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**Outsourced Vs. in-house workforce in technical inspection  
business in Finland**

Case: Moody International Finland Oy



Master's thesis

Degree programme in Business Management and Entrepreneurship

Visamäki 11.1.2013

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VISAMÄKI

Degree programme in Business Management and Entrepreneurship

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**Year** 2013

**Title of Master's thesis** Outsourced Vs. in-house workforce in technical inspection business in Finland, case: Moody International Finland Oy

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ABSTRACT

In these days many companies are all the time balancing with different workforce and resource questions. One of the key questions is usually the amount of employees and possible outsourced workforce. The aim of this graduation thesis work was to research different possibilities to use employed inspectors as a part of company's workforce and to analyze different factors from the both economical and practical perspectives compared to subcontracted workforce. Moody International Finland Oy is a part of the Intertek group. Moody International Finland Oy performs technical vendor equipment inspections mainly to international clients. Moody International Finland Oy has been using the subcontracted inspectors since it was founded 1998.

The theoretical part was mainly formed from Human Resource issues, entrepreneurship, subcontracting and consulting business related issues but also profitability and job satisfaction elements have been taken into account. The research methods were surveys which were sent to the current subcontracted inspectors and also to some potential new inspector candidates. The aim of these surveys was to investigate inspectors' opinions and different economical and practical issues related to possible hiring. Furthermore a SWOT analysis and pure profitability calculations were used when comparing the results.

The results did show that there is no need to start using employed inspectors at the moment. The biggest reasons for this were both from inspectors and company's perspectives the special nature and irregularity of the technical vendor equipment inspection business in Finland. As a conclusion it would be good that Moody International Finland Oy will however follow up the situation all the time. The nature of the technical vendor equipment business can however change in the future and therefore the company must try to find the profitable balance.

**Keywords** Inspection, technical vendor equipment inspection, outsourcing.

**Pages** 48 p. + appendices 5 p.

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## 1 INTRODUCTION

### 1.1 Background

Technical inspections are a part of quality control process which is used in many different industries around the world. Different clients are using technical inspection services for their different projects worldwide. Quality is the key word in many businesses nowadays. In many projects the sentence, “time is money”, really means this. A good quality of products or services usually saves money in the long term when products and different parts will be on the right place on time and the amount of broken or poor quality products is very minimal. In many industries companies have different projects. Projects can vary from the short and cheap projects to the giant, long and very expensive industrial complexes where durations can be many years. In these long-term projects quality issues are even more emphasized because the poor quality of products or poor quality in a service, as in the installation process, can cause expensive problems afterwards.

The certain quality control processes should be performed already in the manufacturing stage. In these days many projects are international, competition is tight and therefore many vendors and sub-vendors are located abroad. Thus it is more difficult for a client to control the products what they are ordering. Many companies have their own technical people and experts but many times in these cases it is usual that companies want to subcontract the quality control to some local company as e.g. to some local inspection agent who can perform the quality control and inspection locally at the vendor premises already during the manufacturing stage.

### 1.2 Technical inspection business in Finland

Technical inspection business in Finland is growing. More and more vendors are offering different kinds of testing services for their products. The tightening competition has also set new demanding “requirements” to vendors and therefore clients appreciate different kinds of extra and supporting services which vendors can offer. One kind or supportive extra service is testing and inspection services. Usually this means that the vendor organizes different kinds of tests in their own test field and a local inspection company will attend these tests and perform inspection. The nature of the vendor equipment inspection services in Finland is very much “ad-hoc” based business which means that it is usually irregular and inspection work will be done when vendors have set up the testing date and booked their testing field. Many big vendors have their own testing field or fields where they can perform different kinds of tests depending on customers’ will and requirements. Inspections can also be performed without the real test field. This means that an inspector won’t take part in any real test but performs a separate inspection for a certain product. This kind of inspections are usually e.g. visual inspections, packing inspections, document checking or final inspections when the real test field of test lab is not

needed. Inspection work can also be very different from the one day visit to the big many year taking projects where the inspectors' presence should be resident and daily.

Expediting means a comprehensive order tracking. Expediting can already start before the real manufacturing process has started. The main idea of expediting is to give vital information of order's status, schedule, and documentation and to get information that the processes will be done on time and the required goals will be achieved. Therefore we can roughly speaking say that expediting can be even more challenging than the inspection work because it requires lots of active "digging" and information search. However many times expediting and inspection work is combined which means that the total quality control work starts with expediting and continues with inspection. Expediting visits can be done through the whole manufacturing process up to the delivery.

### 1.2.1 Inspection companies in Finland

There are various different quality and inspection agencies in Finland. The key players in this sector in Finland are Moody International Finland Oy as a part of Intertek Group, SGS, Inspecta and Bureau Veritas. There are some other smaller players in this field as well. However all companies are very different and their service range can vary a lot from each other. Some companies are concentrating on their core business only as Moody International Finland Oy is operating on the technical vendor equipment inspection sector whereas many other companies are also operating on the related areas as with the in-service inspections, shipment inspections and installation and maintenance inspections. The below figure 01 shows the employee amounts and turnover of these companies in Finland. However the noticeable point is that e.g. Moody International Finland Oy's figures show only the official employee amount and turnover related to the technical vendor equipment inspection business. Other companies' figures show the total country turnover and amount of employees per all possible inspection sectors in Finland. These figures do not take into account the possible amount of subcontractors either. Therefore the real comparison between these companies in this narrow technical equipment inspection sector is challenging and difficult.

