

# Optimizing usage of ICTs and Outsourcing Strategic in Business Models and Customer Satisfaction

Saeed Rahmani Bagha, Mohammad Mirzahosseini, Sonatkhatoon Kashanimotlagh

**Abstract**—Nowadays, under developed countries for progress in science and technology and decreasing the technologic gap with developed countries, increasing the capacities and technology transfer from developed countries. To remain competitive, industry is continually searching for new methods to evolve their products. Business model is one of the latest buzzwords in the Internet and electronic business world. To be successful, organizations must look into the needs and wants of their customers. This research attempts to identify a specific feature of the company with a strong competitive advantage by analyzing the cause of Customer satisfaction. Due to the rapid development of knowledge and information technology, business environments have become much more complicated. Information technology can help a firm aiming to gain a competitive advantage. This study explores the role and effect of Information Communication Technology in Business Models and Customer satisfaction on firms and also relationships between ICTs and Outsourcing strategic.

**Keywords**—Information Communication Technology, Outsourcing, Customer Satisfaction, Business Plan

## I. INTRODUCTION

IN the recent past, customer satisfaction has attracted a lot of interest based on findings that satisfied customers are the key to repeat sales, positive word of mouth and customer loyalty, thus leading to a strong competitive position, higher market share and profit. One of the most important things before starting a business is to develop and prepare your Business Plan which is probably best described as a written summary and evaluation of your business idea. It enables you to think through all the facets of a new business, to examine strategies relative to management, marketing, finance and people, and their consequences. The business plan will identify areas of strength and weakness and show you the probability of success and your ability to make it work.

## II. BUSINESS PLAN

The component elements of your business plan will include details concerning the industry in which you operate your product or service together with marketing, production, personnel, financial and management strategies. It should also address the reason the business exists, its location, structure, strengths, weaknesses, opportunities, threats and a resume of the proprietor/s.

1. Saeed Rahmani Baqa is with Civil Engineering Department Islamic Azad University Nowshahr Branch, Nowshahr, Iran; (Saeedmack@yahoo.com).
2. Mohammad Mirzahosseini is with Quality Control Expert Supplying Automotive Parts Company, Tehran, Iran; Mmirzahosseini@sapco.com.
3. Sonatkhatoon Kashanimotlagh is with Quality control Manager Sofale Tabarestan Company, Behshahr, Iran; (So.kashani@gmail.com).

Planning doesn't stop once you have established your business.

*A business owner should be familiar and comfortable with using the following:*

- Day to day expense tracking – an owner needs to be able create and analyze reports that give an idea of the health of a business.
- Accounts Receivable and Accounts Payable – An owner needs to be able to tell when payment is expected and prepare for any outgoing expenditures.

## III. BUSINESS MODEL

The e-Business model, like any business model, describes how a company functions; how it provides a product or service, how it generates revenue, and how it will create and adapt to new markets and technologies. It has four principal components: (1) The products and services a firm offers, representing a substantial value to a target customer (value proposition) and for which he is willing to pay, (2) The relationship capital the firm creates and maintains with the customer, in order to satisfy him and to generate sustainable revenues. (3) The infrastructure and the network of partners that are necessary in order to create value and to maintain a good customer relationship. (4) The financial aspects that can be found throughout the three former components, such as cost and revenue structures[1].

*Activities using E-Business tools include:*

- Trading of goods or services online, such as E-Procurement, primarily through websites
- Electronic retailing
- Use of the internet, intranets or extranets to conduct research and manage business activities
- Web site marketing
- Online communications, such as email
- Online training for staff (eLearning).

E-Business tools include Mobile phones, Personal digital assistants (PDA), Electronic Data Interchange, File transfer, Facsimile, Video conferencing, internet, intranets and extranets. E-Business is more than having a website for your business. Using E-Business tools can make your administrative and operational activities more efficient through:

- Accessing the Internet to source information about your industry, suppliers and products and for general research
- Streamlining your 'traditionally' physical transactions into electronic transactions, for example online banking, financial management, stock control and compliance reporting to regulatory bodies such as the tax office

- Purchasing and selling without a web presence by using email or Fax
- Human resources management, through the development of an intranet for news, policies, staff movements and enabling staff to apply for leave and access their personnel information online
- Customer relationship management, which integrates front and back office functions of an organization through electronic capabilities
- Using appropriate project management software.

