure it meets the client's expectations. At *company IV* there are 1200 sub-contracted resources in BPO in a total of 2000. The reason is the volatility of needs and this contract have specific duration because of that. These profiles are managed as a way to be useful in several contexts and for that type of outsourcing the company search for generic profiles and provides specific training.

The answers collected at *company V* also reveals that when it is find a candidate that stands out from others, they contract either with a defined project or not. The *company V*'s employees should be good people in first, and then good professionals. When recruiting, the person might be what they consider as right and might have the *company V*'s profile. Moreover, it was also mentioned that even if the client want, the company doesn't recruit a candidate if the person doesn't fit with what they consider as right and.

The interviewee from *company VI* referred the existence of active recruitment even when there aren't new projects. The company recruits constantly to fulfil future needs. Regarding the fitness with the client, the participant mentioned that when search a profile for a client it meets exactly the client's requirements.

At *company VII*, the recruitment meets what is the ideal of consultants for the company, and it meets the company's profile of consultants. Then, the company try to find a match

between what the market is looking for and the objectives of growing from *company VII*. Additionally, the recruitment takes into account the experience of the person versus the experience the company is looking for and/or need.

At *company VIII* the main features the company looks in candidate meets the company's requirements – it means technical skills and attitude. The company search an overall player as consultant, someone who identifies with the company, someone who wants to grow in the company and someone that views the company as her own. Moreover, the company try to adapt the recruitment to the market trends and the candidate cannot be too different from the services provided by the company. It was also mentioned that the company doesn't hire people only for a project, the participant stated they prefer to lose a project than hire someone who doesn't meet their requirements.

At *company IX* it was mentioned that if the company is recruiting for an existent need from a client the recruitment is based on this reality. Depending on the technology, they recruit people without a defined project and conduct a technical validation. The features more valued are the willingness to learn, the capacity of work, creativity, and team work.

At *company X*, the main features looked in a candidate meets the company's requirements. There isn't only recruitment when there are needs for projects and clients. Regarding the main features searched, the company search for people who are willing to continuously learn with proactive features, technologically updated and with a strong background. However, when they hire someone for a determined project in a client, it is based on the client's needs and requirements.

The recruitment at *company XI* happens independently the needs from the clients since the company has needs and opportunities internally. In the recruitment process matters technical and soft skills and the company contract people who do an excellent work, either in client or in internal projects. It was also mentioned that the candidates passes through technical validations first, and more and more hire senior and experienced consultants. Regarding the match with the client, it was referred that when client requires a specific profile, they identify the exact profile and hire. However, most of the times, they hire even when there is no defined project.

At *company XII*, the recruitment always fit with client's requirements. Nevertheless, there are transversal features searched in a candidate: challenging people, update people, and expeditious people. Moreover, the candidate cannot be too differentiated from the team –

in a positive or negative way. Additionally it was mentioned that when it is found a candidate that stands out from others, they recruit even without a defined project.

Regarding *company XIII*, in the recruitment process count 50% of relational skills, technical competencies and fitness with the client – who matches with the client needs in terms of technology, culture, and effort/difficulty in the project. The company recruits when there is a need from a client and when there is not. They recruit people technically well, with good soft skills and background.

The participant from *company XIV* remarked that *company XIV* hire for *company XIV* but try to adapt to the market reality and needs. The company selects people who brings extra value to the company and the company's profile – it means technical and relational competencies. It is essential that the candidate is autonomous and presents domain in the area of work with capacity for dialogue, for interaction and discussion.

Lastly, the participant representing *company XV* only mentioned that the recruitment is essentially based on the client's requirements.

4.3.2. Investment in training

The present question was conducted to study the training models and processes in place at the *vendor's* company, as a way to understand how important is for the company the employees' evolution and how it is ensured. Moreover, it was asked if it is usual the client (*buyer's* company) pay the training to these consultants from the *vendor's* company.

At *company I* there is an annual training plan. A brainstorming session is established to identify the training contents the consultants are more interested in. This training contents are about technological innovations, technical areas, methodologies, and soft skills. There is also certification to the consultants from an outside company. Regarding the client paying the training, it never is the client to pay it totally, either they pay it together or the price is reflected on the invoice payment.

The participant from *company II* considers training as fundamental in technical areas as well as soft skills, as a way the consultants can progress and grow as professionals. At *company II* there is diversity of unpaid training that can be provided by internal trainers and when there isn't enough internal know-how it is provided by external trainers.

At *company III* there is an annual training plan of capacity development which is defined at a strategic level. In each project there are specific needs and therefore specific training for consultants, about tools, methodologies, etc. In 90% of the cases *company III* pays the training, declared the participant, but when it is requested a very specific training for the consultant it can happen that the client pays or the cost is included in the proposal cost.

The training at *company IV* differs in resources associated with particular activity and resources associated with a competency. For those who are associated with a particular activity, training is oriented to the activity they will execute, and for those who are associated with a competency, the focus is on the competency and therefore adjust the training. *Company IV* also provides external training as MBA's, post-graduations, etc. There is an internal portfolio adjusted to hierarchical level, career level and profile. Client does not pay training – when a specific project needs a specific training, the cost is included in the contract.

The respondent from *company V* mentioned that in the annual evaluation the company's managers identify the needs of each consultant for training. Moreover, the HR team establish the annual training program. He stated that training is an investment that prepares and develop the consultants. He also added that it can happens the client pay the training for specific reasons and establish an agreement regarding the payment.

According to the participant from *company VII*, their training area is one of the most ancient areas in the company. They have a training centre and a lot of training sessions going on about technical contents, languages, behavioural, time management, etc. Consultants have the freedom to attend the training they want and the associated manager defines the training path the consultant must follow. Client can pay the training or can ask for the consultant to attend a specific training and either pays the client or *company VII*, it depends.

At *company VIII*, the resources have access to training and certification, and every consultant has an associated career and training plan. Training is provided by e-learning platform or training by skype for business for those who cannot assist to the sessions in person. The contents are about technical training, languages, communication and soft skills. If client pays some kind of training, it is something very residual. *Company VIII* pays all the training and it is its responsibility.

Company IX's respondent exposed that in his opinion training is important but do not believe in much formatted training programs. Training is discussed in the annual evaluation meeting and defined regarding the objectives and challenges for the next year. In conclusion the participant mentioned that training is one of the themes that need to be reassessed, especially technical training.

At *company X*, they have an internal annual training plan and every employee has a budget for training which can be used according to their personal and professional objectives. The training provided by the company is about technological innovations, technical areas, methodologies, soft skills, languages, etc. Client does not assume totally the cost of the training when it's asked a specific training.