As the figures show below that Inspecta Tarkastus Oy is the biggest one in Finland with the turnover of over 20M€. Then the other important companies as Bureau Veritas Finland and SGS Inspection Service have the near 10M euro annual turnover. Moody International Finland has the total turnover a bit below 1M €. (Yritystele 2011.)

Example of various quality and inspection companies in Finland in 2011			
		Turnover (€)	Amount of employees
Moody International Finland		739 000	1
SGS Inspection Services		7 999 000	50-99
Inspecta tarkastus Oy		21 928 000	100-249
Bureau Veritas Finland		8 846 000	50-99

Figure 01. Example of the key inspection companies in Finland in 2011 adapted from (Yritystele 2011)

## 2 OBJECTIVES AND RESEARCH QUESTIONS

The objective of this thesis work/ research is to evaluate the possibility of using employed inspectors and expeditors as workforce in the future in the technical inspection business. In this research five different research questions have been used. RQ1 is the main research question and RQ2, RQ3, RQ4 and RQ5 are the supportive research questions.

- RQ 1: What are the critical factors when evaluating the possibility to move subcontracted service to the part of company's own operations?
- RQ 2: Would it be possible to use employed inspectors as workforce and with which prerequisites?
- RQ3: In which inspection segments can they be used?
- RQ4: What kind of economical benefits could be achieved?
- RQ5: What factors should be considered when planning and implemented such a change?

This thesis topic was selected because company's primary target is to increase profitability and decrease cost of sales and it is important to understand the future trends of this business in Finland. One important perspective would also be that management and probably some customers could feel that the company can be more "reliable" and "committed" if it has more own employees and less subcontracted workforce. Additionally this is very essential part of writer's current daily work as an Operations Manager in Finland.

Even though the basic goal is to research and evaluate the current situation based on different results but the second target of this research work is also to give some understanding, tips and future perspective for this issue. The certain fact is that business world is changing very rapidly all the time and companies must follow up the trends and business style in order to ensuring the competitiveness. In this research I have tried to concentrate on different elements from company's perspectives (on country and international level) but also from an individual inspector's perspective. I have then collected results together and formed my own conclusions.

### 3 ABOUT INTERTEK AND MOODY INTERNATIONAL FINLAND OY

Intertek Group has over 33 000 employees worldwide, and company's purpose is to provide various safety and quality solutions for different industries. Intertek Group is operating in many different sectors such as: technical and inspection services; automotive; chemicals; pharmaceuticals; minerals; energy and food & agriculture etc. (About Intertek 2012.)

Moody International Finland Oy was founded in 1998 and it is nowadays a part of the worldwide Intertek Group. Moody International Finland Oy is a part of the mother company's Industry Sector -division which is mainly concentrating on inspection, expediting, auditing and certification services. Moody International Finland Oy's main areas in Finland are different vendor equipment inspections for foreign customers in Finland and in the Baltic Area. Moody International Finland Oy is also a part of a large Moody North Sea Area profit unit including Finland, Baltic Countries, UK, Sweden, Norway and Denmark. (Milestones Moodyint 2009.) Moody International Finland's turnover in 2011 was 739 000 € (Yritystele 2011).

#### 3.1 Moody International Finland Oy's business idea

Moody International Finland Oy's business idea is to offer inspection and expediting services to clients around the world in different industrial projects. The company has always (since it was founded in 1998) used only subcontracted inspectors and expeditors in Finland. The company has currently 11 local inspectors and expeditors on its subcontractor list. The company has only one employee (Operations Manager) in Finland. Ten inspectors of total 11 are direct subcontractors and one inspector is working for Moody International Finland Oy through another company. Moody International Finland Oy's key business area is vendor equipment inspections. In these vendor equipment inspections Moody International Finland Oy performs inspections as as-hoc basis at different vendors.

The company has 11 different subcontracted inspectors who are technical specialists on their own field. Company's prime business areas can be divided to two different main categories which are general inspections and electrical inspections. It is very usual that many inspection assignments are combined inspection and expediting assignments and therefore in this research these combined assignments have been categorized under the



main category (general or electrical assignments) depending on the technical equipment category. The category classification in this research is not the same as Moody International Finland Oy's official classification of all technical inspection disciplines but in this study all other technical disciplines than electrical are counted under "general".

The amount of Moody Finland's inspectors per sectors however varies and the meaning and goal of this research is to evaluate in which sectors the need would be and how radical the strategy change would be. Even though the profitability and cost-effectiveness calculations would show the need for this change from subcontracted workforce to employed workforce, it is important to have a deeper approach and careful study regarding the other important factors that the change would be possible to do and manage in the long-term.