The benefits of implementing E-Business tools are not so much in the use of technology, but in the streamlining of business processes and the ease in finding new markets. Some of the advantages and disadvantages include:

- Quicker and easier communications
- Strengthened marketing capabilities and reach
- Increased hours of operation (a website provides 24 hour 7 day information to existing and potential customers)
- Access to broader information through research
- Reducing the cost of doing business by lowering transaction costs and increasing efficient methods for payment, such as using online banking and reducing stationery and postage costs
- The opportunities to adopt new business models and develop tailored customer support [2].

#### A. Goals and Objectives

The e-Business concept should be based, in part, on goals such as "become a major car seller, bank, or other commercial enterprise", and "to become a competitor to some of the well-known firms in each of these industries." Objectives are more specific and measurable, such as "have \$100 million in revenues in five years." In looking at the business model it is sufficient to know what the goals and objectives are, and whether they are being pursued.

##### 1) Corporate Strategies

Embedded in the e-Business concept are strategies that describe how the business concept will be implemented. These are known as corporate strategies because they establish how the business is intended to function. These strategies can be modified to improve the performance of the business. Environmental strategies, discussed in a following section, describe how the company will address external environmental factors, over which it has no control.

##### 2) The E-Business Concept and Market Research

The selection and refinement of the business concept should be integrally tied into knowledge of the market it serves. In performing market research care must be taken to account for the global reach of the Internet for both customers and competitors. It is also important to remember that markets shift, and can shift rapidly under certain conditions. But most important is to truly understand what the market is, who comprises it, and what do they want[3].

#### B. E-Business Environment and Strategies

The rate of change in e-business presents an enormous challenge to managers. Business on the Internet is just

beginning, and is evolving through a process of trial and error. Management flexibility is a key for survival and success in e-business.

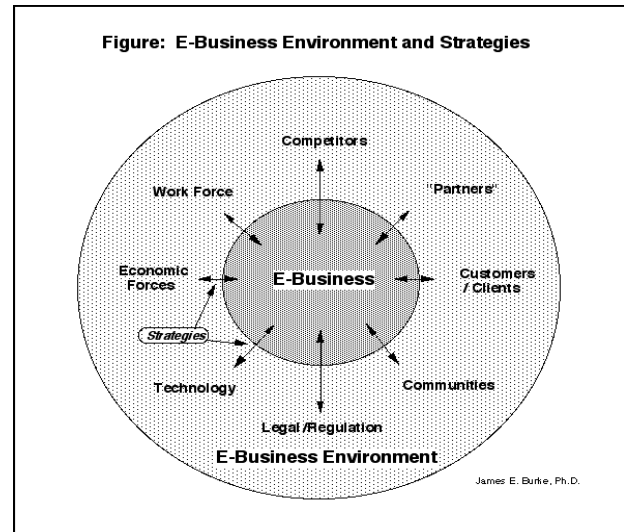


Fig. 1 E-Business Environment and Strategies

The competitive environment results from relationships with other firms. When suppliers are limited, they may keep prices high and reduce the profit of a firm that buys from them. A strategy for the buyer is to find new suppliers, or producers of substitute products. Therefore the Internet serves to increase the knowledge of prices, find producers of substitute inputs, and subsequently cause downward pressure on prices. In each case the Internet may be used to the advantage or disadvantage of the e-business. The point is that an e-business must have an Internet strategy to be successful. The process by which businesses utilize targeted marketing methods such as direct mail, internet ads, coupon advertising, product merchandising, and point of purchase activities to convert shoppers into loyal buyers[4].