The interviewee from *company XI* referred that the company invests a lot in training. *Company XI* is like a career manager for the consultants and therefore there is internal and external training in a monthly basis and sometimes even on a weekly basis. There is freedom and flexibility for the consultants express the training needs. In the client, when the consultants need some kind of training to work more effectively it can happen the client pay the training but this situation is very rare.

At *company XII* the training is constant about soft skills, new trends, PMO, methodologies, technological updates, technical, etc. The company has an academy – *Company XII*'s Academy - which provides certification and access to all existing training. For the new resources, they analyse their interest in certain training contents and after 6 months the company identify her training needs and the academy develop a directional training plan. The training needs are the priority and then are taking into account the areas of interest.

At *company XIII*, at least once a month there is a training session (one month by senior consultants, and the other month by an external trainer). Every year is conducted a survey about training and then it is planned the training catalogue for the whole year. In the annual evaluation it is defined specific training taking into account the needs and the project of the consultants. Sometimes client provides training but *company XIII* pays.

The interviewee from *company XIV* stated that a big portion of the company's investment goes for training. The training contents are decided based on the collected feedback and technological trends. The training is provided by senior consultants and sometimes by

external people. He also referred that the consultant’s career plan and training is reflected and discussed with the consultant.

At *company XV* was shared that the employees’ evolution is crucial to ensure the quality of the service and there is a monthly volume of hours for each element.

4.3.3. Retention strategies

Attract, manage and retain talent was mentioned to be the 3rd main pain in the outsourcing market. Therefore, it was asked to the interviewees about the companies’ talent retention strategies in course in order to overcome this difficulty. The findings are the follows shown in the chart below:

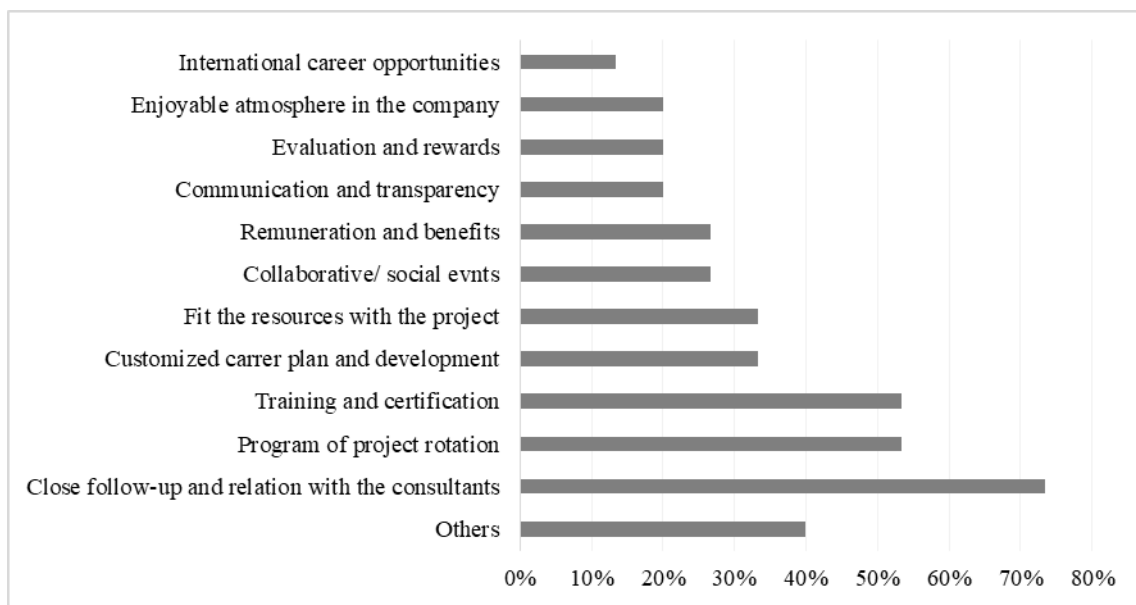


Figure 12: Companies strategies to retain resources and talent. Source: self-constructed chart based on the conducted interviews, 2018

As can be perceived in figure 12, the main strategies that the participants from 15 different companies identified regarding the retention of resources and talent were, by order of significance: the close follow-up provided to the consultants as well as the relation with them; a program of project rotation which consists on move a consultant from projects if he/she is unsatisfied and unmotivated; training and certification provided within the company; the existence of a customized career plan and perspectives of career development; the fitness of resources with projects, in terms of challenge, culture, career, and preferences; the presence of collaborative and social events in the company;

appellative remuneration and benefits; the fact of having enjoyable and familiar atmosphere; communication and transparency with the consultants; the regular existence of evaluation moments and rewards; the internal opportunities to pursue an international career; and others strategies which will be detailed afterwards. It is relevant to denote that the responses provided by the interviewees were not ordered by significance or any other specific order by the participants.

Accordingly, 73% of the interviewees identified the close follow-up provided to the consultants as well as the relation with them as a strategy to retain talent. According to the participant from *company I*, the company's managers are responsible for a small number of consultants what facilitates a close relationship, and there is proximity with all employees independently of the hierarchy. Also the participant mentioned that managers have a reasonable group of associated consultants to provide a close follow up and close relationship with the consultants. Also there is proximity between the consultants and the whole company (managers and executives), according to the interviewee.

At *company II* it was mentioned that there regularly are team meetings to open discussion of topics as a way to the consultants feel heard and participative in the company. Moreover, there is a close follow-up to the outsourcing through meeting, lunches, formal and informal team meetings. The interviewee from *company V* mentioned that the company tries that nobody left the company for company's fault, i.e. unhappiness in the project and lack of attention by the associated manager. At *company VI* it was mentioned that every quarter of year the HR team meet with the consultants to understand the current situation, the motivation and satisfaction of the consultant. The participant from *company VII* referred that the closeness from the executive board of the company is a reality, and it becomes easier since they can unlock specified situations and allows closeness between the company and the consultants. At *company VIII*, the interviewee denoted the availability from managers to provide a close follow-up, to support consultants and their growth, to talk with the client and to act in real time. The interviewee from *company XIII* stated that the follow up to consultants is crucial and it has to go beyond the project. The associated manager might have the capacity to create a very close relation. The contact with the consultant is made almost on a daily basis and there also are HR meetings with him. Furthermore, at *company XII*, they pay attention to the consultants to understand their current situation and motivation, there is a very close relation and there are constant

informal meetings. Lastly, at *company XIV* it was mentioned the close management with people knowledge.

