

Interview: Michael Zeng CEO Top Ranking Global Innovation, Research, and Business Leader and Paul Yen Managing Director Great-Idea Business Resources Co. Ltd.



Michael Zeng
Deputy Secretary-General of China Outsourcing Institute

President and CEO of Great-Idea Business Resources Co. Ltd.

Michael Zeng is Chief Editor of the Magazine of Global Outsourcing Resources, President and CEO of Great-Idea Business Resources Co. Ltd. (which is the professional Outsourcing Resources and Consulting organization), President and CEO of Great Idea Hong Kong International Business Resources Publishing Group Ltd. He is the partner and director of TZF International Group (a Nasdaq Public Corporation).

In addition, Michael Zeng acts as Deputy Secretary-General of China Outsourcing Institute of the Ministry of Commerce of the People's Republic of China, Chief Executive Director of Great Idea Research and Development Center of Wuhan University, Outsourcing expert of Asia Pacific CEO association (APCEO). He is committee expert of Appraise Committee of "China International Software and Information Service Outsourcing Contribution Award", of the Ministry of Commerce (MOC) and the committee expert of International Outsourcing Center.

Since 2002, as one of the chief planners, Michael Zeng has organized a number of large-scale international outsourcing events in China. He successfully planned and organized the first "China-American International Outsourcing Business Development Summit" (OBD), in cooperation with the international well-known outsourcing professional Mr. Michael Corbett, Outsourcing World Summit (OWS) and 'FORTUNE' Magazine. Michael Zeng has organized numbers of effective and successful international outsourcing conferences, such as "China International Service Outsourcing Forum", "China International Software & Information Service Outsourcing Annual Conference" (CSIO), "China International Motor Outsourcing Industry Forum". Michael Zeng was invited to be the consultant by the National Economic and Trade Committee, and to be project expert of "Build & Develop China Foreign Trade and Economic Cooperation Database" research project. He was also invited to be senior researcher and guest researcher by International Enterprise Research Institute of China Management Science Research Institute, and invited as the Member of Expert Committee of China Commerce Union.

In addition, Michael Zeng has provided outsourcing marketing and training services for HP, IBM, EDS, Fuji Xerox, Unisys, Avaya, IDC, A.T. Kearney, Lucent, neoIT, P&G, NTT Data and other world top 500 companies, as well as Lenovo, NEUSOFT, Dalian Software Park, ERP, SinoCom Software Group Limited, Kingdee, Wicressoft, Chint Group, Galanz, Flextronics and other famous IT, ODM and EMS. Michael Zeng first promoted international outsourcing management high-level training course. He established cooperation relationships in outsourcing research and training programs with China Economic Research Center of Peking University,

Economic and Management School of Wuhan University, continuing education school of Tsinghua University, Management School of Zhongshan University, etc.

Paul Yen is the Managing Director for Great-Idea Business Resources Co. Ltd. His extensive background includes these roles:

- Vice-President, General Manager, Northern China, CDP Group Ltd.
“CDP is a professional HR Total Solution Provider with HR Outsourcing (HRO), Shared Services (SS) and Transformation Services (TS). CDP provides world class HR total solutions, including Payroll Outsourcing /Benefits Outsourcing / HR On-Demand services to Multi National Companies (MNCs) and Big Local Enterprises (BLEs) in China”.
- Chief Representative of Greater China, Certiport China.
“Certiport is the world leader in standards-based certification solutions that enable personal and professional advancement through globally portable credentials. To this end, we provide certification and services to help individuals to achieve more, distinguish themselves, and advance in today's academic and professional environments.”
- Deputy General Manager, China Daily News.
“Chinadaily.com.cn is the largest English portal in China, providing news, business information, BBS, learning materials.”
- Operations Director, Sales and Training Manager, Transamerican Insurance Company.
“The companies of Transamerica offer a wide array of innovative financial services and products. The Transamerica companies are members of the AEGON Group, a multinational insurance organization headquartered in The Hague, Netherlands. AEGON is one of the world's leading life insurance and financial services organizations.”



[Link to Paul Yen – CV](#)

Discussion:

Q: Michael, you are invited to speak and organize many world conferences due to your globally recognized leadership. Tell us more about your remarkable history of success and pivotal lessons you wish to share.