According to marketing terms "B2C businesses" played a large role in the rapid development of the commercial Internet in the late 20th century. Large sums of venture capital flowed to consumers in the form of free online services and discounted shopping, spurring adoption of the new medium. The main advantages for both the business and consumer are that by opening their market up to B2C e-commerce trade they are reducing transactions costs. Businesses usually ship their products to a number of stores to make them visible to the consumer. However, by using B2C commerce they can instead showcase all of their products on the internet which reduces the cost of transaction. Business to consumer e-commerce is valuable to the economy because it creates a more unique way for businesses and consumers to interact.

##### ✓ Tips for outsourcing your small-business needs

Generally, the smart strategy is to hold on to operations or areas that define the core mission of your business. Then, consider outsourcing the other operations that are not as strategic.

If, for instance, your point of difference is customer service, make sure you have enough friendly and attentive full-time

employees to make good on that. If, however, you promise rock bottom prices, then relying on an outsourcer, such as a Web-based virtual assistant, an automated phone system or an overseas call center, might make more sense.

Outsourcing's advantages will vary with the services, the kind of business you run and, of course, the quality of your provider. It's worth your while to move slowly and commit little by little. Don't sign two-year contracts before testing performance and the relationship. To get a feel for the process and to accustom your staff to the idea, first try outsourcing one stand-alone project, and then move on to hiring professionals for other areas or ongoing needs[5].

"With project professionals, there are no long-term contracts for unnecessary services and companies," says Chris Hagler, national director of strategic services for Resources Global Professional, a Costa-Mesa, Calif., concern that provides specialists and contingency experts in finance and accounting, information technology, human resources and legal services. "Project professionals are 'executors' as opposed to traditional consultants who do not necessarily roll up their sleeves and get the job done," he says[6].

#### IV. OUTSOURCING YOUR BUSINESS

Outsourcing is a business model that has been around for ages. Ever since humans settled down from their nomadic ways and began domesticating animals and planting crops, the need for specialized services arose, and these contracted services became the first forms of outsourcing. On a larger scale, outsourcing can be used for a huge variety of tasks, most commonly for information technology and business processing. Information technology outsourcing is commonly defined as outsourced work which requires technical expertise. These outsourced employees are hired remotely due to their specialized skills and ability to deliver the product quickly through electronic means. These include:

- ✓ Computer programmers
- ✓ Web Designers
- ✓ Graphic Designers
- ✓ Software Testers

Business processing outsourcing is defined as outsourced work which requires little technical expertise, but requires clerical skills. They are often hired in bulk and are used as a viable alternative for medium to large companies who wish to relocate entire departments of their operations. These are often huge, multi-year contracts that encompass the following:

- ✓ Human Resources
- ✓ Call Centers
- ✓ Finance and Accounting
- ✓ Claims Processing

If you plan to outsource, consider the size and breadth of your operations. If you are ready to try, here are the steps companies generally follow:

- ✓ Evaluation of the role of outsourcing in your company
- ✓ Selecting appropriate outsourcing projects and potential service providers

- ✓ Developing a contract for the service provider, to reach a Service Level Agreement (SLA) on prices, hours and contract length.
- ✓ Selecting staff to travel to the outsourced service provider to provide proper guidance on the company's expectations, and to oversee operations.

As you can see, there are many factors to consider when outsourcing. If you intend to build a long-lasting, successful relationship with an outsourced service provider, there are three key points to remember that can make or break your operation:

- ✓ Executive support for the outsourcing missions
- ✓ Proper, frequent communication with the outsourced team
- ✓ The company's ability to manage its outsourced team.

#### V. EFFECTIVENESS OF AN OUTSOURCING COMPANY

Companies of all sizes struggle with escalating costs of full-time employees. Hidden behind paychecks are less visible costs. Not often considered in the decision to outsource include: hiring, training, administration, benefits, absenteeism, workspace and equipment. By some estimates, employee expenses account for up to 70% of a company's overall revenue. In addition to providing sizable financial advantages, outsourcing's other advantages are:

1. Expertise: Harness the talent technology and expertise of niche providers and leverage best practices. Expert sources, which might carry too large a price tag to employ full-time, can fit into nearly any budget on a project-by-project or as needed basis.
2. Management: Focus on the core aspects of your business and leave the worries of non-core activities to someone else without having to commit additional managers or your time to manage a project. Outsourcing companies have their own management.
3. Personnel Flexibility: Hire specialists without being obligated to keep them on when they are not needed. It is easier to terminate an outsourced relationship than to layoff full-time personnel.
4. Capital Conservation: Concentrate financial resources on core business activities vs. investing capital in overhead, such as: office space, computers, etc.
5. Time Savings: Don't reinvent the wheel. Someone somewhere has done it before or developed an easy solution – why not use it?

