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Factors Affecting Outsourcing Software Development from Finland to Vietnam

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Description
The past few years have seen a steady trend in the growth of Offshore Outsourcing Software Development projects from Finland. At the same time, Vietnam has been quickly growing as a competitive outsourcing destination. Many outsourcing vendors from Vietnam want to enter Finnish software development market through contracts of outsourcing projects. They have neither had a competitive edge of international business relation nor a deep understanding of the Finnish market. The objectives of the study were (a) to find out the factors that influence Finnish SMEs' decisions when selecting outsourcing vendors, and (b) to suggest a series of steps for Vietnamese companies to take to match with their clients' expectations. A qualitative approach was chosen in order to gain an understanding of the subject. The data collection method used in this study was the phone interview. In total, 7 managers and experts experienced with offshore outsourcing software development participated in the research. The cohort of participants had diverse organizational backgrounds, allowing multiple viewpoints to be shared. The data collection process stopped once the saturation point had been reached. After all data had been collected, the interview transcripts were analyzed using the open coding method. The research results indicate that there are a lot of common success factors in the selection process of outsourcing vendors among Finnish practitioners. In addition, there was an unexpected factor of trust the importance of which was stressed a lot. It needs to be addressed carefully by Vietnamese practitioners. The results can be applied not only to outsourcing vendors from Vietnam, but also to other outsourcing vendors interested in the Finnish market.

Keywords (subjects) Software development, offshore outsourcing, SME, Finland, Vietnam, outsourcing vendor, developing country, barrier, perceived risk

Miscellanous

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1 Introduction

1.1   Research motivation

The starting point of the thesis topic is the Finnpartnership website - a long-standing service which aims to advance partnership between Finland and other developing countries. As the author was interested in a partnership between Finland and Vietnam, she searched for potential needs. At of 22nd of February, 2016, of the 39 Vietnamese companies seeking partners from Finland on the Finnpartnership.com website, nearly 40% operates in the field of information technology. The majority of these companies aim to find clients for outsourcing services. Studying in Finland and coming from Vietnam the culture and language of which the author knows well, she believes that it is useful to look into the topic that may contribute to the partnership between the two countries.

When a company wants to enter a new market, it is essential to have an extensive understanding about the potential clients. Vietnamese companies are relatively young and the cost of an extensive market research is rocking high for an SME, resulting from their inexperience and lack of resources. Kuivanen and Nahar (2010, 50) pointed out in their research that one of Vietnamese outsourcing companies' drawbacks is "poor international business cultural background", supporting the author's argument. In other words, the drawback indicates their insufficient understanding about foreign clients.

At the time when the author was writing this thesis, apart from the mentioned research of Kuivanen and Nahar in 2010, a few other researches that look specifically into the same topic have been formulated, especially recently since 2011. The same researchers have proven with their in-depth literature review that no other prior research looking into the topic of outsourcing software development exists. Though their research scrutinized a topic which is much akin to the author's, five to six years is considered to be a long period for a fast-growing industry like software development. Some information in the research might have been outdated, so it is worth revisiting the topic. Moreover, the researchers used only an in-depth literature review to produce their

result, whereas the author will use qualitative research to gather the primary data. Last but not least, the researchers use the three terms "IT" (information technology), "ICT" (Information communication technology) and "software development" interchangeably. Thus, it is worth to bring out a new study that especially concerns outsourcing software development services.

MARKET NEEDS FROM FINLAND

In the latest source of information about outsourcing needs (2014, 32) conducted by Dittmar & Indrenius Attorneys Ltd., according to IDC, the Finnish IT outsourcing market was worth around €1.4 billion in 2013. ISG predicted that IT outsourcing in Finland sees a continuing trend. The above prediction encompasses the whole IT market.

However, Yle (2014) indicated that there has been an ongoing backward trend in software development, meaning that companies are retrieving outsourcing services back to Finland. Some companies believe that they are more satisfied with the quality and cost, if they do IT work inhouse. Therefore, not Vietnamese companies alone but also vendors from other countries will benefit if they are prepared to know what to do in order to counteract the challenges in the outsourcing processes from the perspectives of Finnish managers and experts.

VIETNAM – A GROWING OUTSOURCING DESTINATIONS OF SOFTWARE SERVICES

In recent years, the software sector in Vietnam has been growing rapidly and emerged as a noticeable outsourcing destination. According to the BMI Research in 2014, cited on the website of the Australian Comission Trade (2015), the software sector in Vietnam sees an average growth rate of 30% per year. Vietnam as an outsourcing destination now competes with other countries in the same region, including India, China and the Philippines. Cited by Forsbak in his article in 2015, the Tholons Top 100 Outsourcing Destinations reported that Vietnam has two cities (Hanoi and Ho Chi Minh City) in the top twenty cities for outsourcing. Different organizations have produced different rankings for Vietnam. However, the ranking of this outsourcing destination still falls

among the top 20 in the world. Niazi, Babar and Verner (2010, 1205) wrote that even though India is still the first choice as an outsourcing destination, according to Kearney report, Vietnam has rapidly grown in terms of software outsourcing work to compete with other leading players.

Vietnam has attracted many big international companies to enter the market, "such as Microsoft, IBM, Intel, Cisco Systems, Accenture, Apple, Oracle, Hewlett-Packard, Alcatel-Lucent, Acer, Sony, Hitachi, Sanyo, Bayer, BMG, more than 20 Danish companies, and so on" (Nahar and Kuivanen 2010, 44). It is interesting to examine the potentials, as well as the barriers of Vietnamese software companies when they enter the outsourcing market of Finland.

Even though Vietnam has received a lot of attention from many international companies, Vietnamese companies still lack international business experience and contacts with European customers, according to the research conducted by Nahar and Linh (2010). Therefore, this research aimed to equip Vietnamese outsourcing vendors with a certain background of what are expected from the Finnish clients.

1.2   Research focus and questions

According to a report by Sakari in 2015, large companies in Finland such as Tieto often use services provided by large vendors, leaving little ground for small vendors from developing countries to compete. On the other hand, SMEs with limited resources tend to bring their services abroad to small-sized vendors. In addition, the author wants to select a certain group of companies of the same size to ease down the process of grouping and data analysis.

The IT sector research report (2014, 5 – 15) conducted by the EVBN – EU – Vietnam Business Network argues that though the manufacturing and trading have accounted for a big part of sales, only a few big companies are involved in these two industries. Alternatively, the software sector, included in ICT service industries, contains larger number of SMEs and has been rising with fast rate in recent years. Not only does this sector fit with profiles of the majority of Finnish and Vietnamese companies, but also

appeals the researcher the most. Thus, the author decided to navigate the research focus to outsourcing services related to software development.

Based on the narrowed scope of the research, the objective is to produce an overview of the factors that influence Finnish clients' decision in selecting vendors, and develop a series of steps for Vietnamese companies to take so as to match with such needs.

The author raised the following research questions:

- (a) What are the strongest factors that influence Finn ICT companies' decisions when selecting their outsourcing partners?

- (b) What barriers of market entry for VNM companies and other developing countries exist, considering the factors mentioned in point (a)? How to overcome these barriers?

The remainder of this paper is structured as below: first the researcher will discuss about the approach and methods of data collection and analysis that were used in the research. Next, a literature review was presented to get an overview of what have been found in the past, regarding the success factors and the barriers for outsourcing vendors to enter Finnish market. A short conclusion will be drawn up after the results have been shown. Finally, the thesis paper ends with a section of discussion including reflection of the research results, limitations, validity and reliability of findings and suggestions for further researches.

2 Research approach and methods

This section first discusses about the general research approach, followed by a description of the data collection among Finnish companies. It goes in detail about sampling collection method and recruitment process. The section ends with a description of data analysis method.