The second most identified strategy to retain talent by the participants was training and certification, and program of project rotation, with 53% of the participants mentioning it (same percentage for each component). The participants from *company I*, *company IV*, *company V*, *company VI*, *company VII*, *company VIII*, *company X*, and *company XI* mentioned training and certifications as a way to retain talent and resources. The participant from *company X* referred that the companies provides internal training and also offers a budget to be used externally in training according to consultants' choice and preferences. Regarding project rotation, according to the participants from *company I*, *company V*, *company VI*, *company VIII*, *company XII*, *company XIII*, and *company XIV*, when the managers realized that a certain consultant is unsatisfied and unmotivated with the executing project, it is possible to change to another project more interesting for the consultant, as a way to increase motivation and stay in the company.

Then, the fitness of resources with the project was mentioned by 40% of the interviewees. According to the participant from *company IV*, the company respects the interest of the collaborator to pursue a specific career and have that in consideration when signing them to projects. The company also provides diversity in the resources' activity, client and area of work. Moreover, according to the participant from *company IX*, to retain talent is crucial to understand the motivations of the resources and try to have an aligned development career plan – try to understand with the client what the consultant does better, try to understand his ambitions, and try to fit the projects, clients, and culture to the consultants.

Customized career plan and development was mentioned by 33% of the participants: *company III*, *company VIII*, *company IX*, *company XIV*, and *company XV*. At *company III*, the participant mentioned that challenge employees and provide a perspective of career development is crucial to retain talent. Therefore, the steps inherent to the career development must be very clear, i.e. the resources must know exactly what they need to do to reach some kind of position. According to the interviewee from *company IX*, it is important, especially for younger generations, to find a meaning and a purpose in the company, and the career development should be aligned with these motivations and ambitions. At *company VIII*, on an annual basis, the career plan is reviewed and adjusted. At *company XIV*, as it is a recent company in PT, the company provides internal

opportunities and positions of career development, and the resources have several opportunities to grow inside the company.

Remuneration and benefits, as well as collaborative and social events were mentioned by 27% of the participants (same percentage for each category). At *company IX*, remuneration is important to retain talent. However, remuneration is rarely the reason to leave the company, the truly reason is revealed as new challenge or motivations. At *company IV*, salary packaging and additional benefits make part of the basic package offered to the resources. At *company VII*, the salary component is analyzed and reviewed each quarter of year to guarantee the inexistence of unfair situations. Remuneration is well analyzed and discussed. Regarding collaborative and social events, *company I* mentioned the existence of social events of fun to the whole company, and at *company VI*, it was mentioned the existence of collaborative events and challenges to the consultants, and at *company XI* there are formal, informal events, and technical events. At *company X* the new resources in the company are welcomed with a breakfast with the CEO of the company.

Enjoyable and familiar atmosphere, regular evaluation moments and rewards, communication and transparency with the consultants, and lastly, the internal opportunities to pursue an international career, are also retention strategies mentioned by 20% or less of the participants.

Other strategies were mentioned by 6 participants, and correspond to stimulate team and union spirit mentioned by *company II*. At *company III*, internal consultants have the opportunity to apply to the recruitment opportunities and they have priority on the external candidates. At *company V*, it's released a survey when people leave to understand the reasons and afterwards apply strategies. The participant from *company VIII* mentioned the effective hiring as a retention strategy, the fact of not subcontract resources. At *company IX* it was referred the seniority of the managers that provide follow-up to the consultants. And lastly, at *company XIII*, the participant stated that they contract a specialized people in talent retention to help on this sensitive and critical subject.

4.4. Client's management

This group of questions aims to analyse and study how outsourcing companies presented in this study manage their relationship with clients. Therefore this section will analyse the

internalization of the resources by the clients, the main practices to win new opportunities and clients, and lastly the relationship between the two parties – *vendor* and *buyer* – throughout the outsourcing service itself.

4.4.1. Resources internalization by the buyer

The internalization of resources by the clients may seem a problem to some outsourcing companies in this study. In that sense, the present question analyses this scenario and the strategies of the companies to deal with this. It was then asked to the participants what is the company’s strategy when client internalize or “steal” its resources, whether it is a normal scenario or not and what is the current trend. The finding demonstrates that in 60% of the companies this situation happens occasionally, in 33% is very common this to happen, and only in 7% this situation is unusual.

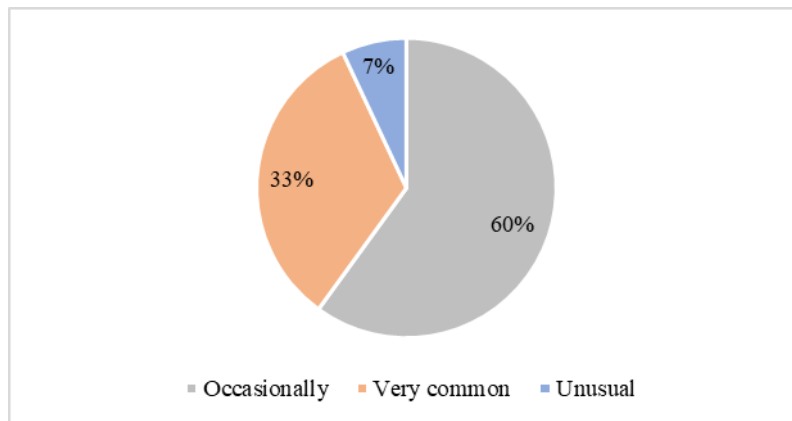


Figure 13: Resources internalization by the *buyer*. Source: self-constructed chart based on the conducted interviews, 2018.

At *company I*, it was mentioned that it’s common this situation to happen and the trend is to increase. According to the participant, companies use outsourcing firms to recruit and sometimes clients only want the person to provide the service if it would be possible to internalize her afterwards. *Company I* tries to delay the situation and tries to negotiate, i.e. the resource has to accept and it can only happen after some time. The company also has terms in the contract for these specific situations. He denoted that sometimes the client pays a fee.

At *company II* and *company XIII*, it was mentioned that the contracts can or cannot contain internalization, but less than 1 year with the company is not possible. The decision

is up to the consultant. Moreover, at *company XIII*, when the problem is the salary, the company makes another proposal.

The interviewee from *company III* referred that it is not usual this situation but sometimes it happens. Each situation is analysed individually and do not have a specific strategy. Moreover, at *company XI*, it was also mentioned that it happens sometimes and each case is decided separately. The client mention the intention to internalize on the beginning of the contract and the company tries to avoid because they want to retain people. The decision is on the side of the consultant and the position is replaced.