Michael Zeng:

It is our great honor to be here to share with you the development and achievement of China service outsourcing industry. In terms of my personal achievement in this business, I have to turn back to 2002, at that time, 95 percent of Chinese people didn't know what outsourcing was, but we were the first ones to introduce the service outsourcing as the operation strategy and service mode to China, and persuaded the authorities of China government using many channels. The final results were that MOC (Ministry of Commerce of PRC) issued the Thousand, Hundred and

Ten Project, which has planned to promote the development of outsourcing industry in China in 2006. The State Council officially issued the documents to approve the service outsourcing as the key industry of China's 11th Five-Year Plan, and also approved 20 cities as the China Service Outsourcing Base Cities. As of 2010, China Service Outsourcing Industry has become the key industry promoted by 6 State Ministries of China, and also it has become the one industry which got the most support from the central government in China. So we can be proud of saying we are the pioneers, contributing our efforts to this industry to promote the development of the outsourcing business in China.

Paul, can you profile your prior roles of success and key lessons you have learned from each of your prior roles.

Paul shares three stages of the past 30 years: being a salesman, business owner, and the cultural differences after he came back to China.

These questions are for each of you.

Q1: Please give the audience 5 macroeconomic environments that encourage outsourcing development.

Macroeconomic Environment That Encourages Outsourcing Development

1. China's strong political support for outsourcing development. The government considers the outsourcing industry key to economic growth in the future. In the 11th Five-Year Plan, it lists software and IT-related service development as a focal point. Related supporting policies can be classified into three levels. The top tier includes proposals in the 11th Five-Year plan announced in March 2006 to develop the outsourcing industry on a large scale, to "*accelerate the change of the foreign trade growth model, and build several service industry outsourcing bases to deliver services internationally in an orderly way.*" In all levels, the government has launched or is about to launch policies to support the development of outsourcing, adopt measures that are more positive and effective, and encourage multi-national companies (MNC) to transfer sizable outsourcing work to China. The second tier involves the strategic conception of the 11th Five-Year Plan, leading the MOC to launch the "*1000-100-10 Project*". The third tier involves the promotion of outsourcing development at the provincial, municipal, and civic levels of government. Primary outsourcing cities like Shanghai, Chengdu, Nanjing, Dalian, and Xi'an have drafted more detailed promotion policies based on their location and situation such as loan policies favoring certain industries, competitive taxation supplements, and others.
2. **China's well-educated workforce.** China produces a great number of engineers and IT technicians every year. In 2005 alone, over 400,000 graduates majored in engineering. Although the resource supply is always a challenge in the outsourcing business in general, China has an ample supply of trainable entry-level professionals, which forms a solid foundation for the country's outsourcing industry. In addition, China's employee turnover rate is lower than 15 percent, compared with over 25 percent in India. Another favorable condition is the low labor cost, China's annual salary increase rate is expected to remain between 5 percent and 8 percent in the years

ahead, giving it a labor cost advantage. To further promote education in the outsourcing field, the MOC and other state agencies have launched a series of special outsourcing training programs.

3. China's improved infrastructure.

Following 20 years of economic development, China's transportation, telecommunications and network infrastructure have rapidly grown and improved, some reaching the international standards of developed countries. Compared with that of developed countries, China's transportation, telecommunications and network infrastructure are more cost-effective, providing a solid foundation for the outsourcing business. China also has obvious advantages over other Service Providers (SP), including high-speed Internet and broadband access, stable and uninterrupted dual-power supply in main software sites, and around 150 airports that connect most of the primary and secondary cities. The low cost of IT infrastructure hardware further strengthens China's cost advantages. In terms of China's software environment, it has a good cultural environment, many outsourcing parks that are ideally located, as well as many comprehensive support facilities providing convenience to SPs, all of which significantly attract local and international SPs.

4. China's geographic and cultural idealism for clients in North Asia.

China's proximity, as well as linguistic and cultural similarities with countries in North Asia are giving it a leading edge as an outsourcing destination. Cities in Northeast China, such as Dalian and other regions, have gained ground in the outsourcing markets of Japan and Korea.