2.1   Research approach

The researcher used qualitative approach, which has certain advantages over quantitative research in this specific case to investigate the subjects studied. In order for results from quantitative research to be valid, approximately 100 - 300 collected answers are required. The process is indeed time-consuming and prone to fail, since the researcher may have to contact up to 3,000 SMEs to reach the goal. It appeared to be not a feasible plan. Patton (1990, 14) stated in his book that "by contrast, qualitative methods typically produce a wealth of detailed information about a much smaller number of people and cases. This increases understanding of the cases and situations studied but reduces generalizability." Therefore, qualitative method is a better approach in the researcher's opinion.

Another strength of the qualitative approach is that it puts focus on natural occurrences in the reality according to Miles and Huberman (1994). Considering the context of this research, it was crucial to seek for what Finnish practitioners often believe in and how they act in their common settings. It is the findings from these "real events" that can help outsourcing vendors to adjust to the current situation. The two researchers also stated in their book that qualitative data provide depth in the meaning of occurrences. The author believes that the depth of explanation is of great importance when studying the subject investigated, as she also focused on the question "why such decisions were made". Quantitative data rarely put weight on such aspect. This argument is also supported in the book written by Patton (1990).

Such approach helped the author to build strategies for the data collection and data analysis methods. All following methods must stay congruent with the approach as well as the planned strategies. The author believes that if the strategies and methods does not relate closely to each other, the findings would remain feeble. In particular, the researcher choose the phone interview to collect primary. After the data collection, the data were not analyzed immediately but went through some processing as instructed by Miles and Huberman (1994, 9). The author corrected and edited raw field notes before the analysis.

2.2   Data collection

DATA COLLECTION METHODS

Regarding findings collected from literature review, the range of materials related to software market trends mainly stretch from 2009 to 2016 – the time when this thesis research was conducted. The reason was that the software development industry is a fast-growing industry. It may change drastically over the span of a few years. 2009 was the time when the giant Nokia fell into turbulence, forcing many ICT companies to change their business structures and strategies. As a result, the year 2009 was chosen as a noteworthy marking point.

Primary data are gathered via the phone interviews. A complete list of the questionnaire can be found in the appendix 1. The initial aim was to collect 15 responses, or the researcher would stop when a saturation point of information (O'Reilly and Parker 2012) had been reached. The phone interviews were semi-structure, in which "the interviewers are permitted (in fact, expected) to probe far beyond the answers to their prepared standardized questions (Berg and Lune 2012,112).

According to Suttle (n.d), the advantage of phone interview survey are:

- More access to a wider geographical area: While focus groups might be more time-saving and yield interesting results, it was hardly possible
to be conducted for the research, as the group of participants scatters mainly in Helsinki and Espoo regions whereas the researcher stayed in Jyväskylä.

- Cost effective: compared to other methods, such as face-to-face in-depth interviews, the researcher saves traveling and arrangement cost.

The phone interview or email questionnaires consisted of only four key questions to limit the time spent on answering down to maximum 15 minutes, so that managers would feel more willing to cooperate. People in general are reluctant when being asked to participate in an interview that last over twenty minutes according to Jacob and Furgerson (2006, 5). The second reason was that these four questions acted as a spine

for any follow-up questions popping up during the interview. Researchers in general are encouraged to use emergent design mentioned by Creswell (2007) when they conduct interviews (ibid., 5). Thus, the author also added questions along the interviews when they came up.

All the interviews were conducted in a quiet setting, so that the research participants can understand well the content of questions. The researcher took note as the same time as the interview went. All participants were informed about the confidentiality of the research before they answered the interview questions. Due to the inclusion of some sensible information, there will be no names of people or names of organizations recorded in the transcripts or analysis.

SAMPLING STRATEGIES AND RECRUITMENT PROCESS

The author considered using snowball sampling. By definition, snowball sampling is the act of gathering contacts of eligible participants, especially hidden population by asking references from initial contacts (Biernacki and Waldorf 1981, 141). The method, as suggested by the 2 authors, is suitable when the research topic is sensitive, and "thus requires the knowledge of insiders". Berg and Lune (2012, 52) wrote in their book: "the strategy of snowball sampling involves first identifying several people with relevant characteristics and interviewing them or having them answer a questionnaire. These subjects are then asked for the names (referrals) of other people who possess the same attributes they do – in effect, a chain of subjects driven by the referral of one respondent of another." The researcher followed the method mentioned by Berg and Lune (2012) and asked for referrals from the initial research participants – managers and experts who have had experience with offshore outsourcing software development projects. The managers all came from SMEs in Finland; and the experts worked as consultants for SMEs when they sought for outsourcing vendors from abroad. Though these research participants shared common knowledge about the subject, they came from different organizational backgrounds. Thus, their input were given from multiple viewpoints. It was challenging to gather referrals from the initial contacts, as they appeared to be skeptical.

2.3   Data analysis

The research used parts of the qualitative data analysis technique introduced by Miles and Huberman (1994) and the open coding process of Strauss and Cobin (1998). Miles and Huberman wrote in their book that it is wise to keep full words as codes, as "converting words into numbers and then tossing away the words gets a researcher into all kinds of mischief (1994, 56). Therefore, the researcher used full words for the codes instead of numbers. They also cited Strauss (1987), Lincoln and Guba that researchers stops the process of coding and recoding when they can classify all cases and they see that "regularities" have emerged sufficiently (ibid., 62). In other words, the process of coding and recoding will stop when a saturation point has been reached. The author followed the guidelines and ceased the process when she felt that she had seen uniformities in the codes. In addition, by definition, open-coding is "the analytic process through which concepts are identified and their properties and dimensions are discovered in data" (Strauss and Cobin 1998, 101). In general, the research followed a process that is repeated many times while conducting the analyses:

- The transcripts are carefully examined and gone through several times. Statements describing the criteria/ factors and the perceived risks were pinpointed.

- The statements were coded with open-coding, using the technique introduced by Strauss and Cobin (1998, 119 - 121).

- The open codes were classified into categories portraying the selection criteria for outsourcing vendors and the perceived risks of both managers and experts.

The categories of codes that came out from the analysis represented the selection criteria and the risks perceived by Finnish managers and experts regarding the process of selecting outsourcing vendors.

Even though it was useful to follow strictly the whole process suggested by Miles and Huberman (1994) and Strauss and Cobin (1998), the researcher decided to cut some

redundant steps (e.g. filing contact summary sheets) to fit in with the limited time frame. A copy of interview transcripts and data analysis can be requested from the student.

3 Literature review

3.1   Definition of OSDO, models and outsourcing process

According to Khan et al. (2011), "software development outsourcing is a contract-based relationship between client and vendor organizations in which a client contracts out all or part of its software development activities to a vendor, who provides agreed services for remuneration." Rajkumar and Mani (2001) give reengineering database applications and electronic commerce applications as example0073 of outsourcing service for software development.

"Offshore outsourcing takes place when organizations cross national borders to obtain these commodities" (Pries-Heje, Baskerville, and Hansen 2005, 6). Some sources state that the definition involves both activities that engage independent third parties abroad and international insourcing delivered by foreign subsidiaries (Jarvenpaa and Mao, 2008). To clarify, in this research, this research only deals with the former activities.

The research aims to have a narrow focus on software development. It is important not to confuse the scope of software development and other ICT services (e.g. hardware, telecommunications). In this research, software development should only be referred to as a subcategory of ICT or IT – two terms that are used interchangeably. The research scope exclude all other services in the ICT industry, including hardware, and telecommunications. The subclasses of software are specified as below, according to Smith, Mitra & Narasimhan (1996, 168):

- Application software

- Data

- Documentation

- System software

- Utilities (i.e. programs that maintain the efficiency of a computer system (Business Dictionary, n.d.))

- Development software

In this research, the author refers to vendor as an independent party supplying services to the client. A client is the buyer of the services. In some outsourcing model, for example, mediated outsourcing model, client and end-user (the one who actually use the product) are not necessarily the same party.