Moody International Finland Oy performs different kinds of assignments. Usually the typical inspection visit takes from one day to three days. However assignments can vary a lot and some assignments can include only one visit and some assignments can take several visits. The amount of different assignment per year can vary but in this case the research has been done based on the information in 2011 and also all results will be evaluated according the figures of 2011. As the appendix 01 shows the amount of total hours used by all inspectors in 2011 was 7383h. The amount of general related hours used in 2011 was 3905h whereas the amount of electrical related hours were 3478h. These hours include the real working hours, travel hours and reporting hours. The usual payment of these inspectors was usually based on hours. Only in some special cases a different lump sum was agreed between Moody International Finland Oy and inspectors but because the amount of this kind of deals was very minimal I have excluded these from this study. The results of the appendix 01 will be more opened later in the results and conclusions parts.

### 3.1.1 Inspection process in practice

Moody International Finland Oy's main business is to act as an operative office and to carry out the inspection or expediting work locally in Finland. Usually the inspection or expediting assignment will be received from another Intertek group's foreign office which is called as a contract holding office because the client has given the assignment to the contract holding office. The contract holding office is usually located in the same country as the client. The contract holding office will provide the assignment then to the operating office where the "physical" inspection work will be done. Operating and contract holding offices are categorized as an agency.

From an inspector's perspective his working network is quite large. An inspector has to be in connection with many different parties which are involved in the assignment. The figure 02 below shows the connections that an inspector will be facing with his everyday work in Finland.

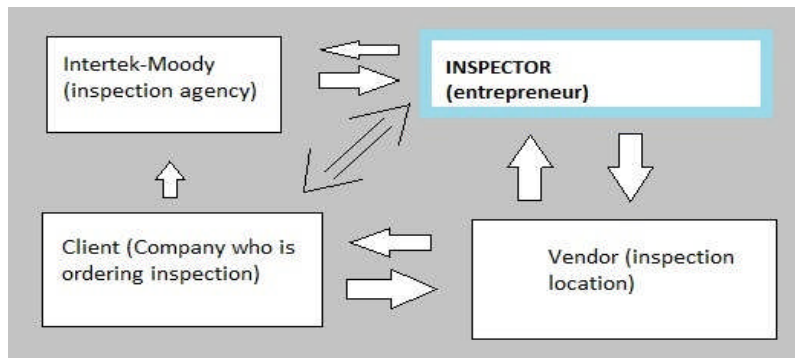


Figure 02. Inspector's network in the inspection business in Finland

As the figure 02 above show, an inspector has to communicate and to be in touch with different parties when doing inspection assignments for Moody International Finland Oy. The picture clarifies that the inspector has to be in touch with the inspection agency who has given the assignment to him. In this picture the inspection agency has been named as "Intertek-Moody" which is the official sales and marketing name of the inspection division of the Intertek group. In this picture the inspection agency refers to both contract holding office (which is located abroad) and the operating office "Moody International Finland Oy" which is located in Finland.

The inspection agency's task is to provide and find suitable resources to the client who has requested the certain inspection job. When and if the CV or CVs of the candidates and the rates and other relevant terms have been approved by a client, a contract holding office will receive an assignment from the client which will be provided to the operating office. After this the operating office will give it to the nominated inspector. All economical issues should be clarified and agreed with the inspector and the agency (in this case Moody International Finland Oy). Moody International Finland Oy is naturally paying inspectors bills. The nominated inspector must also organize and schedule all assignment visits with the vendor. He has to be in contact with the project managers or persons who are in charge of the project at the vendor's side. His task is also to prepare a report to the client based on his findings. Because all inspectors are technical specialists it is very usual that client's engineers or technical departments are evaluating the inspection reports and giving feedback or rising technical questions afterwards. Thus it is important that the inspector is a good team player and understands the position of all involved parties. Therefore the reciprocal co-operation and communication is essential.

#### 4 THEORETICAL BACKGROUND

In this case of trying to understand and to compare different aspects and factors which are core points when evaluating the possibility to use employed inspectors as workforce for Moody International Finland Oy, the theoretical background of this study is strongly related to human resources, organization model change, job satisfaction, entrepreneurship and outsourcing. Additionally certain profitability issues have been taken into account in this study.

#### 4.1 Human resources

The research problems of this thesis work are very strongly related to different human resource issues. As earlier explained that Moody International Finland Oy has no employed inspectors but the HR strategy has always been from the beginning of the company (1998) to use only subcontracted freelance inspectors.

The success of companies is strongly related talented human resources (Viitala 2007, 3). Companies' operations are run by people. It is up to these people that what kind of strategy the companies have and how fast it is implemented in the market. Human resources are an essential part of companies' businesses because if the whole personnel of a company would change at the same time, it would cause a huge loss of knowledge and experience (Viitala 2007, 8.) A bad quality or problems in personnel will reflect outside the company and this will lead to customer's disappointment. A successful company has to develop itself all the time and be innovative (Strömmer 1999, 10.) Company's personnel should have more and more power and talents to stay in the work life because learning of new things will require more and more resources from people. It is important to be effective and profitable and the nature of work is changing more and more towards project and team work (Österberg 2005, 9.) The key point of success is that a company can perform its tasks well but at the same time trying to serve clients in a profitable way (Kauhanen 1997, 11-12).