#### VI. TOP 10 TIPS FOR OUTSOURCING SUCCESS

Entrepreneurs and small business people are always looking for creative ways to accomplish more of their business goals for less money. Following this advice can help you get the most out of your relationships with external vendors or contractors.

##### *A. Clearly define the scope and schedule for your project*

This might seem obvious, but any successful outsourced project always starts with a clear statement of what you are hoping to accomplish. Define your project requirements up

front. Service providers need accurate, complete information to present you with realistic proposals and to quote you a reasonable price.

#### *B. Evaluate a service provider like you'd hire a full-time employee*

When you're evaluating proposals from service providers, don't be afraid to ask questions. Just like hiring a full-time employee, selecting a vendor is a very subjective experience. Check their references and ask for feedback from other clients who have used their services. Engage in a dialog – if you have any concerns about a vendor's specific capabilities, voice your concerns. Don't just stew about it and hope for the best.

#### *C. Look for specific experience fit*

Ideally, the service provider you select will have specific experience with the type of project that you're undertaking. You don't want to be somebody's "guinea pig." This is especially crucial when outsourcing complex technical projects such as software development. For example, if you're looking for someone to develop an application for the Palm PDA, make sure they've actually completed commercial projects on that platform for other satisfied customers. This advice holds true for other types of projects as well. If you need a business plan for opening a retail store, you'll get best results if the consultant you hire has verifiable experience in the retail sector.

#### *D. Don't choose a vendor based solely on price*

Though it might be tempting, never select a vendor based solely on price. Experienced buyers who have outsourced many projects and evaluated hundreds of proposals almost always recommend discarding the highest-priced and lowest-priced bid. Buyers report that their most successful projects are the ones where they felt the vendor offered a balance of good value and quality results.

#### *E. Review portfolios and samples*

Examine the vendor's previous work (their "portfolio") and make sure that their previous work meets your expectations for quality and style. If you've evaluated a vendor's portfolio, references and previous experience and are still unsure of their capabilities, consider asking them to do a quick mock-up or provide a basic outline of a work plan. A service provider who really wants to win your business might be able to give you a rough concept so you can better understand their approach to solving your problem. But never cross the line between asking for a mock-up and insisting that a vendor provide you with finished work "on spec." No qualified professional expects to work for free.

#### *F. Start small*

When engaging with a service provider for the first time, start with a project that is relatively small and simple in scope. This will give you a better idea of the provider's style and capabilities before you entrust a "mission critical" project to them.

#### *G. Tie payment to clearly defined project milestones*

Just as you should be clear about project scope, make sure that you define a work plan for your outsourced project with clearly defined milestones. Having scheduled checkpoints where you review the status of the project as it works toward completion—is an easy way to ensure that you meet your final deadline and that the final product meets your standards. Tie the vendor's payment to these milestones. A good guideline for IT and software development projects is to pay no more than 20% to 30% of the total project price up front, with the rest of the payments awarded based on the completion of 3 or 4 milestones.

#### *H. Negotiate ownership of work up front*

For any type of outsourced project, make sure that you are clear about who owns the resulting work product and any important components of that product. Make sure the service provider understands how you intend to use the deliverables that they are agreeing to provide. For example, the development of a custom software application for your personal use would be substantially different from the development an application that you intend to package and resell.

#### *I. Don't forget about support after the project is complete*

For technology projects, it's a good idea to specify a warranty or support clause so that you are assured of some amount of continuing support from the vendor after the project is complete. It's much easier to negotiate a support clause before the service provider begins work, rather than after the completion of the project. Even creative or business services can benefit from a support clause. Suppose you need some changes to a business plan based on feedback that you get from potential investors. Or maybe you find that you need that snazzy new logo delivered in a new type of file format. Specifying some amount of free support or negotiating discounted prices for future modifications can save you time, money and headaches later on.