The participants from *company IV* and *company XV* mentioned having a positive perspective when clients have interest in their consultants. The participant from *company IV* even mentioned that this scenario is promoted by the company and mentioned the company is an accelerator of career development and not all the resources can stay in the company. They prefer that the resources pass to the client rather to the competitor. At *company XV* it was mentioned that the consultant is never addressed without previous authorization from the company.

At *company V* the participant denoted that sometimes the client internalize the consultant but doesn't steal. It is transmitted in the beginning of the contract - the client offer a new position and the relation is keep. However, when the company realize the clients are appropriating of them to recruit, the relations is cut.

The participant from *company VI* stated that this situation happens occasionally and it demonstrates the companies provides good work and resources. There is an established minimum period of time that the consultant is exclusive from *company VI* and then the final decision is up to the consultant.

Company VII mentioned that “steal” the resources doesn’t happen and when any client wants to internalize it is referred in the contract. *Company VII* is completely against this and only accept it when the clients are crucial for the company’s future. Therefore, the company tries to negotiate the position and in majority of times it is defined a replacement. The minimum period of time the consultants are exclusively *company VII* is one year and the older consultants, with more experience, are not included in that potential internalizations.

At *company VIII*, they have very rare exceptions for clients invite their consultants to work for them, it is agreed in the beginning of the contract, and the decision is up to the

consultants. They have legal procedures to avoid these situations, at least for a defined period of time. Moreover, he denoted that the company is client's partner rather than suppliers and work as partners.

In the interview with *company IX*, it was mentioned by the participant that there are opportunistic clients who use the company to recruit and it's very rare that the client doesn't want to internalize the consultant after 1 year. Firstly the company tries that this doesn't happen, then when it can be avoided try to post pond, and lastly ensure they lose the consultant but not the position. If they realize it is a common practice from the client and the client is using the company to recruit, a fee is applied.

At *company X*, when the client wants to internalize the consultant, he informs *company X* in the beginning and together establish a period of time. Again, it only happens if the consultant agrees.

The participant from *company XI* mentioned that in a hidden way it doesn't happen. Outsourcing doesn't comprise internalizations but there are exceptions depending on the relation with the client and the opportunity for the person. The position is guaranteed, replacing the opportunity or the person.

At *company XII*, it is a common reality and when people leave the company, this is the reason. Those situations are not easy to manage and in the majority of times the clients approaches the consultant without inform the company, offering better conditions. In the majority of times, *company XII* loses the position in the client.

4.4.2. Practices to close opportunities

The present question was dedicated to study the main practices considered relevant by the companies to close/win opportunities. The findings are the follows shown in the chart below:

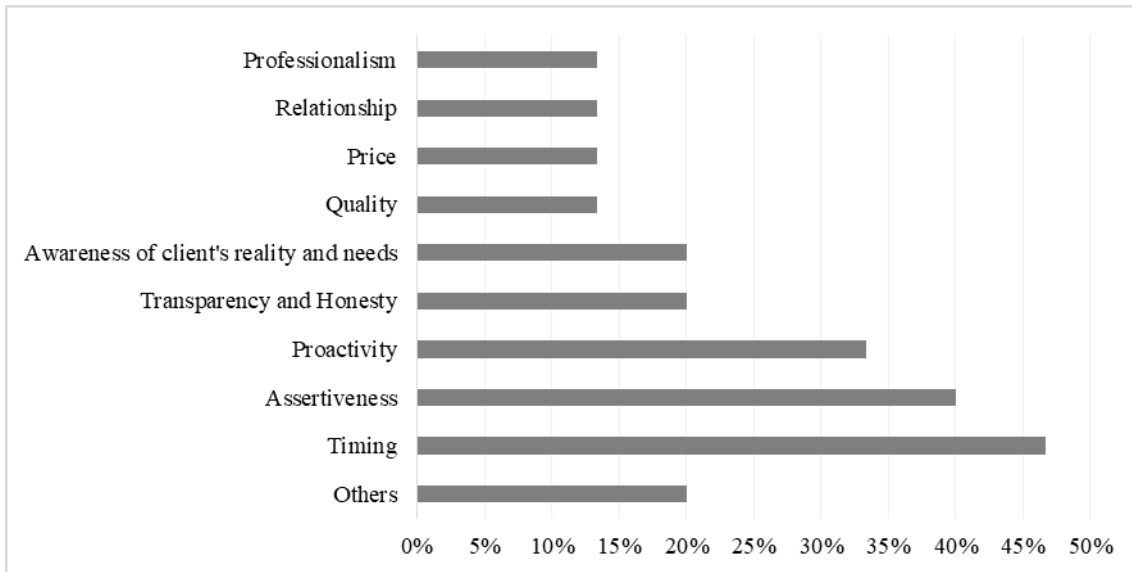


Figure 14: Companies main practices to close/win opportunities. Source: self-constructed chart based on the conducted interviews, 2018

Accordingly to the figure above, 47% of the participants considered timing (celerity) as a main practice to close opportunities in clients, 40% mentioned assertiveness i.e., finding the best consultant for the position, 33% referred proactivity on finding new opportunities and clients, 20% (same percentage each) mentioned transparency and honesty with all the parties involved, and awareness of the client's reality and needs. Moreover, 13% mentioned the quality of the services and the consultants, the price, the relationship with the client, and the professionalism of the company as main practices to win opportunities (same percentage each category). Other individual practices were also identified and will be detailed furthermore.

Regarding the two most nominated ones – timing (celerity) and assertiveness – the participant from *company XIII* mentioned that celerity is crucial to avoid that others companies come first and assertiveness to demonstrate to the client that they understand what they need and send a response with quality. At *company III*, it was mentioned that the most important to close opportunities in outsourcing is having availability of resources on the right time. At *company II*, one of the practices mentioned was also the celerity on answering to the client's opportunities. At *company XII*, the participant mentioned that is important to find the right person who fits with the client's reality without contrast with the others. At *company XI*, it was mentioned that assertiveness demonstrates that they understand exactly what the client needs and reply with a proposal that add value on what

was required. *Company V, company VII, company VIII, company IX, company X, and company XI* also mentioned these practices.

Proactivity was the third most revealed one. At *company XIV*, they try to anticipate the opportunities and being proactive. Therefore, they hiring and recruiting on a regular basis in order to avoid reactivity. At *company X* it was stated that managers have a group of clients associated, and are responsible for previously analyse the client needs and then contact the company, introduce the services, identifies the opportunity and sends a proposal – proactivity. At *company II*, it was referred that it is important to contact the client on a regular basis to anticipate new opportunities. At *company IV* and *company VII*, the companies' participants referred to be proactive on identify client's problems.