According to Strömmer (1999, 12) Personnel Management can be divided into three different sub-categories. These categories are leadership, human resource management and industrial relations. Leadership is an essential part of supervisor work and the things will be done by using people. Very often leaders and supervisors are encouraging personnel face to face but also as a group and team level by creating and leading bigger teams. Human Resource Management includes those resources which are needed when adjusting the amount of personnel and when taking care of personnel's motivation and wellbeing whereas Industrial Relations contain the relationship and legal issues between an employee and an employer. (Strömmer 1999, 14.)

Companies usually also have a personnel/HR strategy. In this strategy the amount and quality requirements are clarified. The personnel or Human Resource Strategy will tell about goals and targets and it contains information of possible development and changes in these working positions. It should also be updated continuously. (Vaahtio 2005, 20.)

##### 4.1.1 Profitable and successful personnel and HR management

Even though the world is changing and nature of work is more and more international and changeable, the basic meaning of management and HR management is the same; to get results. The basic meaning is the same in a private sector and in a public sector. Leadership skills of managers and leaders are important because their actions usually affect the results of the organization. Bad bosses have a negative impact to the employees and the

working atmosphere. (Sistonen 2007, 15-17.) In general Human Resource Management is very demanding process in a company. "It is about to find a balance between stability and flexibility and also between a short-term profitability and a long-term profitability". (Viitala 2007, 9.)

Leading and managing Human Resources can also be defined as "team-work". In a big team many people have their own roles and tasks but sometimes a common target and goal has not been clarified well by the management level. It is important and a valuable skill of a good management to get many good and skilled individuals to work effectively as a team. A good manager is enthusiastic and gets a group of people to "win" also as a team and not only as individuals. But a good manager/ supervisor can be a successful only if the organization has enough talents, ability, support and skills. Therefore a good co-operation between employees and managers/ supervisors is essential. Thus the results can be successful only when the roles of managers and employees are clear. (Sistonen 2008, 18-19.)

### 4.1.2 Recruitment

I wanted to concentrate also on the recruitment issues in this research mainly from the employment contract perspective; what kind of issues the contract should really include and also from the real responsibility perspective; who will organize the recruitment process in our company if our company would decide to use employed inspectors even at some level in the future. Then we also should have a clearer picture of the facts; who will decide and what because the recruitment process would be a totally new function for our small company and we have not dealt with these employee recruitment issues at this level before.

A new employee has new energy and potential and he/she usually brings the searched skills, knowledge and talents. He/ she most probably has a huge motivation and just waiting for to use because the whole recruiting process with possible moving etc. have been a big process. This new person can also bring additional value as clients or needed network. This person could see the old functions from his/her new eyes and can bring valuable new ideas and alternative new possible solutions. This will rich the working community and changes the company culture too. (Vaahtio 2005, 11-12.)

Recruitment is also the most essential thing to produce competences in companies and organizations. Recruitment can roughly be divided to external and internal recruitment. (Nordhaug 1994, 30.) Internal recruitment is faster and more reliable and it will support the corporate culture which is putting efforts to development and learning. Internal recruitment is also supporting employees to have a positive career path in the same company and this will reduce skilled employees' movements to other companies. (Viitala 2007, 106.) In external recruitment, company's reputation matters more than in internal recruitment because the amount of good applicants is adjusted by the fact of how attractive the company is (Nordhaug 1994, 30). In the early stage it is usual that many companies have only one "em-

ployee” who is the entrepreneur. Many times family members can help in the beginning but after a while the entrepreneur must evaluate if he/she has to take new employees. (Vaahtio 2005, 29.)

According to Viitala (2007, 101) the selection criteria of the recruitment process also depends on the size of the company. These selection criteria can roughly speaking be divided into three sub-categories:

- Criteria on the organization level
- Criteria on the unit/ department level
- Criteria on the work position level

Criteria on the organization level evaluate the strategic goals, corporate culture and climate and these will set some requirements for applicants. Criteria on the unit/ department level will define the requirements on department level and what kind of working contribution the unit will expect and criteria on the work position level will tell eg:

- Contents of work position
- What kinds of skills are needed?
- What kind of company is the employer (culture and strategy)?
- What kinds of characters are needed from an applicant?
- What kind of salary and others benefits can be paid?
- Will the position be permanent or temporary?
- Is it possible to find a person inside the company to this position?

(Viitala 2007, 101.)