5. China's large-scale manufacturing industry.

In China's developed regions such as the Pearl River Delta, the Yangtze River Delta, and the Huan-Bohai Bay, industrial clusters form a firm foundation for the international transfer of service and outsourcing skills. China's status as a global manufacturing center gives it a unique advantage in providing offshore R&D services - an emerging industry. As it developed its manufacturing industry, China has realized the importance of protecting IP and has begun to address issues that are important to Western countries. In 2005, authorities received 470,000 patent applications, 80 percent of which were filed by local companies. In comparison, of the 470,000 patent applications filed in the United States during the same year, only 60,000 were filed by U.S. companies. The filing of patents is the first step the industries are taking in protecting IP, indicating that businesses in China are committed to IP rights protection.

Q2: What are the major challenges facing China in the human resources aspect of service outsourcing and what are the solutions to the challenges?

Although China's talent supply has a good foundation there is still an imbalance in supply and demand that is manifested in the following areas:

1. There is still a gap in the total number of personnel employed in service outsourcing in China as compared with developed countries.

2. Service outsourcing enterprises are periodically short of competent workers because, in spite of an abundant supply of fresh graduates, most of them are not equal to their work until six months after graduation.
3. In terms of talent quality, there is sufficient low-end talent, but insufficient mid-end and high-end talent.
4. In terms of the talent knowledge structure, China still lacks interdisciplinary talent with specialized knowledge and the ability to apply it, as well as industry and management experience.

Faced with the above four challenges, the Chinese government has adopted some solutions. In order to resolve the imbalance between the overall supply and structure, and the market demand for service outsourcing personnel, enterprises in China are establishing cooperative relations with institutions of higher education, training institutions, and professional organizations in order to improve training and induction of service outsourcing personnel.

1. Establishing a special fund for the development of the service outsourcing industry. The State provides financial policy support for training service outsourcing personnel and has also established a certification standard for talent-training institutions. Demo cities undergoing trial implementation have also drafted plans for the development of the service outsourcing industry, formulated policies to subsidize HR training for service outsourcing, and established special funds to actively promote such training.
2. Implementing a diversified range of HR training courses for service outsourcing. Demo cities undergoing trial implementation have actively evaluated different training models and provided a comprehensive analysis of methods for the training of service outsourcing personnel. Based on the cooperation between training subjects and employment subjects and different training approaches.
3. Setting up service outsourcing personnel training institutions and practical training campuses. The essential means by which demo cities have improved their service outsourcing talent training is to set up service outsourcing talent training institutions and campuses.
4. Studying and formulating certification methods for service outsourcing personnel training centers. The State has actively researched and formulated certification methods for service outsourcing personnel training centers in order to ensure reasonable and effective resource input and allocation. This also aims to provide tangible evidence of the government's responsibility and fair play, as well as to guarantee the trial implementation results of training institutions, which receive policy assistance and thus increase economic and social efficiency. As a result, a number of cities have released suitable certification standards for service outsourcing HR training institutions. All of these measures will be further developed and fine-tuned into service outsourcing HR training in China.

Q3: What are the major innovations and opportunities for the China Outsourcing Industry, and what actions can be taken to take advantage of these opportunities?

Offshore buying of non-core office operations from developed countries to developing countries with rich HR will be a key element of a new round of industrial transfer in the next 1-2 decades.

The outsourcing industry has some specific characteristics:

1. A green industry.

Service outsourcing differs from manufacturing outsourcing in that it needs no mineral resources and no logistic support, and on top of that it does not pollute the environment. It is based on communication and Internet technologies and can be regarded as a green industry though it consumes electrical power.

2. HR as the cornerstone.

HR with higher education serves as the cornerstone of this industry. The value of an outsourcing company is positively correlated to the number of its employees. The outsourcing industry in China has seen a compound growth rate of 30-40% in recent years and each year it creates several thousands of job opportunities for graduates.

3. High value-added industry.

Compared with the manufacturing industry, service outsourcing projects hardly incur any expenditure on raw materials and their costs consist only of property rent, depreciation of computers, water and electricity expenses, and labor costs. The revenue approximates the value added plus profits.

4. Driving the growth of related industries and higher tax revenue.

The outsourcing industry is a knowledge-intensive industry. The average income of employees in the outsourcing industry is much higher than in the manufacturing industry. Take Beijing as an example, where the average income in the outsourcing industry is 2-2.5 times the average. Individuals employed in this industry have contributed to the development of related industries and tax revenue of the country through spending on housing, cars, food, entertainment, body building and income taxes.