Regarding honesty and transparency, it was mentioned by 20% of the candidates from *company V, company VIII, and company XIV*. The participant from *company VIII* referred the importance of honest and transparent responses in order to close opportunities, it was said that if the company has no competency or availability for a certain opportunity, they are honest and mentioned that. At *company XIV* was also mentioned the importance of transparency and honesty, i.e. pass a clear message of the work's reality. Finally, at *company V*, the participant mentioned the company is transparent with all the parties along the process.

Moreover, also mentioned by 20% of the candidates, awareness of client's needs and reality is a relevant factor to close opportunities. At *company VI*, the participant mentioned that it is crucial to be aware of the market and client's need and have good preparation and study before meet the client. At *company X*, it was revealed that the company is always aware of what is going on in the client's reality and aware of the trends. At *company XI*, the company tries to understand exactly what the client needs and reply with a proposal that adds value on what was required.

Quality, price, relationship and professionalism were mentioned each by 13% of the participants. At *company II*, the participant mentioned that sales are done with people and therefore the relationship with clients are extremely important. At *company VII*, it was referred that the quality of its consultants is huge and the recruitment process is very demanding, and that is the image that characterizes the company. *Company XII* and *company XIV* mentioned that to close opportunities is crucial to have the better price. These practices were also mentioned by *company VIII, company X, and company XIV*.

There were other practices mentioned by the participant that do not belong to these mentioned categories. For example, *company I* mentioned training for commercial employees as a way to better learn how to introduce the company, how to find a need and response to that. At *company IV*, the participant referred the clarification of the delivered value and discuss with the client not about the cost but instead about the added value. At *company X*, the participant mentioned the account management model - each business manager has a group of clients associated and they cannot be addressed by others business managers.

4.4.3. Vendor-buyer relationship

As mentioned in the chapter of the literature review, outsourcing success also depends on *buyer-vendor* relationship (Bhattacharya et al., 2013) which are highly complex and requires a highly rich information exchange, communication, and integration between the parties (Kaipia, 2016). Hence, the present question was conceived to study this *buyer-vendor* relationship. All the participants, except one (*company XV*) stated that the relationship between the parties is characterized by closeness, communication, and transparency. However, the responses differed and will be detailed individually below.

At *company I*, the participant mentioned to be a very close relationship. Thus, on a monthly or quarterly basis there are meetings to discuss and reflect the current situation. The client gives feedback of the consultant and gives formal feedback for annual evaluation. He, in conclusion, affirmed that a continuous contact is important to keep the relationship and identify new opportunities. Also *company II* showed a similar reality stating that the relation is characterized by continuous communication and feedback, and also mentioned the importance of the relationship to identify new opportunities. At *company X*, the participant also mentioned the closeness to the client with continuous contact as very important to keep the relation and find new opportunities. The client provides feedback evaluations quarterly, semiannually and annually.

Company III's managers and/or team leaders coordinate the team, but the client manage them from the project point of view, i.e. technically. *Company III's* managers follow the consultants, are aware of their training needs, satisfaction, project feedback, etc. Formally this current situation's meeting is made on a quarterly basis and informally every week.

The respondent from *company IV* referred that the *modus operandis* of the service is clarified in the beginning of the contract, i.e. the milestones and dates of deliverables are very clear as a way to manage expectations relatively to final results, as well as the rules to solve conflicts throughout the service itself. Transparency is ensured and there are periodical meetings to explain what has been doing and identify occurred or possible problems in the service delivery. Also the terms of contract closure are exposed and he concluded that close a contract is as important as start it.

At *company V*, the relationship with the clients is “professionally exemplar”, affirmed the interviewee. According to him, it is an open line for good and bad, always with transparency. Moreover, the client here is also part of the consultants’ evaluation.

At *company VI*, *company XI* and *company XIV*, the relationship between the *vendor* and the *buyer* is characterized as transparent with constant communication with many formal meetings, stated the respondent. Also in this case the client contributes to the annual evaluation of the consultant. At *company IX*, the interviewee mentioned having a lot of current situation’s meetings with the consultants what provides contact with the client. Also here the client participates in consultant’s evaluation.

The participant from *company VII* mentioned the existence of a very close relation. There is a constant concern about the consultants and the project to avoid some kind of undesired situation from both parties. There are formal current situation’s meetings and the evaluation of the service by the client is made based on the service provided and the company itself. He concluded the existence of several formal and informal processes on this theme.

At *company VIII* was shared a different reality. He referred that the company work as partner rather than supplier. Here the *buyer-vendor* work together and establish long time relations. There is constant communication and constant evaluation of the manager and consultant.

The relationship between *company XII* and its clients is very informal, according to the interviewee. There aren’t formal meetings, only when it is a case that involves very attention. On a constant basis they call or send an e-mail. Moreover, the company doesn’t pass too much time without talk with the client. The best commercials are the consultants currently working in the client who identify opportunities, according to the participant.

The formal meetings occur 2 weeks after the consultant start the project in the client and in the annual evaluation process.

The respondent from *company XIII* revealed that the company won the award of best HR supplier which for him means that clients who evaluated the relation *vendor-buyer* offered a good score. The relation is ideal and total in terms of service provided, characterized as very close.

The participant from *company XV* referred that this relationships depends on the clients. Some of them want to follow the process from the beginning and others only care about the deliverables and final results.

4.5. Future vision

The final question of the interview was conceived to expose the point of view of the participants of the study regarding the future of outsourcing and the company itself for the next 5/10 years. The opinions diverge but all of them agree that the market will grow even more in the future and become more competitive.

To the participant from *company I*, outsourcing will be a trend and the market will be even more competitive. Outsourcing will continue to be a need for companies because the response capacity it provides. Outsourcing will be seen as way of financing and even of recruiting. In his opinion, in the future it will occur a refining and filter of outsourcing companies. Regarding the company, they pretend to invest in consulting and what will provide growth in the company is the investment in other services lines besides outsourcing.

At *company II* it was referred that outsourcing will be a trend and it will be present in all areas, but the growth will be higher in IT due to the technological world we are assisting. At *company II*, the company will grow in all areas but especially in IT being the department with more resources and that will provide more receipt to the company since the need of IT resources from the companies constitutes an increasingly reality.