It is very common that in small and medium size companies the recruitment process relies on director’s hands and in bigger companies the recruitment process is done on the higher management level. It is also likely that Finland will be facing a huge shortage of manpower in the future when bigger age groups will retire. The estimated figures are between one hundred thousand to many hundred thousand and the solution for this scenario in different discussions has been a foreign workforce. The certain changes and views in work market are naturally reflecting to recruitment process and strategy of organizations but it is not a bad thing. Young professionals get more opportunities and challenges and it is expected that more educated young generation can achieve even more. Foreign workforce gives new value to workplaces and enriches culture. The future of recruitment is still clear and skilled workforce will not end from the organizations who have realized this change. (Vaahtio 2005, 119-224.)

### 4.1.3 Leading technical professional experts

In this study I am concentrating on individual freelance inspectors which are highly skilled and who has years of experience from different sectors of industry. Therefore these inspectors are categorized as professional experts of their own field.

Technical professionals are an important part of the work community because they bring a lot of experience and talents to the board. Blessingwhite.com had performed researches during the past decades and the noticeable results were that it was very common that the managers and leaders of these professionals had to have very special skills which were more technical orientated than people orientated. (Blessingwhite.com 2012.)

According to Lukkari (2011) the organization which has highly skilled experts has also some special features. The challenge is to measure the performance between individuals because experts are different which is off course good and brings diversity. Lukkari (2011) has also defined the certain basic instructions for a good leadership of professionals. First guide was "Control the substance" which means that the leader does not have to know all the details but he/she has to have the overall picture of the situation. The second guide was "Be interested in people". This means that it is important to get to know the employees better also outside the work. The third guide was "Be reliable and consistent". This means that the leader has to act how he has promised. The fourth guide was "Put yourself into the game!" The leader has to trust his team and live with it. It is important to show that he/she is really in the game. This means possible celebrations when good things happen and also to be and support the team when it is facing challenges. The fifth guide was that "Give your own opinions!" because in many professional teams different individuals can have very strong own opinions. So the good leader will discuss and lead the conversations to the directions that all will commit to the same targets.

### 4.2 Entrepreneurship

In this research it is essential to bring up some facts about entrepreneurship in general because all Moody International Finland Oy's current inspectors are subcontracted which mean that they are entrepreneurs and running their own business in Finland except one inspector who is working for Moody International Finland Oy through another inspector's company.

Entrepreneurship is a positive meaning to the society. It has been researched that entrepreneurship will improve employment rate, increase adaptability in industry and will create new and nice working opportunities. (Huuskonen 1992, 9.) In past entrepreneurship was seen only as a privilege of some people whereas in these days entrepreneurship is a normal job or occupation among other occupations (Jokela, Anneberg 1995, 10). E.g. in America over 850 000 new companies are opened every year (Zimmerer, Scarborough & Wilson 2008, 2). In Finland we had 318 951 companies in 2010 and 33 196 new firms were opened in the same year (Statistics Finland 2011). According to Zimmerer, Scarborough & Wilson (2008, 5) an entrepreneur is a person who opens a new business and takes the risk by trying to achieve profit and growth by realizing remarkable opportunities and trying to capitalize them with applicable resources.

Who is an entrepreneur? E.g. “The Oxford dictionary defines an entrepreneur as a person who attempts to profit by risk and imitative”. The second key feature of an entrepreneur is to live with and adapt to changes. (Burns 2007, 9.) A profitable entrepreneurship is a difficult term. It is common that a business which is good to someone is probably less profitable to someone else because different entrepreneurs have different views, what is profitable and what is not. (Vesalainen, Försti, Nieminen, Soini & Viitala 1996, 7.)

#### 4.2.1 Motivation and premises of entrepreneurship

“Nascent firms” are a term for the companies which are becoming as companies but are not yet registered companies. Some of these firms are successful and will be companies whereas the rest will fail because of some reason(s). “Nascent entrepreneur” is a term for the person who is actively generating a new company. Arenius, Autia and Kovalainen have researched that these kinds of people are 7% of the whole nation in Finland and according to Reynolds and White the figure is 4-6% in America. Many people are dreaming about an own business but only some of the potential “entrepreneurs” can create a new business. Reasons for these elements which are affecting to the situation whether the company comes into existence or not are variable but plausibility, resources and a problem of adolescence are the most central (Halttunen, Toivola, Tuomi, Varamäki (2006, 93-95).

This paradox or problem is easier to understand by evaluating it based on the plausibility problem perspective. An entrepreneur needs resources and usually he/she has to find resources but these takes money and many times an entrepreneur has to get outside support from investors. However many investors can invest better if they feel that the nascent firm will manage and is plausible through the early stage. Unfortunately many nascent firms are facing the problem of adolescence because this kind of company has no experience and successful action behind and this leads again to the plausibility problem from investors’ perspective. (Halttunen, Toivola, Tuomi, Varamäki 2006, 94-95.)

A profitable entrepreneurship needs certain elements from an entrepreneur. These four most certain key elements are workmanship, vision, ability to organize and plan and ability to implement. (Vesalainen, Försti, Nieminen, Soini, Viitala 1996, 7-8).