5. Innovation and technological buildup.

The primary objective of customers in the early stage of outsourcing was to reduce costs. However, with the continuous improvement of business processes, optimization and innovative developments on the part of service providers (SP), as well as the maturity of business processes on the part of service buyers, quality, efficiency, and reliability have replaced costs as the overriding objective for customers. After integrating the experiences of numerous customers, outsourcing companies become their instructors and advisors for the continuous improvement of business processes.

6. R&D outsourcing and national competitiveness.

Today, outsourcing has extended to research areas such as outsourcing of data collection and analysis for biomedical studies, mathematical modeling for financial dynamics, aircraft

engine R&D, and the research, design and manufacturing of ICs. R&D outsourcing has enabled India to acquire a second-mover advantage; China should learn from India and make R&D outsourcing one of the pillars to improve its national competitiveness.

Specific features of the outsourcing industry demand corresponding changes to strategic objectives, working modes, and means for investment promotion. Therefore, adjusting strategic objectives and innovating working methods are among the first issues to be tackled in investment promotion for the newly emerging outsourcing industry.

1. Shaping a good environment for the development of the outsourcing industry

Service buyers differ from manufacturers in terms of concern about the investment environment. To foster an environment that fits both the outsourcing firms' and buyers' needs, build images and advertising them to the outside world are the first tasks toward investment promotion for outsourcing.

Service buyers are most concerned about IP protection, information security, HR and people-oriented environments, business operation costs, telecommunications infrastructure, and technology service conditions.

When service buyers outsource, they run substantial risks. Lack of professional ethics, service quality, delivery capacity or IP infringement will lead to financial risks and the loss of a large number of clients. People metaphorically describe the economic behavior of service exporting as a process of entrusting one's life to SPs, which demonstrates the importance of credibility in the decision-making process of service exporting. Therefore, enforcing protective measures for IP and extending information security certification can greatly improve the investment environment.

Outsourcing SPs' key assets are technical talents. Their ability to locate appropriate talents in a timely fashion and in accordance with contracted orders is critical to the growth of the outsourcing business. Sufficient HR and complete training setups, plus living and working conditions fitting "white-collar" workers will greatly benefit the survival and development of R&D and delivery centers. Also, an environment that contributes to the technical workers' feeling of comfort and convenience are attractive to SPs.

Local conditions regarding business operation costs, telecommunications infrastructure development, public technology service platforms and information platforms directly affect economic benefits and efficiency, which are all critical factors that outsourcing providers must take into consideration when locating sites for their R&D and delivery areas.

2. Locking Outsourcing Targets

The investment promotion theory of locking targets is of great importance to the outsourcing industry.

1. Locking different individual countries. In terms of China's situation, Japan and the United States are major countries to be locked individually. Due to factors such as language, culture, etc. China has undertaken 70 percent of Japan's offshore businesses, ending up as Japan's major offshore outsourcing delivery area. It should be noted that

Japan's current offshore outsourcing businesses is less than 10 percent of its overall outsourcing business. As Japan's economy recovers from recession, its demand for ITO and BPO service tends to grow significantly, but due to insufficient HR, its offshore outsourcing businesses will deliver the major share of the increase. The U.S. exports the largest amount of BPO businesses in the world (60 percent). As China's BPO business is still in the initial stage, following the U.S. market closely and enforcing cooperation with U.S. service outsourcing firms are an important focus of investment promotion work.

2. Locking service outsourcing firms. MNCs are the service buyers of outsourcing and their chief information officers (CIOs) are decision makers in terms of services to buy. For companies in China, it is very difficult to contract directly with sourcing firms and particularly decision makers. Thus, locking globally influential SPs and delivering subcontracted services for them will win contracting opportunities for the future. The following types of firms are particularly promising to focus on:

MNCs that have already invested in China

Top global SPs have long-term and intimate collaborative relationships with multinational corporate clients

Domestic large companies

3. Study and Try "Flexible" Means of Investment Promotion

The key to investment promotion for outsourcing is to approach buyers and subcontracting firms so that sourcing and subcontracting opportunities can be seized. There are various ways to "approach" investment promotion compared with traditional ways of large-scale publicity like spectacular overseas investment invitations and discussion meetings. Investment promotion for outsourcing has to be conducted in a more focused way after locking targets accurately. Flexible operating means looking for channels to approach targets and tactics to convince decision makers will become critical.