Four main models of outsourcing exist and have been categorized by Sharma (2006), cited by Nahar and Kuivanen (2010), including: "job-shop", "component-responsibility", "product-incubation", and "business incubation". The model of "job-shop" is the most prevalent among western companies who transfer outsourcing to developing countries such as India, China or Vietnam. In this model, most of the coding, testing and sustenance work is outsourced, while the main design of the product remain at the clients' home sites. (ibid., 53.).

When a company makes a decision on outsourcing, they need to design a strategical plan to select their suitable outsourcing vendors. For different business fields, the model and steps might be slightly different, due to the characteristics of each business field. Nahar and Kuivanen (2010, 41) logically separate the process of offshore outsourcing from information technology. The model below will present each step and explain the functions.

(Figure is shown on the next page)

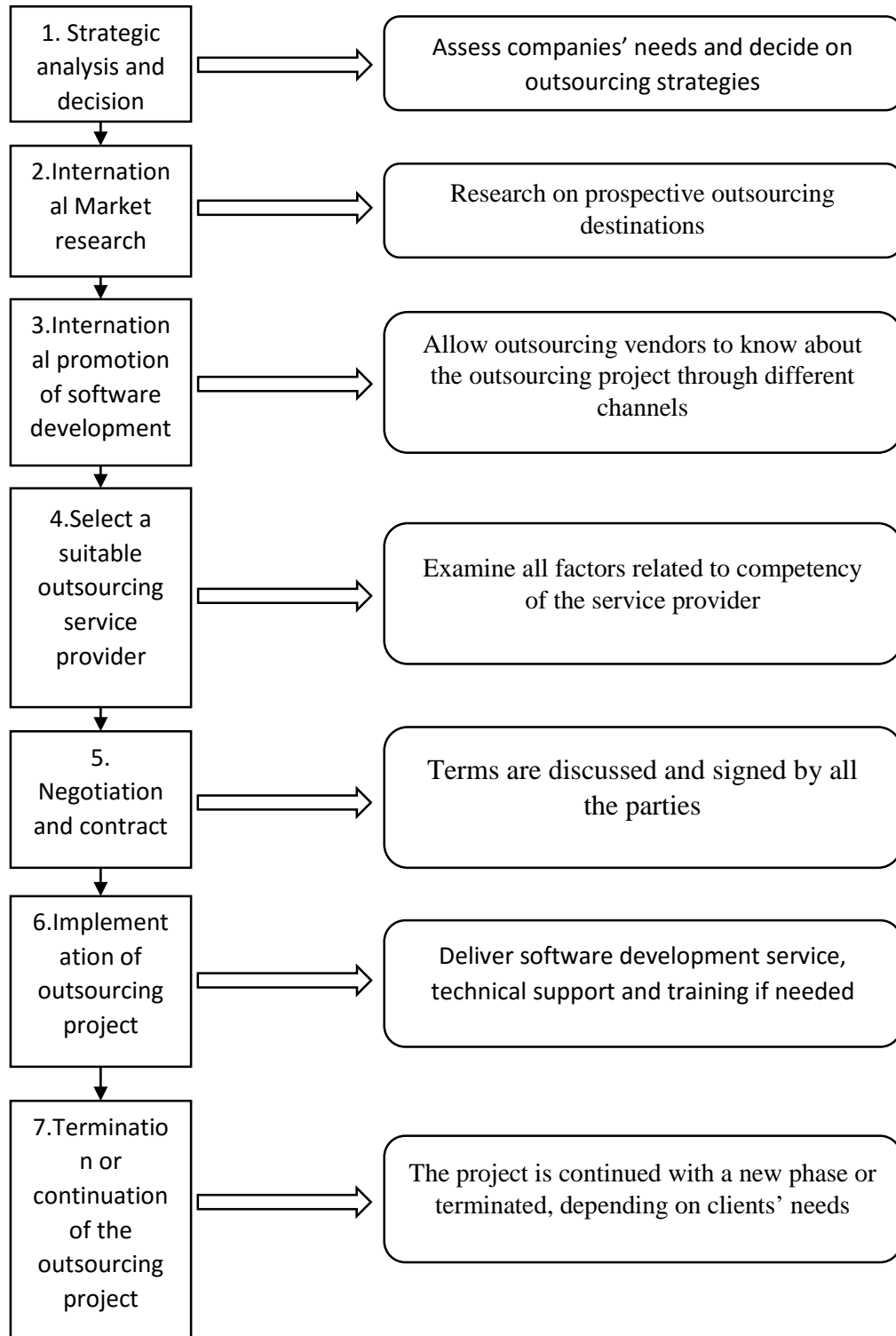|		
1. Strategic analysis and decision	⇒	Assess companies' needs and decide on outsourcing strategies
↓		
2.International al Market research	⇒	Research on prospective outsourcing destinations
↓		
3.International al promotion of software development	⇒	Allow outsourcing vendors to know about the outsourcing project through different channels
↓		
4.Select a suitable outsourcing service provider	⇒	Examine all factors related to competency of the service provider
↓		
5. Negotiation and contract	⇒	Terms are discussed and signed by all the parties
↓		
6.Implement ation of outsourcing project	⇒	Deliver software development service, technical support and training if needed
↓		
7.Terminatio n or continuation of the outsourcing project	⇒	The project is continued with a new phase or terminated, depending on clients' needs

Figure 1 Process of a software outsourcing project (Nahar and Kuivanen, 2010)

3.2   Criteria for selecting outsourcing vendors

There are different criteria used among firms nowadays to select a suitable outsourcing vendor. Due to the diversity of business culture, sizes of companies as well as national situation, the practices vary a lot. Therefore, this section aims to review what have been written in the past about selection criteria for outsourcing vendors in general. In discussion part, there will be a comparison between the literature and Finnish practices in reality.

COMMONLY USED CRITERIA

During the process of selecting vendors, companies often use certain benchmarking criteria. These criteria are important not only in the selection process, but also in the phase of performance assessment. Vendors, therefore, need to understand what kind of criteria are used in benchmarking to increase their strengths to compete against other service providers.

Previous researches have compiled different sets of theoretical-based criteria which companies can use to benchmark their service providers.

Areas that may be used in the benchmarking include:

- Total or aggregate cost

- Unit or element cost

- Types of methodologies or technology

- Manner of providing services

- Services levels

- Geography

- Pricing structure, as an international transaction can be affected by transaction rates (Halvey and Melby 2000, 77)

In accordance with previous researches about motivations of outsourcing decisions, cost-saving emerges as a common factor. Many researches in the past have consistently produced similar results.

- "Cost saving is the most common factor" in the list of outstanding factors of outsourcing vendors (Khan, Niazi & Ahmad 2011, 690)

- In Aubert and Rivard (2007, 72), cost is the main benefit for outsourcing in the field of information technology.

- US companies find great advantage in saving cost when practicing outsourcing (Vogel and Connolly 2005, 1)

- Gopal, Mukhopadhyay and Krishnan (2002, 193) also believe that cost is the primary reason for offshore development.

Therefore, vendors from developing countries often advance over other vendors because of the cheaper labor cost. In addition, a skilled human resource and an appropriate infrastructure form the backbone for the assessment of outsourcing vendors. These 3 factors are most important across Asia, Europe and North America (Khan, Niazi & Ahmad 2011, 688). It is noticeable that clients in these three continents see different level of importance of an efficient contract management program. While clients in Europe and North America pay high attention to this factor "in order to avoid risks associated with the outsourcing process", clients in Asia perceive it as a less significant factor (ibid., 690).

The above result touches all sizes of companies. As the research specifically looks into SMEs, a table to compare the most important factors for enterprises of small and medium versus large size is presented as below (source: ibid., 691 – 692). Certain differences appear, but an efficient project management program is the most striking difference between the groups of SMEs and large companies. The researchers explain that SMEs are less experience in managing a project than large companies are. Therefore they seek for vendors who have had rich expertise in this aspect. (ibid., 692.)