For the interviewee from *company III*, it will appear new innovative players in the outsourcing market (as Uber for transportation, or Netflix for movies). Increasingly client won't buy the resource itself but will buy the final output according to the negotiated SLA's and quality. Another aspect mentioned was globalization, in his opinion for tasks

with lower added value, clients send the requirements of the project and every consultant in every part of the world can execute/develop the project and deliver it. Regarding *company III* itself, it will occur a transformation process where the client mention the SLA and the company manage the rest. The company will be recognized for the capacity of delivery value and develop innovative solution and want to industrialize and optimize outsourcing as a way to clients pay the value of the project and not the service.

At *company IV*, the participant considers that the level of uncertainty will be higher in the future. Increasingly it will be difficult to ensure the according scope. Outsourcing contracts will be more automated, flexible and results/risks sharing. The interviewee sees the company in the future as partner of the clients rather than suppliers, and as part of the clients' value chain.

According to the participant from *company V*, outsourcing won't change much in the future. The model is going to continue. The company in the future wants to invest in consulting and provides outsourcing with more added value. Moreover, they want to be recognize as a consulting company rather than outsourcing company.

Finally, *company VI*'s respondent mentioned that outsourcing will grow even more and will be a big trend in the future. Concerning the company, the participant expect that the company will grow in terms of people and business, both in outsourcing and consulting.

The participant from *company VII* shares the same opinion by the one from *company V* by claiming that outsourcing won't change much in the future. He mentioned that outsourcing will grow hugely in Portugal, especially international outsourcing companies coming to Portugal. The market will be saturated and maybe it will influence the way the business is done. From Portugal to other foreign countries, it will depend on the EU's legislation. The typical outsourcing offer will vary and the teams will be a mix of project and outsourcing. The need for IT will continue and the market will continue to grow. The company itself expects to be one of the biggest in PT with product areas. They want to create more product areas and more specific offers in niche markets.

The *company VIII*'s respondent mentioned the globalization in the outsourcing market with consultants as freelancers working in PT today and in China tomorrow, for instance. The company expects to create in the future more diverse business models, and innovation areas. Moreover, it was mentioned the expansion in EU and the consolidation of the Portuguese market supporting the growth of several companies.

To the *company IX*'s interviewee, in the future, outsourcing will differ in 2 points: outsourcing more transactional with more digital relation; and the existence of capacity packages instead of resources – the clients need x hours and it is the *vendor* who defines the resources and their profile (more added value offers). *Company IX* is working on what was mentioned aligning its current strategy. In the future they will also work in a project of people reconversion, i.e. people that are not from IT transform in IT people, and people with some IT background will technological reconvert those people, since the number of IT graduates is not enough to fulfil the demand.

To the participant from *company X*, outsourcing will be a trend in the future and a need for the companies due to the provided capacity of response. However, it is important to filter the outsourcing companies and the survivor ones will have to constantly innovate their business models and their portfolio of services, i.e. reinventing their business model. Regarding the company, in his opinion, the company will grow internationally and especially in the 13 areas of service it actually owns.

To the *company XI*'s interviewee outsourcing will always exist with more creative companies in the future and different business models. They will implement strategies to manage the consultants who are work on the client's site instead of being the client managing the company's resources. *Company XI* will be more organized with more clients and more resources with more opportunities inside *company XI* as a referential company to develop their career.

In the *company XII*'s interviewee opinion, the existing outsourcing model is not sustainable. Increasingly, consultants know the information about their rates and ask for high salaries what will increase the salaries and respective rates. *Company XII* will invest more in *nearshoring* and wants to invest on an outsourcing team strategy, i.e. the client has a project and its *vendor*'s responsibility to create the whole team, including the analyst, functional, tester, project manager, etc.

At *company XIII* it was shared that in the future, outsourcing will be even more competitive. Universities will graduate more people in IT and it will exist more specialized outsourcing IT companies. The outsourcing relationship will depend on the manager responsible for the client rather than the *vendor* itself. Regarding the company, it will open offices in Europe and estimate to recruit more 50 people in the near future improving resources retention at the same time. The company will grow in outsourcing

and *nearshore*, and will only invest in consulting when consistent internal team is composed.

The respondent from *company XIV* thinks that in the future the level of specialization in outsourcing will be higher. It will exist more technological offer from the universities more focused in certain areas and tools. The business will suffer a positive evolution and even more IT companies will come to Portugal. The company will invest in some niche areas. In the future they will specialize in some areas present in *company XIV* France and invest in resources specialization, innovating in career management and flexibility at work. The people that actually works as consultants at *company XIV* will be the company's leaders in some areas.

Finally, at *company XV* it was mentioned that in the future it will happen a fragmentation of companies' activities to deliver the services.

V – CONCLUSIONS

5.1. Hypothesis' assessment and research conclusions

The present dissertation has the objective to provide a deeper knowledge about the operating business models of the outsourcing companies in Portugal, identifying the main differences on those models, and establish a relationship between the discussed business models and their sustainability in the market. Putting the research findings together, the assessment of the defined research hypothesis is presented, as well as the main conclusions of this dissertation.

Hypothesis 1 (H₁): Outsourcing companies present specific procedures, methodologies, and mechanisms, to be constantly innovating its services despite the existing limited portfolio.

It was possible to identify several procedures, methodologies, and mechanisms that the participants identified regarding the innovation in the companies' portfolio of services, as investment in new areas of service and/or market niches (33%), awareness of the market trends (33%), background of the company and the inherent networking (27%), partnerships with universities and companies (27%), the existence of a R&D area (20%), the management of the company's resources (20%), and others (20%).

Therefore, one may say that the companies have defined strategies to innovate their services, since 100% of the participants mentioned different strategies in practice to innovate their services evidencing the innovation of the services as a reality in the outsourcing companies and therefore prove the verdict of this first hypothesis, i.e. it is demonstrated that outsourcing companies present specific procedures, methodologies, and mechanisms to be constantly innovating its services despite the existing limited portfolio.

From the buyer side, outsourcing may open potential creation of future competition and *vendor* may appropriate all the skills of the *buyer* and becomes a competitor, as mentioned in the literature. This disadvantage is seen as a threat to the buyer, and represent a con when *buyers* decide to choose outsourcing. Thus, it is essential for the buyer that this innovation in services from the *vendor* doesn't come from *buyers'* data, know-how and skills.

Hypothesis 2 (H₂): Each outsourcing company present a differentiating business model composed by different features, elements and specifications in order to maintain a sustainable competitive advantage in the market.

As it is possible to observe in the data analysis' chapter, each company of the investigation mentioned different factors that make them differentiated in the market and characterize their business models. Some factors are common between the companies and others are very different and particular of each company.