Q4: Can you profile key added roles you have played in business, industry, governments, academia, and with journals and what lessons you wish to share from each role?

Michael Zeng has acted as the Deputy Secretary-General of China Outsourcing Institute which is affiliated to the Ministry of Commerce of PRC. He has created Wuhan University Great-Idea Service Outsourcing Industry Research Development Center.

Organization:

Wuhan University Great-Idea Service Outsourcing Industry Research Development Center (hereinafter called center) is the cooperative research agency cooperated by the Economic and Management School of Wuhan University (one of the top 10 Chinese universities) and Great-Idea Business Resources Co. Ltd., which is the leading outsourcing agency in the domestic region.

The major significances of this center are:

1. To coordinate to Ministry of Commerce (MOC), Ministry of Science (MOS), Ministry of Information and Industry (MII) on the support and development policy of the service

outsourcing industry, and make an effective contribution to the service outsourcing business in China.

2. Do a concentrated market survey on the service outsourcing enterprises, policies and regulations, human resources, market scale and infrastructure, combined with the instruction principle of Yu Zhengshen, former Vice-Governor of Hubei Province, Bo Xilai, former Minister of MOC on the speech of developing the outsourcing industry. Also combined with the Thousand, Hundred and Ten Program and the current status of the relative industry of Hubei Province. The center will provide the reference report for the decision-maker of the government on positioning and planning of service outsourcing industry in central China.
3. The center will explore the research area based on the basic research and the great resources of service outsourcing business to operate the senior training lectures on the service outsourcing business, jointly operate the relative training materials such as topic selection, lecture materials, cultivating more management elites and business leaders of the outsourcing industry in order to push the development of this business.

The center now has 11 staff members: 5 people holding a Ph.D., 5 people who are a Doctorial Tutor, and 7 people who are an EMBA guest expert.

The Research Achievements:

The research direction of the center is the offshore outsourcing mode, comparative and developing research, international competition research, the senior training course of service outsourcing industry. The major achievements are:

1. The comparative research and inspiration of offshore service outsourcing mode of US-Japan-Europe companies subsidized by the National Social Science Fund
2. The topics selection and editing the training course materials of the book “*Service Outsourcing*” of China Outsourcing Institute of MOC
3. Organize the outsourcing program of “Hubei Service Outsourcing Industry Survey and Plan”
4. Cooperated with International Outsourcing Center to publish the teaching material “Theory of International and Strategy”
5. Cooperated with International Outsourcing Center to publish teaching material the “Operation and Management of International Outsourcing”
6. Cooperated with COI, Great Idea, HP and Bearingpoint to explore the Trade in Service and International Outsourcing EMBA Course

Research Plan and Vision:

With the support of COI of MOC, planned to open the EMBA lecture of Trade in Service and International Outsourcing, to cultivate more outsourcing management elite and leaders in order to push the development of China outsourcing business. The center will prepare to do the further research on the following items:

1. Design the productivity courses of senior training education of Service Outsourcing business.
2. Do research on the offshore outsourcing mode, comparative and development research of multi-national companies.

3. Do research on the transfer of global service and multi-national investment (financial service and R&D center).
4. The long term research target is to do the comparative study of the international competitive capacities on outsourcing industry.

Q5: What is the past 5-year development road of the China Service Outsourcing Industry?

In the past five years, China's outsourcing industry has seen significant achievements. China's service outsourcing capacity grows stronger, both in company maturity and talent readiness. A mature industry cluster has come into being. The brand of "ChinaSourcing" is emerging quickly and drawing attention from around the world.

According to MOFCOM statistics, exports of offshore services from China have maintained rapid growth in 2008, despite the difficult international economic conditions. The total amount of contracts signed for global service outsourcing reached US\$5.84 billion in 2008, marking a year on year growth of 83%, while the value of executed contracts stood at US \$4.69 billion, a 192.6% increase over last year.

The IT outsourcing (ITO) segment dominates the offshore service outsourcing market. In 2008, executed offshore ITO contracts were at US\$3.21 billion, accounting for 68.4% of the whole market; Business Process Outsourcing (BPO) was at US\$1.06 billion, accounting for 22.6% of the whole market; while other segments accounted for the remaining 9%. Japan and the United States are China's largest clients in the offshore market. Japan made up 20% of China's offshore service business in 2008; the U.S. contributed 19.4%.