Table 1. Main criteria based on companies' sizes (Khan, Niazi & Ahmad 2011)

Small and Medium Enterprises	Large Enterprises
- Cost-saving - Appropriate infrastructure - Efficient project management - Quality of product and services	- Cost-saving - Appropriate infrastructure - Organization's track record of successful projects - Skilled human resources

An offshore outsourcing project often involves international trades between two parties in two countries. Therefore, it is worth mentioning the successful factors of an outsourcing destination. Nahar, Käkölä and Huda (2002) comprise a list that includes:

- Skilled labor pool who have good English communication skills

- Low costs (i.e. wage level and other related costs)

- Good quality of infrastructure

- Intellectual protection law and legal framework

- Favorable government policy

- Stability in politics, society and economy

- Geographic location and cultural similarity

All factors considered in the national context or in the context of each individual outsourcing vendor should be taken into consideration. The figure below summarizes the successful factors that both clients and outsourcing vendors should contemplate.
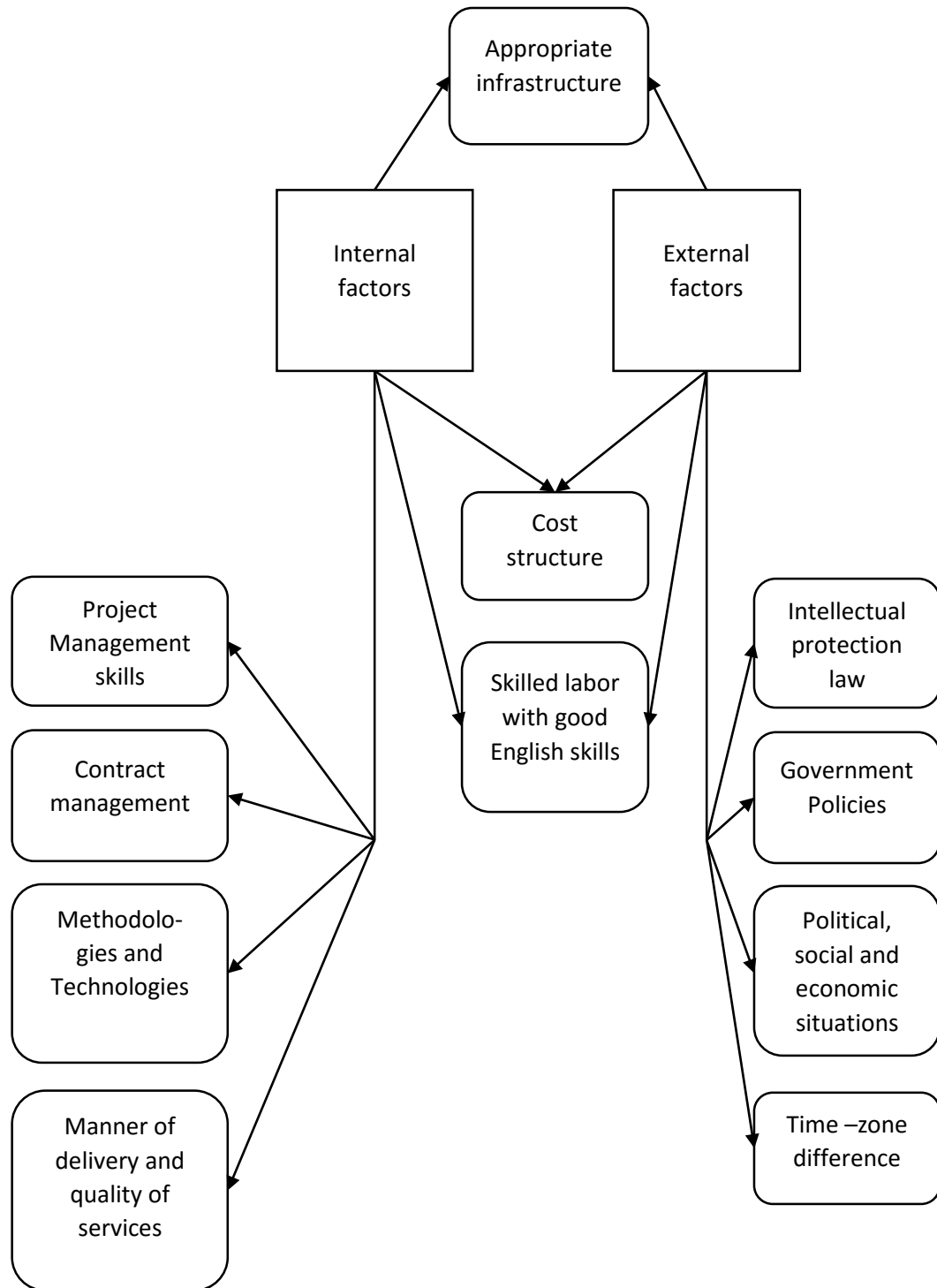
(Figure is shown on the next page.)

Figure 2 Criteria to select outsourcing vendors (Khan et al. 2011, Nahar et al. 2002, Halvey & Melby 2000)

FACTOR OF TRUST

Besides the technical criteria that project managers will go through when they select outsourcing vendors, there is the factor of "trust". This factor, though it appears less frequently in the previous research compared to other business-related criteria, remains a crucial theme that greatly contributes to the success of any international transaction. The outsourcing service is often done between two or multiple parties: service provider(s) and client(s). In a business to business transaction, the human factor should not be dismissed. It is of great importance that companies need to pay attention to the factor extensively whenever they enter a transaction. In their research paper, Babar, Verner and Nguyen (2006) citing Das and Teng (1998) and Powell (1996) that trust plays a crucial role in the flourishment of a partnership between two firms. "Trust is identified as a highly relevant predictor of outsourcing success" – cited Kumar and Thangavelu (2013). These citations imply a certain degree of importance of trust in forming and maintaining an outsourcing project. However, there have been very few researches conducted on this subject of trust in offshore outsourcing contracts, even though international offshore outsourcing projects have been growing in size and number. (Babar, Verner & Nguyen 2007 and Niazi et al. 2012.)

According to Niazi et al. (2013, 286), other researchers have found out that "face to face meeting" is the most common factor when establishing trust. The factor is followed by "better communication" and "contract management between client and vendors", corresponding with the above list of criteria of selection (Khan, Niazi & Ahmad 2011). The next factors following in frequency includes: "reliable management", "knowledge sharing", "mutual expectation", and "better client and vendor relationship". All of these outstanding factors highlight the suggestion that outsourcing vendors need to cultivate both the communication side with customers and their project management strategies.

3.3 Barriers against developing countries (i.e. Vietnam)

When a company enters a new market, they will meet severe barriers against them, due to several factors, such as lack of information, fierce competition from well-established companies. A good understanding of what could be the barriers, coupled with predefined selection criteria from the client will aid any newcomers in improving their profiles. The purpose is to meet clients' expectations and possibly further cultivate the business relationship.

Based on the research of Khan and Niazi in (2011, 699), there are four main barriers in regards of SMEs when they select their outsourcing vendors, including:

- Communication gap

- Lack of project management

- Language and cultural barriers

- Lack of protection for intellectual property rights

The following sub-section will go more deeply into each barrier.

COMMUNICATION GAP

The communication gap is a broad concept. According to Khan et al. (2010, 698 - 701), the communication gap is common across continents (especially in Europe and small and medium-sized organizations) and company sizes. It may be triggered by various conditions. Even though modern technology is quite advanced, most international business can be discussed via Skype or other media, the communication gap still exists.

The communication gap may be partly linked with cultural differences and language barriers. The communication gap can be caused by several factors according to Nakatsu and Iacovou (2009, 59), including:

- Geographical distance

- Language barriers

- Cross-national cultural differences

- Time-zone differences

The time-zone difference is an external factor that companies and managers cannot control. The time-zone difference has influence on the working hours of companies. Many outsourcing vendors have a great time-zone difference from the ones in Europe, meaning that both sides need to have off-hour work to maintain the communication quickly and frequently. The challenge is huge, since European countries consider working hours seriously and not many people like to work overtime on a regular basis. Therefore, European companies are often reluctant to hire outsourcing vendors from a country with a huge time-zone difference. (CBI Product Factsheet, 2014.)