For instance, at *company I* it was mentioned that differentiation comes from remuneration and benefits, transparency, training and certification, social events, the follow-up provided to the consultants, and a program of coaching and tutoring program. Otherwise, at *company VII*, the differentiation was mentioned to be accomplished with response aptitude, dynamism, and the relationship with the consultants. And the same divergence of responses were revealed for the remaining companies of the investigation.

Therefore, since every single company (100% of the companies) demonstrated a particular and exclusive combination of mechanisms, methods, strategies and approaches to be differentiated in the market, this *hypothesis 2 (H₂)* is proved to be true, and one may affirm that each outsourcing company presents a differentiator business model composed by different features, elements and specifications in order to maintain a sustainable competitive advantage in the market.

Despite the *hypothesis 2* being validated, one of the main pains of outsourcing identified by the interviewees is the demonstration of differentiation to the clients, i.e. proving to clients that there is differentiation in outsourcing and that the outsourcing companies are not all equal. Thus, one may affirm that in spite of the outsourcing companies present a business model differentiated in the market, the differentiation is hard to prove to the clients and the factor differentiation is present in the perspective of the *vendors* but it's not perceived by the *buyers*.

Hypothesis 3 (H₃): The outsourcing companies have concrete strategies to close/ win opportunities and the relationship with clients during the outsourcing service is characterized by closeness, communication and transparency.

The participants of the investigation identified numerous strategies and practices as a way to close opportunities and gain new clients, namely: celerity (47%), assertiveness (40%), proactivity on finding new opportunities and clients (33%), transparency and honesty,

(20%), awareness of the client's reality and needs (20%), quality of the services and the consultants (13%), price (13%), the relationship with the client (13%), professionalism of the company (13%), and others particular practices (20%). Accordingly, all the companies interviewed demonstrated to have specific practices and strategies to seize new opportunities and gain new clients.

Related with the *buyer-vendor* relationship, all the participants, excepted one, stated that the relationship between the parties is characterized by closeness, communication, and transparency. The participants referred the existence of formal or informal meetings with the client with a specific frequency depending on the company and client, transparency of the process, the provision of consultant's feedback by the client, evaluation of the *vendor* by the client, and continuous contact with the client to maintain the relationship and identify new opportunities. The participant from *company IV* even referred the importance of disclosed information related with the service on the contract.

Since all the companies interviewed (100%) demonstrated to have concrete strategies to seize opportunities, and 94% of the participants characterized the relationship with clients during the outsourcing service as close, very communicative and transparent, the *hypothesis 3* (H_3) is proved to be true.

It is important to denote that, despite this hypothesis being validated, one of the main disadvantages of outsourcing mentioned in the theoretical chapter is the conflicting objectives and confused responsibilities between the *vendor* and the *buyer*, since the parties have different focus and objectives. Thus, the relationship between the vendor and the buyer is a subject that worth attention and reflection from both parties throughout the provision of an outsourcing service.

Hypothesis 4 (H4): Outsourcing companies are strongly concerned with their consultants' evolution, motivation and professional objectives and have explicit policies to retain people and talent.

The difficulty to attract, manage and retain talent was one of the main pains identified by the participants in the interviews. Therefore, it was also questioned during the interviews the training models and processes in place at the *vendor's* company to ensure the employees' evolution. Every single company mentioned the existence of a training plan related to several themes, as technological innovations, technical areas, methodologies, soft skills, languages, etc. It was also mentioned that every employee has an associated

training plan and therefore the training contents for each person meet their personal and professional objectives, as well as their needs as professionals. It was also mentioned by the majority of the companies the existence of certification related with the training provided, which depending on the companies, can be provided internally or externally.

Concerning the talent retention, the participants from 15 different outsourcing companies identified several policies to retain the existing resources and talent. The policies were, by order of significance, close follow-up and relation with the consultants (73%), the existence of a program of project rotation (53%), training and certification (53%), customized career plan and development (53%), fit the resources with the project (33%), collaborative/ social events (27%), remuneration and benefits (27%), communication and transparency (20%), evaluation and rewards (20%), enjoyable atmosphere in the company (20%), international career opportunities (13%), and other particular practices (40%).

The findings reveals that companies have explicit policies to deal with one of their main pains in outsourcing – attract, manage and retain talent - since 100% of the companies mentioned some strategies to answer to this problematic. Moreover, explicitly the existence of a program of project rotation (mentioned by 53% of the participants), the concern on fit the resources with the projects (mentioned by 33% of the participants), and the provision of training (in 100% of the companies) and certification according to the consultant's personal and professional needs and objectives demonstrate that the companies are concerned with their consultant's evolution, motivation and professional objectives, validating the *hypothesis 4* (H₄).

However, regarding the employees on the side of the *buyer*, it is worth to underline that outsourcing may provide negative impact on employees, as mentioned in the literature, since outsourcing generate internal fears and employee resistance and it can increase the insecurity and decrease the motivation of the workforce. Hence, in an outsourcing contract, it is important to ensure the *vendor's* resources motivation and evolution but also not forget about the *buyer's* resources.

To conclude, and to answer the main question of this dissertation: *how are outsourcing companies, through their business models, sustainable?*, one may affirm that, the outsourcing companies' business models are composed by an exclusive and particular combination of resources and capabilities, demonstrating different systems of interrelated activities that allow to create value. Indeed, the outsourcing companies have different

mechanisms, methods, strategies and approaches that make them differentiated in the market and characterize their business models.

The four main hypothesis of the dissertation are confirmed, which means that the outsourcing companies have strategies to constantly innovate their services, they present a structured and differentiated business model in the market, they also have concrete strategies to grab new opportunities and gain new clients, and lastly, the outsourcing companies are concerned with their consultants' evolution and talent's retention.

Since this dissertation aims to analyze the *vendor's* perspective and the different companies' business models within the outsourcing market, the main objective was concluded and the research provides relevant information on this perspective that enrich the existing literature and research on the field. One may affirm, in conclusion, that outsourcing, through the elaboration of this dissertation, was proved to be a growing area, with more dynamic and management needed from the *vendor* side that it was seemed in the beginning. As a result, the vendor's perspective is a subject that need to be more explored and researched in the future.

5.2. Limitations of the study

Through the elaboration of this investigation some limitations and gaps are visible. First of all, concerning the review of the literature, it was not possible to access to relevant information regarding the *modus operandis* of outsourcing, i.e., how is the interaction with the *vendor* and the *buyer* during the outsourcing service itself, because doubts arise regarding how the service is executed and management in terms of resources, objectives' accomplishment, and communications. Moreover, and still related with the literature, it was found a lack of literature on the side of the *vendor*, and therefore mostly of the information displayed and gather in the theoretical chapter is on the side of the *buyer*. Lastly, it was not found relevant information regarding the indicators and statistics of outsourcing in Portugal and then there is a limitation here since this study is focused on the market in Portugal.