Workmanship is the most essential part of a profitable business. It is important that the whole business is very “down-to-earth and an entrepreneur has the knowledge of what he is doing. A vision is the second key element and it is important to see the possible opportunities. A good entrepreneur is interested in different issues which are close to his/her business and is continuously searching for a new information and increasing his/her knowledge. Ability to organize and plan is supporting a profitable business. A big part of this is collection of information and a good entrepreneur will not make important decisions based on his/her mind but more based on the collected information and facts. Also a part of this is an abil-

ity to analyze and build a good set from different parts but an entrepreneur has to implement his/her plans or there won't be results. This ability includes many different skills as a skill to organize, negotiation skills, financial arrangement and leadership. In short this means an ability to run the whole business. (Vesalainen, Försti, Nieminen, Soini, Viitala 1996, 8-11.)

#### 4.2.2 Entrepreneurship in Finland

Politics and media in Finland are emphasizing that we do not have enough entrepreneurs and entrepreneurship in Finland but both are needed and more. The biggest problem are the fear of risks and challenges what an entrepreneur typically faces in the beginning even though many of them admire some nice stories of different successful entrepreneurs who have managed and succeeded well. (Niemelä 2012, 37.) According to Niemelä (2012, 37) only a very small percentage of high-educated young people want to try entrepreneurship because of these risks and challenges and this will raise a question whether the students are encouraged towards entrepreneurship enough during their studies.

In Finland we have a certain freedom of trade and the business can be carried on in Finland by a person who lives in the European Economic Area (resident), by an organization or foundation (Finnish) or by an organization or foundation (foreign) that has a legal branch in Finland or a registered office in a country which is a part of the European Economic Area. (Holopainen 2006, 11.) The roots of the entrepreneurship in Finland dates back to the end of the 18<sup>th</sup> century when the development of agricultural and forest and wood industries started. New machines and techniques required capital which was got from forests. About a 100 year ago agriculture was the most important working area and in 1886 over 85% of people worked in a primary production whereas eg. in the late of 1990s the figure was only a bit over 8% anymore. (Jokela, Anneberg 1995, 13-24.) The figure 03 below shows the percentages of source of livelihood groups in different industries between 1960s and 1993 in Finland.

Source of livelihood group	1960	1970	1981	1993
<b>Agriculture and forestry</b>	36,7	24,3	13	8,5
<b>Industry</b>	21	24,9	27	20,8
<b>Building production</b>	9,3	9,8	7,9	6,1
<b>Service sector</b>	33	41,8	52,1	64,6

Figure 3: Source of livelihood groups in different industries (% of the working population) adapted from (Jokela, Anneberg 1995)

It is seen above that the change which was caused by industrialism has changed peoples' roles in society during the past decades and even though the industrialism started already in the late 1800s, the real industrialism process can be seen very strongly during 1970s and 1980s. (Jokela, Anneberg 1995, 25.)



#### 4.2.3 Global and international aspects of entrepreneurship

In this chapter I have pointed out the theoretical information regarding global and international aspects of entrepreneurship because the independent subcontractors who are currently working for Moody International Finland Oy are facing the international atmosphere in their everyday inspection work. Usually the client is somewhere abroad and the whole working language is English. The perspective towards the assignments of these individual subcontracted inspectors is already much larger because they have to understand different working cultures and how to deal and co-operate with different parties involved. These inspectors have also already taken the global “step” in their business which means that they are not working only with the domestic projects with domestic clients and thus this has opened much more global opportunities to them. The whole business understanding must be more global and internationally orientated.

In these days it is very common that entrepreneurs are facing international competition in markets. The cultural, political and economical changes are forcing all size of companies to develop new and competitive business models and change their way to operate. There is a continuous expanding trend for goods and services and a powerful technology links all size of business partners. Today’s global markets are the game area of big international companies and also of smaller individual entrepreneurs (Zimmerer, Scarborough, Wilson 2008, 560). However it is noticeable that ruling the whole world is impossible and especially small firms have to specialize to smaller segments as before when they start internationalism process. The specialization process can be started by the selection of narrow but territorially large segment, by specialization and concentration on this segment only, by achieving a remarkable position in this segment or by continuous development in maintaining the achieved position. (Jokela, Anneberg 1995, 205-206.)

“Operating a successful business increasingly requires entrepreneurs to see their companies as global citizens rather than as companies based in a particular geographic region” (Zimmerer, Scarborough, Wilson 2008, 562). Many companies have different reasons to go global. Some companies have been thinking about this a long time but for some companies this can be the last possibility to continue business (Kananen 2010, 11). Going global is a big challenge for a small company and takes huge efforts but entrepreneurs who take risks can e.g. increase profit and sales and increase quality level. It is also possible to extend “products” life cycle and become more client-orientated. (Zimmerer, Scarborough, Wilson 2008, 562-563.)

According to Kananen (2010, 11) “companies can start their international business by exporting its goods to foreign countries or importing raw materials, components or products from abroad”. The figure 4 below shows the dilemma of company’s growing.