LACK OF PROJECT MANAGEMENT

The project management risks need to be addressed greatly, as they are regarded to be among the most important criteria when SMEs select their outsourcing vendors. Companies should be aware of the risks in the contexts of both a domestic and an offshore project. If project management skills are missing (e.g. lack of project management know-how), the project will suffer as the time stretches and eventually the cost rises. According to Nakatsu and Iacovou (2009, 57), companies having offshore projects are more susceptible to such risks, as the projects will involve distinctive influencing factors.

Nahar and Kuivanen (2010, 49) argue that Vietnam will meet a huge challenge regarding the project management skills. Very few Vietnamese companies have obtained CMM level 5 (Capability Maturity Model), but they are consistently striving to gain more international certifications (ibid.).

LANGUAGE AND CULTURAL BARRIERS

It is challenging for clients and developers to communicate with each other if they do not use the same language. Miscommunication can result from differences in languages. Good communication is absolutely a must, since it is the cornerstone to understand the

right requirements while developing a software (Vogel and Connolly 2005). The idea that cultural misunderstandings pose the biggest challenge for both clients and their outsourcing vendors is also expressed in the research of Tervonen, Haapalahti and Similä (2013, 73). Therefore, outsourcing vendors should pay great attention to their employees' English language skills.

The cultural barriers do not only refer to variety in nationalities, but they also include organizational culture (Yalaho and Nahar 2010, 1). The way business operated in each country will have influence and may even cause a clash of interest between the 2 companies. It is sometimes so subtle that managers do not notice.

Nahar and Kuivanen (2010, 50) conclude that Vietnamese outsourcing vendors' drawback lies in their lack of an international business cultural background and insufficient communication skills. Vietnam, even though being influenced by French and American colonization in the past, still has distinctive cultural differences from the Western business culture. Vietnam is more familiar for clients in the same region, such as Japan. However, Vietnam has not been fully discovered by European companies, so they should increase their awareness in Finland and other European countries by marketing campaigns and trade agreements (ibid., 57).

LACK OF PROTECTION FOR INTELLECTUAL PROPERTY RIGHTS

Vietnamese offshoring vendors are especially vulnerable to a high piracy rate. According to Nahar and Kuivanen (2010, 45), Excel Brother Inc. acknowledges that Vietnam saw a piracy rate of more than 85% in 2009. Such lack of protection for intellectual property makes European countries hesitant to transfer outsourcing to Vietnam. The high rate of piracy derives from the lack of uniformity in regulating agencies. Information and Communication Technology reported that "the Vietnamese Government allowed 22 agencies to regulate different facets of ICT, thus confounding the users and impeding process". However, Vietnam is still developing its regulations in IP protection. (ibid., 45 – 49.)

3.4 Indian companies' practices and a comparison with the practices of vendors from Vietnam

India is a strong player in outsourcing software development. According to The Economist (2013), India owned 65% of "all offshored IT work and 43% of offshored business-process work." Though China, Brazil and Russia are also offering IT service, "no other offshoring destinations have come close to India, with its huge supply of IT and engineering graduates and its English-language skills (ibid.). In Finland, Indian outsourcing companies also attract outsourcing work from big Finnish companies such as Nokia and UPM (Yle Uutiset 2013). Therefore, it is beneficial for outsourcing vendors from Vietnam to take a look at a comparison of the competencies between themselves and Indian companies. As a result, vendors from Vietnam may learn from their competitors, especially in the market of Finland.

Based on the list of criteria for vendor selection, the following factors will be used for benchmarking: cost, trust and relationship building with customers, and level of English proficiency. The factor of time zone and geographical location, plus cultural affinity should not be included in the factors compared, as both countries are located in relatively the same region, giving no cutting-edge advantages to vendors of both countries. Other external factors such as political, social and stability, and intellectual protection right do not fall into the scope of this Bachelor thesis. The vast complexity on the national level makes them not suitable to be considered.

PRODUCTION COST

As Javalgi et al. (2013) put it, "India remains a highly cost-competitive location". At the unit level, outsourcing vendors in India mainly are mainly using two pricing models: TnM (Time and Material) – "a monthly charge is negotiated and charged by the vendor" and FTFP (Fixed Time Fixed Price) - "fixed fee and tentative time for project delivery is set before the project begin (Jain and Khurana 2015, 612 – 616 and Khan and Roy, 2014).

Compared to India and other outsourcing destinations in the same region, Vietnam falls behind in regards of the cost competitive index (see table 2).

Table 2 Cost competitive index of top 10 outsourcing countries (SourcingLine 2012, cited in Javalgi et al. 2013)

Overall rank	Country	Cost competitive index
1	**India**	**8,3**
2	Indonesia	8,6
4	Singapore	6,4
5	China	7,4
7	Philippines	9,0
8	Thailand	8,2
10	Malaysia	7,9
17	**Vietnam**	**7,4**

In the same region, Vietnam (7,4) only surpassed Singapore (6,4), while other top outsourcing destinations see relatively high scores in the cost competitive index. However, if we consider the salary of workers alone, Vietnam still remains to be highly competitive. Nahar and Kuivanen (2010, 50) stated that in the future, even China that is famous for their cheap labor is going to choose Vietnam as an outsourcing destination.

TRUST AND RELATIONSHIP BUILDING WITH CUSTOMERS

In the research conducted by Babar et al. (2007), Indian and Vietnamese practitioners share very similar ideas and opinions about relationship building. They both list investment in "technology, staff training and process improvement" as a critical factor for convincing clients of their outsourcing capabilities. The role of cultural understanding saw a great difference in the view of Indian and Vietnamese practitioners. Vietnamese practitioners value the importance of cultural understanding in gaining initial trust from clients, while Indian practitioners did not seem to pay attention to this aspect. (ibid., 1446).

In maintaining trust, Vietnamese practitioners, again, stressed on the aspect of "cultural understanding" whereas Indian counterparts did not think highly of it. Briefly speaking, Indian practitioners seem to "consider related to business process more important"; and Vietnamese practitioners "not only realize the importance of business process related factors but also recognize the vital role of cultural understanding and personal relationship". (ibid., 1447.)

In another research by the same research group (Nguyen, Babar and Verner 2006), a clear distinction between Vietnamese and Indian counterparts in their opinions about maintaining trust is made and summarized in the following table (see table 3):

(Table is shown on the next page.)

Table 3 Comparison of factors considered important to establish trust by Indian and Vietnamese practitioners (Nguyen, Babar and Verner 2006)

Initial trust factors	Indian	Vietnamese
References	✓	
Experience	✓	
Reputation	✓	
Client visits	✓	✓
People background	✓	
Investment	✓	✓
Cultural understanding		✓
Creditability		✓
Capabilities		✓
Pilot project		✓

Regarding the factors for maintaining trust, see table 4 which demonstrates the differences between Indian and Vietnamese companies. Practitioners from the two countries share common opinions about maintaining trust through processes and communication. As for other than those two factor, the opinions of practitioners seem

not to match. For more clarification and explanation for the term used, please refer to Nguyen, Babar and Verner (2006).

Table 4 Comparison of factors considered important to maintain trust by Indian and Vietnamese practitioners (ibid.)

Maintaining trust factors	Indian	Vietnamese
Transparency	✓	
Demonstrability	✓	
Honesty	✓	
Processes	✓	✓
Commitment	✓	
Communication	✓	✓
Cooperation	✓	
Consistency	✓	
Understanding	✓	
Confidentiality	✓	
Performance	✓	✓
Cultural understanding		✓

(Table continues on the next page.)

(Table continues from the previous page.)