Meanwhile, onshore service outsourcing has stepped in, and is accelerating the rollout of domestic IT and business services. Providers of onshore and offshore services may complement and learn from each other as China's service capabilities quickly mature. To capture global sourcing opportunities, China must fully integrate its advantages in order to create a unique service outsourcing model that "*integrates a dual capability in manufacturing and service industries with a double emphasis on domestic and offshore markets*", according to IDC's article on Rising ChinaSourcing.

The rapid development of China's service outsourcing industry is based on a steady enhancement of service delivery capabilities. China's SPs are innovative and enterprising in terms of technology, management, and processes. There are already initial signs of a good agglomeration effect. As market leaders expand their business range and market shares and enhance their integrated capabilities, the consolidation of China's service market will increase noticeably.

Q6: What are your predictions for the future of China Service Outsourcing Industry?

1. The global offshore service demand will gradually recover in 2011 and the importance of China offshore services will be further increased.
2. A continuously optimized business environment; the government has attached great importance to the service outsourcing industry and is using development in this industry as a

major means of encouraging China's industrial restructuring, altering foreign trade growth models and increasing employment opportunities for graduates.

3. Leveraged effects between 20 demo cities and other cities taking effect.
4. The enterprises choose the merger and combination in the service outsourcing industry and the enterprises' international market target ability would increase greatly.
5. Our industries structures have been upgrading and there would be more attractive, huge domestic market.

Q7: You choose the areas--provide your predictions of future trends and their implications/opportunities?

Promoting and consulting for the Development of China's Software and Information Service Outsourcing Enterprises

Different from the manufacturing industry, products of the software and information service outsourcing industry are hard to be duplicated. It has a high degree of customization and is difficult to maximize the profit through mass production. In addition, it highly depends on human resources. Therefore, enterprises should work out relevant strategies according to the characteristics of this industry, overcome the shortcomings of the industrial environment (lack of medium-end and high-end talents, low maturity of the industry, big difference from European and American culture and legal environment to be improved), by making good use of its advantages (political environment, infrastructure, preferential policies, human resources reservation, huge domestic market, and similarity with Japanese and Korean language, culture and geographical adjacency to such countries, etc), and develop their sustainable capacity based on the advantages of good hardware infrastructure (hardware facilities and overall cost).

Along with the gradually maturing of the software and information service outsourcing industry, the customers' requirement for outsourcing is also undergoing some changes. In its early stage, the driving force was that the third party could finish part of the project with lower cost and higher professional service, and the main goal of customer was to reduce the cost. In this stage, it is usually the outsourcer who made the specific requirement, regulations and rules, and then told the outsourcing vendors "how to do it". But now the driving force is often presented in enhancing the efficiency with the goal of maximizing the profit of the enterprises. The enterprises expect to use the industrial experience, expertise, customer-relationship network, talents reservation and advanced solutions of the third party to provide the service for outsourcers, to help them improve the productive efficiency and improve the satisfaction of the customers. Therefore outsourcing enterprises should fully exhibit their activeness, and tell the outsourcers "how to do it" based on their own experience.

This development process is also a gradual transformation of competitive advantages of enterprises, which can be divided into 3 stages:

1. Use the industrial competitiveness to establish advantage: In this stage, enterprises mainly depend on the advantages provided by the industrial environment to win over the customers, such as that of infrastructure, human resource costs, etc. Outsourcing enterprises can use these advantages to provide basic operational services as a complementary part for outsourcers.

2. Competitiveness gradually transforms to the ability of sustainable development: In this stage, outsourcing enterprises have already established some unique competitiveness of their own, such as industrial experience, operational management experience, technology platform, and some advanced technology, which makes them be able to provide advanced services when customers have higher expectation.
3. Further improve the competitiveness to guide the customers: In this stage, outsourcing enterprises are in the leading position in some industry or sectors. They can offer strategic consulting services and tell the customers “how to do it” at the same time. In this industry they have the right to speak and are the standard makers of certain sectors, which put them in the leading position in the industry.

Currently most of Chinese outsourcing enterprises are still in the first stage, and some of them are in the second; only very few of them have entered the third. The following suggestions are focusing on how enterprises could improve themselves in the process of transforming to the second and third stage, especially how to improve their independent innovation ability to advance their competitiveness. For the specific features of this industry, the service and the customers are the most important two elements. The suggestions are made mainly from the following three aspects: the comprehensive capability, the delivery capacity, and customer service and relationship administration ability.