#### *J. Get it in writing*

During the course of a service engagement, the scope of the project, deliverables or even the agreed upon price may change. Make sure that you clearly communicate any schedule, scope or payment changes to your service provider and get confirmation from them - in writing - that they understand and agree to the changes. Similarly, keep a record of any agreement changes requested by the service provider and whether you accept or reject those modifications. Save copies of any email exchanges that you have.

You can access top-notch expertise any time you need it without the overhead of hiring full-time staff. By staying focused on your core competencies and hiring expert freelancers for your other needs, you can compete with the delivery capabilities of larger organizations while maintaining your independence.

## VII. CUSTOMER SATISFACTION IS YOUR BUSINESS

You are in the business of satisfying customers regardless of what products or services you provide. The satisfied customers you create will help you build your business by becoming repeat buyers and by referring new business to you from their friends and associates.

- ✓ Always Give Customers More Than They Expect
- ✓ Let Customers Know How Much You Value Them

Customers see your product or service from the outside in. That is, the customer has a relationship with the place the acquire the product or service. If you are a manufacturer or supplier that uses a business partner, then your customer's perspective about your product is influenced by how that Business Partner reflects your product. There are several pitfalls to watch out for.

### A. *Creating invalid expectations*

A Business Partner may set customer expectations. Depending on the role the business partner plays, if they have any 'selling' responsibilities, they may not be able to articulate why your product or service is better than a competitive product. This could create an inferior expectation on the part of the customer (and they won't buy your product) or the business partner might inflate the customer's expectation beyond what the manufacturer or supplier is able to deliver.

### B. *Insufficient supply*

A business partner who does not carry sufficient supply of your product to meet customer demand may cause dissatisfaction with customers looking to buy and might convince a customer to purchase a competitive product, even if they were previously attracted to your product.

### C. *Poor service*

If you count on your business partner to provide service to the customer on your product and they don't live up to the standards you set, this could cause customer's to be dissatisfied. From the customer's perspective, the business partner's service is the service that comes with the product.

### D. *Bait and Switch*

A Business Partner could turn off an existing customer. Often customers who have bought seek reassurance that they have made the right choice. If the product or service is sold in multiple channels, they may seek the opinion of several outlets. A poorly trained business partner or one who is motivated to sell something else, could impact existing sales, causing the product to be returned or service to be canceled.

important strategies that generate income, without compromising on the quality of service of their other business operations.

If you are one of the many small business owners considering outsourcing as part of your business operations, but do not know exactly where to begin, here are just some useful steps to help you discover how to outsource your business both effectively and efficiently.

## REFERENCES

- [1] Tapscott, D., A.Lowi, D. Ticoll, "Digital Capital – Harnessing the Power of Business Webs", Harvard Business School Press, 2000.
- [2] Martinez, P. "Models made E: What business are you in?", Centers for IBM e-business Innovation, 2000.
- [3] Magali Dubosson, "eBusiness Model Design, Classification and Measurement", Thunderbird International Business Review, vol. 44, no. 1: 5-23, January 2002.
- [4] Spreng, R., and MacKenzie, S. and Olshavsky, W. A" Reexamination of The Determinants of Consumer Satisfaction" , Journal of Marketing,60(3):15-32,1996.
- [5] Wilson, D.T. "An integrated model of buyer-seller relationships", Journal of the Academy of Marketing Science, Vol. 23, Fall, pp. 335-50, 1995.
- [6] Emerson, C.J. and Grimm, C.M, "Buyer-seller customer satisfaction: the influence of the environment and customer service", Journal of Business & Industrial Marketing, Vol. 14 Nos 5/6, pp. 403-15, 1999.

## VIII. CONCLUSIONS

Knowing how to outsource can do wonders for your business no matter how small it may be. Today, competition between businesses is stiffer than ever, even the most talented business entrepreneurs realize they need outside help with certain business operations in order for them to focus on