Maintaining trust factors	Indian	Vietnamese
Capabilities		✓
Contract conformance		✓
Quality		✓
Timely delivery		✓
Managing expectation		✓
Personal relationship		✓

It is impossible to tell which set of factors is more superior in the context of European markets without a link to clients' preferences. Indian companies have a big pool of international customers, who majorly come from the US and European countries, while Vietnamese companies mainly receive outsourcing work from Japan and other neighboring countries. Such difference in the culture and profiles of customers may lead to variances in practices. The aim of mentioning how Indian and Vietnamese companies differ in establishing and maintaining trust is to see the variation between the practices in each country. As a result, Vietnamese companies can decide to which factor they should adapt when they enter the Finnish market.

LEVEL OF ENGLISH PROFICIENCY

Javalgi et al. (2013) cites Kearney (2011) that among its population, a large number of graduates with English speaking capabilities has brought great advantage to India as an outsourcing destination. A lot of clients tend to seek for services from India. The reason behind is that clients want to communicate more easily with their service providers, so as that the project's instruction can be understood well.

On the other hand, "language skills in Vietnam pale when compared to the rich pool of native speakers in outsourcing hotspots of India" (Gallaugher and Stoller, 2004). This information dated back to 12 years ago. At the moment, the level of English language skills in Vietnam has raised to "moderate", compared to other countries in the world. According to the EF English proficiency index (2015), Vietnam ranks at 29 out of 70 countries (moderate proficiency), while India ranked 20 out of 70 countries (high proficiency). With a fast growing speed and emphasis on education investment, Vietnamese companies will be able to employ a huge source of labor possessing strong English language skills. At such speed, they can catch up with other outsourcing vendors from top outsourcing destinations.

4 Results

This chapter will present the empirical part of the research. The section is divided into two main themes. First, it will discuss about criteria that Finnish companies use to select their outsourcing vendors. The element of trust will be mentioned, because surprisingly it is a code that most frequently appears. Next, the theme of the perceived risks will be scrutinized (see figure 4).
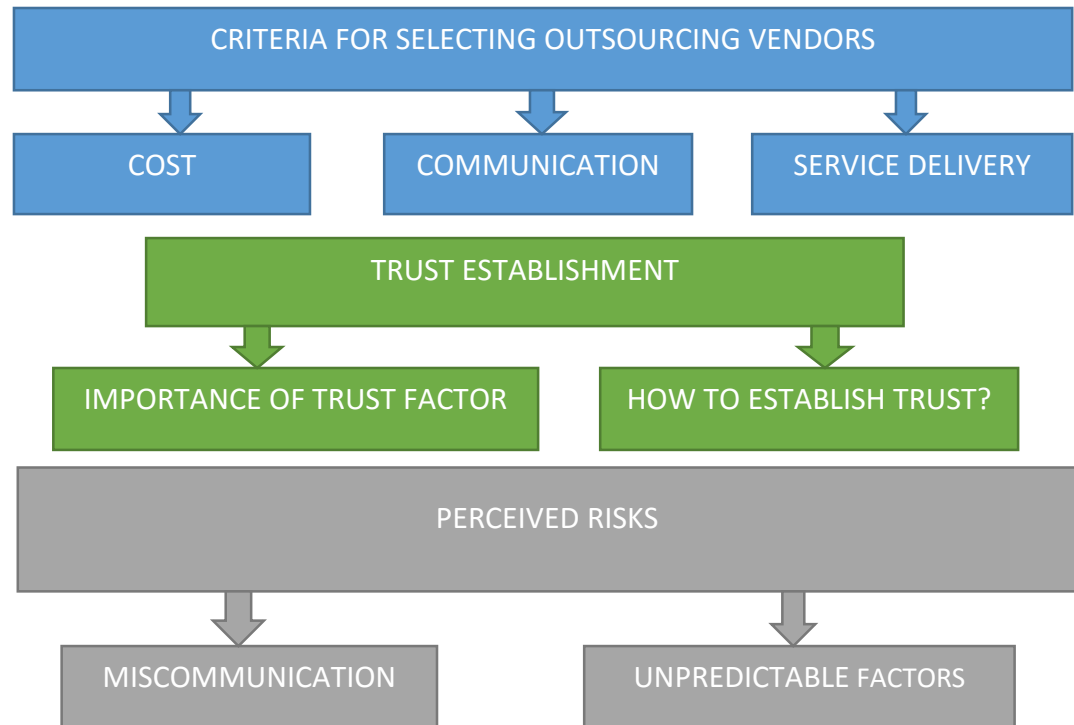
(Figure is shown on the next page.)

Figure 3 Key themes of data analysis

4.1 Criteria for selecting outsourcing vendors

In the theme of criteria for selecting outsourcing vendors, the researcher was able to gather four subsequent themes: (a) cost, (b) communication capabilities, (c) service delivery, and (d) trust. Table 5 contains the open codes, categories and themes that were explored during the analysis process.

Table 5 Themes of the selection criteria based on the open coding in the selection process of outsourcing vendors

Sub-themes of criteria	Categories	Open codes from transcripts
Cost	Low cost	Low labor cost
		Variable cost structure
		Low cost is actually not the most important factor.
	Actual cost	Supervising and coordinating cost raise up the actual cost.
		Poor communication raise up the actual cost.
Communication capabilities	English language skills	Good English language skills is important.
	Communicating requirements	Clear and precise requirements
Service delivery	Technology	Specialization
	Manner of service delivery	Timely delivery
		Active questions

(Table continues on the next page.)

(Table continues from the next page.)

Sub-themes of criteria	Categories	Open codes from transcripts
Trust	Importance of trust	Trust is the most important factor to select vendors.
	How to build trust?	Personal relationship
		Honesty
		Referees / Experience from other companies
		Show-case of available skills

COST

The majority of participants of the interview mentioned cost in their list of criteria. Some managers and experts reported that they transferred outsourcing to some developing countries since these countries have cheaper labor costs. Hence, the company is able to lower the development cost.

> *In my case, the companies often choose to outsource to Ukraine, Belarus, India and Vietnam. These countries have certain competencies that Finnish companies can leverage. For example, Ukraine has the price level of labor quite low, so they can lower the price for delivery.*

The flexible cost structure also seems to make the idea of outsourcing to developing countries attractive to Finnish companies. One expert said that only variable costs are involved in general. Companies do not have to pay for premises built in the location of

partner countries. Therefore, they can decide to terminate the project without worrying about covering for losses from fixed cost.

> *The reason that Finnish companies choose outsourcing services from these countries is that they don't have fixed cost. Only variable cost instead. So, for example, when a project is done after two months, it is completely done.*

However, it is surprising to find out that the majority of managers and experts interviewed stated clearly that they did not find cost reduction as the most attractive reason to outsource to a developing country. They mentioned the existence of actual costs, or hidden costs that lessened the attractiveness of outsourcing to a country with cheap labor. The hidden cost, according to managers and experts, comes from managing and coordinating costs. If the project was not managed well, they believed that the actual cost would rise up, erasing the effect of a low price level.

> *Low cost is not the most important, because the actual cost of coordinating and managing the projects still stay in Finland. If the project manager has to spend too much time with quality issues or the project is delivered late, the cost will definitely come back.*

Thus, the cost was not the primary criterion – said interviewed managers and experts.

COMMUNICATION CAPABILITY

The second criterion that frequently appears in the interview transcripts is the communication capability.

Managers reported that they often sought for companies whose employees had good communication skills in English. Some said that the skill was absolutely crucial to maintain an international business project. The reason they gave was that the ability to communicate well in English would help their requirements to be well understood.

> *Yes, I can confirm that good skills in English language are vital in international business communications. We only hire people with good English skills.*

The actual cost will go up if people can't communicate in English.

It seems that communication capabilities have a huge impact on whether a project is successful or not in managers' and experts' opinions. Based on the coding of the interview transcripts, the English skills are also partly related to the second category of clear and precise communication. Managers expected that the vendors had the ability to communicate their ideas precisely. They reported that they did not expect to have vendors who were unable to deliver the project well due to due to the communication gap (e.g. time-zone-related). Some interviewed experts said that companies often used services provided by vendors located in the same time zone with Finland.