	Current Market	New Market
New Products	Product development (3)	Product development for foreign countries (4)
Current products	Sales enhancing (1)	Internationalization (2)

Figure 4. The dilemma of growing adapted from (Kananen 2010)

A Finnish based company will be facing things like religion, language, habits, taboos climate and consumption habits when going global. Culture is very essential in many countries and language skills only are not enough. It is important to have local knowledge and general knowledge how to make business abroad. (Jokela, Anneberg 1995, 222-223.)

#### 4.2.4 Risks of entrepreneurship

In this chapter I have concentrated on different business risks because it is the most essential part of entrepreneurs’ risks related to this research and research questions.

“A risk means threat or danger”. There are three elements; uncertainty, expectations and scope & stability which are affecting to the fact how we see risks.( Juvonen, Korhonen, Ojala, Salonen, Vuori 2005, 7.) Companies are different and their risk-bearing capacity is different. Usually in firms the risks are evaluated by the top management, risk managers and different outside consultants (Juvonen, Korhonen, Ojala, Salonen, Vuori 2005, 9-12.) A part of entrepreneurship is to take risks. Roughly speaking entrepreneurship contains business risks and hazard risks. (Jokela, Anneberg 1995, 236.)

Business risks are related to the chance of economical loss whereas hazard risks are focusing on products, employees and other commodities (Jokela, Anneberg 1995, 236). Business risks are also related to company’s own internal processes or to its business nature. All processes of different levels have an impact to the whole business. Business risks can be evaluated as a part of the management phenomenon or from the risk’s perspective. (Juvonen, Korhonen, Ojala, Salonen, Vuori 2005, 145.)

One of the typical business risks of a company are different financial risks. An operative company must get financing that it can operate. The effective control of financial risks has an enormous impact on company’s ability to make profit. (Juvonen, Korhonen, Ojala, Salonen, Vuori 2005, 145-147.) The figure 5 below shows the typical risks related to company’s cash flow.

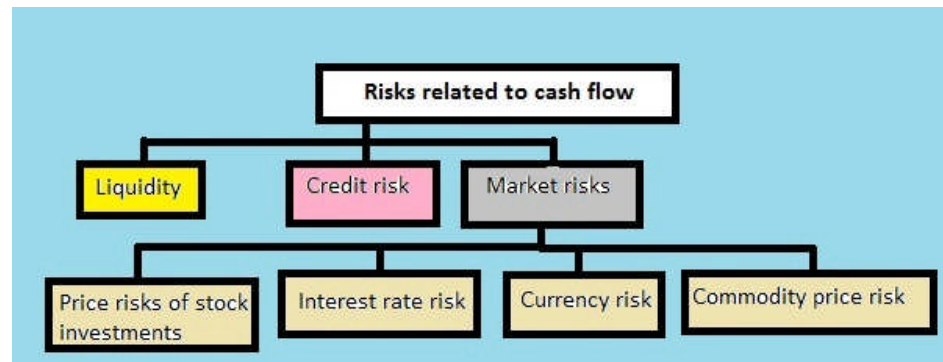


Figure 5 Risks related to company's cash flow adapted from (Juvonen, Korhonen, Ojala, Salonen, Vuori 2005)

The essential part of this research is also to analyze risks especially from a small individual entrepreneur's perspective. These entrepreneurs are usually independent subcontractors who are doing inspections for Moody International Finland Oy as freelance base. In this inspection business we usually have different "stakeholders" which are creating a network circle around inspectors. These are the inspection agency (in this case Moody International Finland Oy), different vendors and different clients in various inspection assignments.

Networking is one of the key elements of a successful business in these days. Network has been created by organizations which are trusting to each other. A target of an effective network is to improve cost-effectiveness, more flexible business and strengthening workload between these organizations. Usually this kind of network is a result of long time learning process between companies and organizations. In is also very typical that a certain kind of hierarchy is relatively high and dynamic and normally client is more powerful than a vendor but in an optimal situation the relations are moving towards more equal with the help of different common projects and cooperation bodies. These organizations which are doing business together in organizations have to understand the development path. What is the current status of the organization and how do the different parties see the future? Companies should find answers together to these questions. (Kuusela, Ollikainen 2005, 218-221.)

The risk field of network varies a lot depending on network's size and complexity. The more multilevel the organization will change, the more difficult the mutual relations will become (Kuusela, Ollikainen 2005, 221.) Kuusela & Ollikainen (2005, 222) have researched that the risks of network can be divided into four main classes:

"Asset specificity related hold up risks (Business relation requires specialized investments which are not necessarily needed outside the network and thus organizations will become dependent of each other."

"Spill over/appropriability risks (Needed and updated information should be received and communicated on time to all parties of the organizations. Information run-off to wrong parties should be avoided and lack of information flow will increase costs of organizations inside the network."

“Market related inefficiency risk (A risk to select a wrong cooperation party)”

“Time horizon risk (Cooperation parties inside the network can have different plans and expectations regarding pay-pack times of different investments.”

#### 4.2.5 Involuntary entrepreneurship

Involuntary entrepreneurship means situations when a person has to be an entrepreneur even though he wouldn't like to do this. According to the research which was performed between 2000 -2006, about 10% of small entrepreneurs felt that they can be categorized as involuntary entrepreneurs. The biggest reasons for these were a negative employment situation in the own living area or in the field they were working. (Verohallinto 2007.)