Additional limitations were detected concerning the interview process itself. Despite the invitations to participate in the study had been sent to every sort of outsourcing companies (IT, BPO, HR, etc.), the prevalent companies interviewed were IT outsourcing companies and therefore the results are based on this type of outsourcing. Moreover, taking into

account that service providers – *vendor* - were the ones who participated in the present research, only one part of the outsourcing concept was investigated and studied. Lastly, the present investigation was made and focused in Portugal in a period of one year, demonstrating some limitations regarding geography and time.

5.3. Future research

Although this dissertation adds value to the existence outsourcing literature by bringing insights on the topic focusing on the *vendor*'s perspective and present features that extend past research on the outsourcing subject by analyzing several *vendor*'s perspectives in the Portuguese outsourcing market, the subject should be more explored and researched in the future.

Accordingly, for future research it would be interesting to study deeply and bring insights about how the outsourcing service is executed and management in terms of resources, objectives' accomplishment, and communication, since in the interview process some interviewees mentioned that the resources' management is completely on the side of the *buyer* and in the existing literature analyzed was not found information that proves that.

Additionally, despite this dissertation being focused on the *vendor*'s perspective in Portugal and bring insights on that side, it would be pertinent to continue bringing to the academic field information of the subject in Portugal to contribute for the development of this field of research.

Moreover, it would be pertinent and interesting to explore in the near future the business models of other types of outsourcing companies rather than IT ones, considering a more diversified sample from different sectors and also a larger one. It would also be pertinent to collect *buyers*' opinion on the subject, in order to contrast with the results and obtain a broader analysis.

Lastly, as a way to make generalizations of the findings, the present study should be extended to other countries or realities.

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VII – APPENDICES

Appendix A - Interviews details

| Company's Designation | Interviewee's Role | Interview's Date |
|------------------------------|------------------------------|-------------------------|
| Company I | Associate Partner | 12/02/2018 |
| Company II | Manager | 26/01/2018 |
| Company III | Chief Operating Officer | 27/03/2018 |
| Company IV | Managing Director | 09/05/2018 |
| Company V | Director & CEO | 09/05/2018 |
| Company V | Manager | 22/02/2018 |
| Company VI | Manager | 06/03/2018 |
| Company VII | Managing Director | 29/03/2018 |
| Company VIII | Senior Manager | 29/03/2018 |
| Company IX | Executive Director | 12/03/2018 |
| Company X | Senior Manager | 23/02/2018 |
| Company XI | CEO and partner | 23/02/2018 |
| Company XII | Business Head | 21/02/2018 |
| Company XIII | Head of Business Development | 02/03/2018 |
| Company XIV | Executive Director | 03/05/2018 |
| Company XV | Director | 04/04/2018 |

Appendix B - List of the companies

| # | List of the companies |
|----|---|
| 1 | We Do Consulting - Sistemas De Informação, S.A. |
| 2 | Novabase SGPS, S.A. |
| 3 | Accenture |
| 4 | Manpowergroup Portugal SGPS, S.A. |
| 5 | Reditus - Consulting, SGPS, S.A. |
| 6 | Adentis |
| 7 | Egor Recursos Humanos |
| 8 | Prodout - Gestão e Produção em Outsourcing, Lda |
| 9 | Capgemini |
| 10 | Do it Lean |
| 11 | Aubay Portugal |
| 12 | Epimetheus - Serviços de Gestão, S.A. |
| 13 | Winning Scientific Management |
| 14 | AMT - Consulting, Lda |
| 15 | Edge Innovation, LDA |
| 16 | Bold International |
| 17 | Smart Consulting |
| 18 | Link Consulting, S.A. |
| 19 | Mindbury Consulting, LDA |
| 20 | Altran |
| 21 | Runtime Revolution |
| 22 | Hitachi Consulting Portugal, S.A. |

| | |
|-----------|---|
| 23 | Prime IT |
| 24 | KCS IT |
| 25 | Bee engineering |
| 26 | BDO |
| 27 | Growin |
| 28 | Mind Source, S.A. |
| 29 | Closer |
| 30 | IBM |
| 31 | Axians Portugal |
| 32 | Yunit Consulting – Consultoria e Gestão de Projetos |
| 33 | VIA Consulting, S.A. |
| 34 | Agap2IT |
| 35 | Milestone Consulting, S.A. |
| 36 | Everis |
| 37 | Affinity Portugal |
| 38 | Findmore Consulting |
| 39 | 3C – Customer Contact Center, S.A. |
| 40 | ROFF Consulting |
| 41 | INTEGER Consulting |
| 42 | Quidgest |
| 43 | Noesis |
| 44 | Experis Portugal |
| 45 | Maksen Consulting, S.A. |
| 46 | EY Portugal |
| 47 | PwC Portugal |

| | |
|-----------|-------------------|
| 48 | KPMG Portugal |
| 49 | Deloitte Portugal |

Appendix C - Interview Guide

1. Context

1.1. How many collaborators does the company have in Portugal? / How many collaborators does the company have dedicated to Outsourcing (for those companies who have outsourcing and consulting services).

1.2. In which area are you currently working?

1.3. In how many countries is the company present? In your opinion is Outsourcing more successful here in Portugal or in foreign countries?

2. Company and Services

2.1. What kind of outsourcing services does the company provide? (IT; HR; BPO;...)

2.3. What are the main pains/troubles faced in Outsourcing?

2.3. How is the company constantly innovating its portfolio of services?

2.4. Do you think the revenue margin in Outsourcing projects is higher or lower when compared with consulting ones?

2.5. In your opinion, how does your company achieve competitive advantage through outsourcing? What differentiates its current business model from the ones carried out in other companies?

3. HR and talent:

3.1. What are the main features searched in a candidate in the recruitment process? It depends on the market trends or it is based on the client's requirements?

3.2. Does the company invests in training for collaborators? How important is for the company the employees' evolution and how is it ensured?

3.3. Considering the high rotation levels in outsourcing companies, what kind of strategies does the company have to retain people?

4. Client Management:

4.1. What is the strategy used to sell? In other words, which are the successful practices you consider relevant to close opportunities?

4.2. What is the strategy when client “stole”/internalize your resources? Is it an usual practice? What is the current trend?

4.3. How is characterized the relationship between the vendor and the *buyer* during the outsourcing service itself?

5. Future:

5.1. How do you see the Outsourcing in 5/10 years? And the company itself?