And they [Ukrainian outsourcing vendors] have the same time zone as in Finland, and that's very important for communication.

In general, managers and experts stressed the importance of the communication capabilities to a great extent. None of them left out this factor.

SERVICE DELIVERY

In general, this aspect relates closely to the communication capabilities. Managers and experts often linked the service manner with how well communication skills were, as they claimed that they always wanted to have clear messages from their partners.

In addition, managers expected vendors to be active in asking questions. In other words, they expected that vendors and the representatives could take a lot of initiatives, instead of being passive in taking orders.

I used to work with Indian companies, but I don't like the way they work. With Indian companies, you have to be really precise in giving requirements. But Vietnamese companies are not like that. They always think on their own, and often ask: "Are you sure this is what you need?" And they think very actively.

Managers also used the terms "reliability" and "predictability" to describe what they expected from a suitable outsourcing vendor. The terms are closely related to the

expected manner of a service delivery. One manager stressed that the company especially relied on the delivery capability.

Another code that falls in the same category of service categories is technology specialization. However, no manager or expert went further into this aspect, as each company had distinctive requirements of technology. Furthermore, some also expressed their concern about the confidentiality of their projects. Therefore, they did not openly share about what technology specialization they needed. Only one experts reported that HTML5 and open source tools are in demand at the moment, but the credibility of this piece of information seems to be rather weak without any further support.

THE FACTOR OF TRUST

Trust was the most important factor, according to the codes from the interview transcripts. All managers and experts mentioned this code either explicitly or implicitly in their interviews. Some reported that they chose their outsourcing vendors based entirely on "plain confidence", which also related to the category of trust in the researcher's personal opinion. Some experts even placed the importance of trust over the importance of other criteria regarding their vendor selection process.

> *Generally, software business is matter of trust like generally business is in Finland... It [trust] is "philosopher's Stone" of Finnish ICT business.*

The next category of the codes is "how to form trust" within business in Finland. The majority of managers and experts shared similar ideas, even though their choices of words might vary.

The first open code emerged from the analysis is "personal relationship". The personal relationship appeared to be built in a short time. Some managers reported that they met the representatives of their outsourcing vendors in a casual event. Some others reported that the two parties met each other in a facilitated meeting, such as a match-making event. No matter which one is the context for the meeting, the development of "personal relationship" involved a lot of discussion.

I met during one dinner an Indian. He had an idea and we met for further discussions later.

A long time ago, I think 7 years ago, I attended an event organized by Finnpartnership. The idea was to matchmaking and to develop partnership. Some of them contacted me, and I had 4 companies' profiles. In the end, I chose a company which I have worked with before. Actually, I used to have a project with this guy. Later when he had his own company, I contacted him.

In many cases the trust can gain via person to person meetings.

Only a few of the interview managers mentioned that they found their outsourcing vendors via a service. Even if they met the representatives of the outsourcing vendors in such situation, a face-to-face discussion still took place. Apart from these minorities, the rest often based their decisions of which vendors to select entirely on previous personal contacts.

The second open code appearing in the transcripts is "honesty". Though appearing less frequently, the code seemed to be a subtle and underlying theme under "personal relationship". The managers assessed the degree of honesty partly based on their impression, besides critical reasoning. The assessment also happened simultaneously during the phases of discussion/talking, which did not necessarily take place in recent time of the selection process.

I have to talk with other negotiators and I need to feel that I get along with the contact person… Because I knew this guy, and I feel that he is really honest, so I contacted him and used his service.

Thirdly, a good referee was an extremely critical factor in building trust in both managers' and experts' opinions. They reported that they often gained contacts from another person whom they had known well enough. The intermediary man must have certain degree of credibility and expertise in the field of IT/software development. Big companies' names such as Nokia were also mentioned as excellent references. One

expert suggested that if vendors wanted to enter the Finnish market, they needed to learn from the marketing strategies of Indian companies.

> *You need kind of inside man who is trusted in some ICT companies. They [companies from Indian software industry] get big help from Nokia and make business into area.*

Managers reported that they would not simply trust the referee immediately. They said that they would also check with other companies who had done projects with the vendors before to understand deeply the kind of previous experiences. Considering the experiences from previous companies, they formed their expectations for these referred vendors.

Last but not least, managers expected that vendors were able to show what specific skills they had. By stating the word "specific", managers meant that vendors could demonstrate what technology they were capable of and what kind of limitations existed in their abilities. These skills should not be demonstrated alone on websites. The managers in general did not trust solely in what was written on websites. They insisted on checking personally with other companies who had done business with the vendors. One manager suggested that it would be good if they had time and resources to test with small projects at the beginning.

4.2   Perceived risks of Finnish companies

The majority of managers and experts did not specify further on their perceived risks about outsourcing to a developing country (i.e. Vietnam). Based on the open codes, two categories of perceived were gathered, namely as:

- The risk of miscommunication

- The risk of poor quality of end-results

Table 6 summarized the theme, categories as well as the open codes from the transcripts that are collected during analysis process. Codes that relate to the same categories are refined and grouped into a bigger classification.

Table 6 Themes of the perceived risks based on the open coding in the process of selecting outsourcing vendors

Theme	Categories	Open codes from transcripts
Perceived risks	Miscommunication	Miscommunication increased the actual cost from supervising.
	Pool quality of end-results	Risk of unpredictability and other unknown factors

The following section will explain further about the findings from the codes.

RISK OF MISCOMMUNICATION

Most of the managers and experts explained that the risk of miscommunication related closely to their expectation that the outsourcing vendors had excellent communication skills in English. They put great emphasis on the fact that miscommunication could bring up the costs for managing and supervising, as well as other hidden costs. The manager who said that their company did not use outsourcing services from developing countries pointed out their concern about miscommunication.

> *We would not outsource to any developing country for communication reason. Would be cheaper but it would cost a fortune to supervise.*

> *If communication is not going smoothly, and then it will harm the project in the end.*

Other managers and experts also shared the same idea about the connection between miscommunication and costs of management. The risk of miscommunication seemed to be an enormous concern for them. In extreme cases, some managers told that they would retreat from offshore outsourcing decisions if the risk of miscommunication was too immense.

RISK OF POOR QUALITY OF END-RESULTS

Besides the risk of miscommunication, managers were concerned about the risk of pool end-result. This potential poor end-result might come from unpredictability and other unknown factors. The unknown factors included unknown contacts, unfamiliar business operation and management of outsourcing vendors and unidentified level of technology competence.

> *You don't know the companies at all. They are far away and there are so many different choices. I don't know who is going to be my contact person. That's why I don't know if the project will work.*

In the managers' and experts' opinions, the risk could be alleviated by screening the profile of the vendor and their references. The risk of poor end-result, again, related to the factor of trust and credibility.

5 Conclusion

The findings of this research showed that communication skills, especially English language skill and trust building are the main factors influencing managers' decisions when they select an outsourcing vendors. These criteria are closely related to each other, because they have influence on one another. Regarding the factor of low cost, its effect is diminished by other factors. Cost is believed to be only a trivial factor as Finnish managers preferred to use more expensive service with trustworthy result, rather than

cheap service with an inferior result. Therefore, cost was not the primary successful factor for outsourcing vendors from developing countries.

An unexpected finding emerging from the analysis is that the effect of cost reduction is diminished by other factors. Therefore, vendors from Vietnam do not really stand out with their low cost advantage. Companies have to be concerned expressly with the risk of miscommunication.

Managers recognized that there were certain potential risks, including the risk of miscommunication and the risk of poor end-result from unpredictable elements. Therefore, they regarded communication capabilities and a sense of trust as the two most important factors. In particular, the importance of personal relationship was accentuated repeatedly, as managers and experts explained that it would help to clear out part of their concerns about unpredictable elements. The findings from literature review also support well these results.

In order to enter the software development market in Finland, Vietnamese vendors are suggested to build a strong list of references to their previous work. It is exceptionally important to cultivate trust through personal relationships, as the Finnish software business relies a lot on such a human-related factor.