China Sourcing Public Service Platform

Public service platforms and the industrial alliance are helpful to facilitate the integration of resources, for the formation of industrial chains and to enhance the communication and information sharing between different enterprises. It can also help enterprises to establish a better understanding of the demands of customers so as to enhance their competitiveness through improved services.

As to the requirement and utilization of public service, Chinese outsourcing enterprises are at initial stage. Therefore, the public service platform needs to be further promoted for the integration of more resources.

Meanwhile, the service mode of industrial alliance still needs to be improved. For example, expanding the service scope, establishing and promoting the national public brand, strengthening IPR protection, and further playing the role as the industrial alliance.

Q8: Which are your top recommended resources which could promote the global sourcing and why?

1. We have 21 service outsourcing demo cities

In 2006, the MOFCOM has launched the “Thousand-Hundred-Ten Project”, an action plan to boost the service outsourcing industry in China. Since its implementation, China’s service outsourcing industry has enjoyed a rapid development. At present, there are 21 service outsourcing demo cities, and they are Beijing, Tianjin, Shanghai, Chongqing, Dalian, Shenzhen, Guangzhou, Wuhan, Harbin, Chengdu, Nanjing, Xi’an, Jinan, Hangzhou, Hefei, Nanchang, Changsha, Daqing, Suzhou, Wuxi and Xiamen. A number of prestigious service outsourcing companies have established their presence in the demo cities, particularly in

Beijing, Shanghai, Dalian and Guangzhou. In 2008, the 20 demo Cities had accommodated 2,598 SPs (79% of all SPs) and 437,000 employees (83% of all service outsourcing employees). The value of signed contracts from these enterprises reached \$5.4 billion by 2008 (93% of the total value of service outsourcing agreements in China) with US\$4.3 billion of it implemented.

China's service outsourcing industry is concentrated in four regions: the Bohai Bay Area, the Yangtze River Delta, the Zhujiang River Delta, and the Central & Western Areas. Each area has its own unique advantages, and these regions are gradually developing into service outsourcing clusters with prominent characteristics and competitive edges.

2. In the future, we would maintain the strong economic growth and attractive huge domestic market.

Compared with the offshore based market structure in India and Ireland, China's service outsourcing industry has been focusing on the onshore services. China's steady economic growth and huge domestic market demand are attractive to MNCs and SPs in China's in depth understanding of the market, as well as their ability to provide rapid and effective means for MNCs to access China's market.

With the continuous optimization and adjustment of the industry structure and continued industrialization, gradually maturing manufacturing enterprises in China will enhance their competitiveness through innovations in technology, operating models, and products. As part of this process, there will inevitably be heavy demand for services such as network maintenance, R&D and design, strategic consulting, financial management and technical support, among others, which will promote the development of the service outsourcing industry.

Q9: Please share two or more stories (something surprising, unexpected, amazing, or humorous) from your work?

About EDS:

EDS is the former Top 500 in the world, which specialized in providing the outsourcing business to the World Top 500, was the subsidized company of GM, (now it has merged by HP). As you know, EDS was the service provider as GM entered into Shanghai in the 90s. In 2005 or 2006, recommended by us, EDS set up its Asian delivery center in Wuhan, not only took the geographic advantage of Wuhan, but also undertaking the industrial advantage of Wuhan in auto industry.

We'd like to share this story, it is a typical case that we had, although even we did not get the good margin on this business.

About Capgemini:

Capgemini is a world leading outsourcing provider. It set up its world delivery center in Huaqiao Kunshan Jiangsu Province, after the several round discussion organized by Great Idea with the local government. The both party signed the cooperative agreement in 2008, the new Capgemini building in Kunshan was finished and has been operating in 2010.

The significance of these two cases is to respond to the words we promote “Global Resources, Domestic Services.”

Q10: If you were doing this interview, what 3 questions would you ask and then what would be your answers?

Questions are:

1. We hope there are more and more global enterprises to learn about our advantages;
2. We hope there are more and more global enterprises to cooperate with us;
3. We hope there are more and more global enterprises to co-build up the online business transaction platform;

The answer should be what should we do to gain more opportunities.