6 Discussion

In this section, the author will present her reflections, limitations, reliability and validity of the results and suggestions for further research. The discussion will focus mainly on interpreting the implications behind the codes after the raw data was processed. The author sought for similarities and differences between findings from the literature review and the empirical results in order to support her arguments. The limitations, reliability and validity will point out weak points existing during the data collection and data analysis process. Finally, the author will give suggestions for further researches on a similar phenomenon.

6.1   Discussion

The research aimed to (a) produce an overview of factors that influence Finnish clients'
decision when selecting vendors, and (b) give suggestions for Vietnamese companies of
how to develop their profiles to meet with the above criteria in point (a). The research
questions were:

- (a) What are the strongest factors that influence Finnish ICT companies' decisions
  when selecting their partners?

- (b) What barriers of market entry for VNM companies and other developing
  countries exist, considering the factors mentioned in point (a)? How to overcome
  these barriers?

In order to find out the answers to the first research question, the research compared
the findings from the literature review and from the interview regarding the selection
process for outsourcing vendors (see table 7). In general, the findings obtained across
the literature review and the interviews appear to be relatively similar. The most
significant difference found between the two is the factor of low cost and trust.

(Table is shown on the next page.)

Table 7 Distribution of selection criteria across literature reviews and interviews

Study strategies	Critical selection criteria
Literature reviews	Cost structure
	Skilled labor with good English skills
	Appropriate infrastructure
	Project management skills
	Contract management
	Methodologies and technologies
	Manner of delivery and quality services
Interviews	Communication skills
	English language skills
	Ability to demonstrate available skills
	Ability to build personal relationship

The findings from the literature review of Khan, Niazi and Ahmad (2011), Aubert and Rivard (2007) and Gopal et al. (2002) indicate that cost is an importance benchmarking element and a significantly successful criterion for outsourcing vendors from developing countries (Khan, Niazi & Ahmad 2011 and Halvey and Melby 2000). The factor is equally common across all the three continents, including Europe, America and Asia in the research of Khan et al. (2011, 690). However, the findings from the interviews with the Finnish managers and experts indicated that cost is not a substantial factor for SMEs in

Finland to decide on their outsourcing vendors. Given that the premise of this research is that cost is a common and factor in the selection process, it was unexpected to find out that cost was not among the most critical success factors. Therefore, outsourcing vendors from Vietnam may not have a clear advantage over other outsourcing destinations in regards of low cost. The effect of low cost is diminished by other factors in this case.

Even though the factor of trust was mentioned briefly in the literature review, it has not been given enough attention in the majority of previous researches (Nguyen, Babar and Verner 2006). Until the time this research was conducted, there had not been many academic sources emphasizing the importance of trust in the Finnish business context. It was surprising to the researcher to find out that Finnish business culture involves a lot of personal relationship. This finding is very different from the information in the existing literature review. One possible explanation is that most of the results gathered from the literature review came from researches that were conducted in other business context. For example, American business culture has certain differences from Finnish business culture. Therefore, the less frequently mentioned factor in other researches turned out to be a key factor in the Finnish business context.

Based on research findings, the strongest factors affecting companies' decisions when selecting vendors are communication skills and the ability to build trust. While the latter came out unexpectedly as a research finding, the former stays congruent with the results from the previous researches (Nahar, Käkölä and Huda 2002). Good communication fosters the project development, while miscommunication will force a project to suffer from rising hidden costs. Finnish managers are reluctant to choose outsourcing vendors from a distant location due to the unpredictable risks caused by miscommunication. As a result, Vietnamese companies need to focus strongly on improving this competitive edge.

On the other hand, the managers and experts participating in the interviews did not mention other national factors such as "Intellectual Property Right", "government policies", "political, social and economic situations" and "appropriate infrastructure". It

seem that these external factors are far from a major concern for them. The majority of managers and experts did not have a profound lack of understanding about the Vietnamese market; some even had a very positive attitude about Vietnam as an outsourcing destination. Therefore, Vietnamese outsourcing vendors may not need to worry a lot about these external factor. In particular, the factor of appropriate infrastructure was not a critical factor, since most Vietnamese companies' own set-ups that can meet their clients' expectations.

Regarding the perceived risks that Finnish managers identify when considering outsourcing to Vietnam, the results were compared with the factors of barriers gathered from literature reviews (see table 8)

Table 8 Distribution of the barriers/perceived risks across literature reviews and interviews

Study strategies	Barriers / perceived risks
Literature reviews	Communication gap
	Lack of project management
	Language and cultural barriers
	Lack of protection for intellectual property rights
Interviews	Risk of miscommunication and rising management cost
	Risk of poor end-result caused by unpredictable factors

In regards of barriers / perceived risks for a developing country (i.e. Vietnam) to enter a new market, the results from the literature reviews match with the results from the interviews. The researcher could not find any significant discrepancy between results from the two study strategies. The communication gap and the lack of management appear to be comparable with the risk of miscommunication and rising management cost. The category of poor end-result caused by unpredictable factors also cover language and cultural barriers. The only slight difference was the lack of intellectual protection right – Finnish managers and experts did not mention this factor during the interviews. However, it is still worthwhile for Vietnamese outsourcing vendors to pay attention to this aspect.

As a result, considering the selection criteria and the perceived risks concerning the Finnish managers and experts, Vietnamese outsourcing vendors are encouraged to perform the following steps when entering the outsourcing market in Finland:

- Prepare a good labor source with high skills and especially English language skills

- Build a portfolio with a clear specialization of technological capabilities

- Take small steps with a lot of marketing and gain references from some Finnish companies through small projects

- Grow networking and personal contacts with companies in Finland

- Develop good practices of service delivery: deliver service in time, be honest with the concrete skills, be active to take initiatives and be clear and precise in their requests.

6.2 Limitations, reliability and validity

To what degree are the qualitative data gathered in this thesis research valid?

The snowball sampling method was well suited for this research, as the sample were hard to reach. However, the method was quite challenging as it took so much time to

get contact with managers and experts. In general, the managers were reluctant to take further contacts.

The researcher's own interpretation has a great influence on the outcome of the research which is of the qualitative type. The researcher partly coded the transcripts after studying the literature. Therefore, it is likely that some interpretations were biased and distorted.

The research samples in this thesis include (a) managers of SMEs that have had experience with offshore outsourcing software development projects and (b) experts who are experienced with consulting for SMEs within the same business of outsourcing software development. Even though the number of the research participants was not large, they share a great amount of knowledge. Therefore, the researcher reached the saturation point quite soon.

However, there is another challenge regarding the saturation point. It is difficult to determine the exact point when the saturation point takes place, as even previous researchers had conflicts with this concept (O' Reilly, M. and Parker, N. 2012). Therefore, the decision of the researcher on the saturation point may also be biased. Hence, the sample size may remain insufficient.

6.3   Suggestions for further research

The results can be useful not only for Vietnamese outsourcing vendors, but for any outsourcing vendors who want to sign an outsourcing contract of software development with Finnish SMEs. However, due to the limited resources, the research dealt mainly with the business-related selection criteria. Other human-related factors, especially trust, were not considered thoroughly and systematically in this research.

Trust is a vital component in building a relationship in any software outsourcing development project. Besides business-related factors, Finnish SMEs seem to strongly emphasize the relationship-related aspect. However, it seems that there have been few researches conducted on this matter, especially trust building in the Finnish business

context of SMEs. Other students or researchers are strongly encouraged to further study the findings of this research on the topic of trust in the software business in Finland.

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APPENDICES

Appendix 1. Discussion guide for themed interview

- Which outsourcing destinations is your company's choice?

- What do you look for when considering outsourcing vendors in that country?

- Why those criteria are important to your company?

- What are the associated risks when outsourcing to a developing country, especially considering Vietnamese service providers?

- (What do you think of the factor of trust when selecting outsourcing vendors?)

- (How to build trust among companies in Finland?)