Goozner (2011) states that even though Barack Obama's administration has said that entrepreneurship has been defined as one way away from the economical recession ,the latest figures has shown that the increase of entrepreneurship rate in USA has happened because of the necessity and not because of individuals great new business ideas. This was also seen very well in America when the amount of part-time self employed persons did rise from 33% to 41% between 2007 and 2009. This was because of the economical recession in 2008.

#### 4.3 Consulting and subcontracting business

As part of this research & thesis work it is vital to concentrate on the consulting business itself because the core business of an outsourced inspector is to provide consulting and expert services.

A company has to name the processes which are possible to outsource and in which areas the outsourced resources are possible to use (Lipsanen, Laakso 2009, 162). “At least 70% of the market price of industrial goods form based on services.” (Lehtinen, Niinimäki (2005, 8). The real consulting boom in Finland started in the beginning of 1990's. The biggest reason was that Finland faced the economical recession and many talented employees lost their job and thus many people had to find new possibilities to get their livelihood. Thus many of those who had resources and knowledge of some specific area, founded their own consulting companies because it was relatively cheap and easy to open. The idea behind the consulting business is not difficult. Usually in many areas the temporary need for the certain consulting & expert services is arising and some company needs a temporary knowledge and skills for some specific task or project. (Rope 2006, 10-21.)

Consulting services are usually incorporeal services as advises and ideas but can also be very long processes which will give very essential final results. (Lehtinen, Niinimäki 2005, 11.) According to Rope (2006, 21-22), the consulting business has the specific own features as temporary base in

use which means that consulting services are used on a certain project or case, specific knowledge which means that consultants usually have a specific knowledge or skills of some areas. One of the specific features is the need from customer's side. This means that it is possible that a company has this knowledge but the certain situation needs outside perspective. Lastly in many temporary situations it is cheaper to use outside consulting services compared to own resources which is called as profitability view.

Over demand has been quite strong in some consulting areas and many consultants have had lots of customers. In these sectors the marketing of the consulting services has been weak and not even required. In general the marketing of consulting and expert services has been quite humble and modest and this is mainly due to the fact that it has not been able to do in a correct way (Lehtinen, Niinimäki 2005, 13). Rope (2006, 28) has stated that consulting business has progressed towards its current "form" during the past decades and many things have affected to its scope and contents. The figure 6 below clarifies the different elements/factors which have affected to the current form of the consulting services.

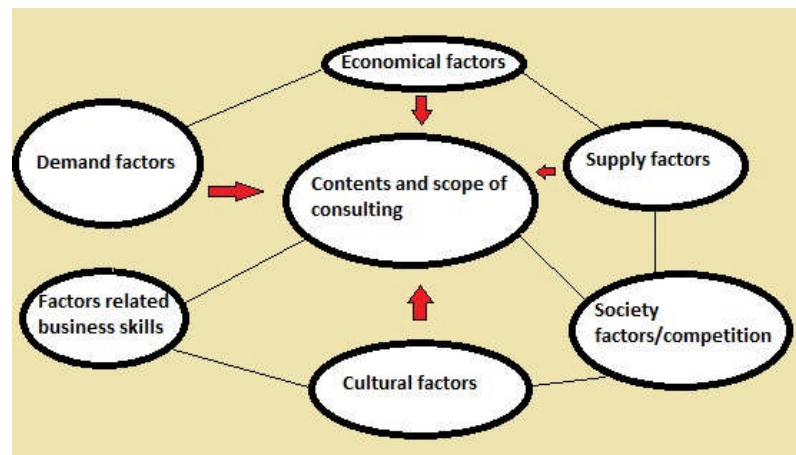


Figure 6. Factors related to the development of the contents and scope of consulting adapted from (Rope 2006)

### 4.3.1 Future of consulting business

Consulting business has achieved its place in our society and the need of consulting services will be bigger in the future. New consulting companies will be opened and old will "die" all the time because business is very human-related and very prone to turbulences. Different consulting trainings and educations are also increasing and it is expected that through these trainings we will get even more powerful and more professional consulting profession in the future because in these days the word "consultant" has been a little bit flyaway and it has been used very generally among the persons who have provided some advisory services. Especially IT-sector has brought its own meaning to consulting world and therefore the whole consulting business can be seen differently and from the larger perspective as it however really is. (Rope 2006, 197-200.)

### 4.3.2 Subcontracting and outsourcing business

Subcontractors in our technical inspection business are freelance contractors who are providing consulting services to Moody International Finland Oy and from the perspective of this study consultants and subcontractors mean the same.

The character of subcontractor business is flyaway. In a literature the term “subcontractors are used when it is referred to a vendor network. The relationships can be deep partnerships or a flimsy market relationships or something between (Vesalainen 2010, 49.) “In a business life it is however very usual that a big part of supportive tasks of e.g. the production work has been done by the company itself because sometimes outsiders have been seen as a threat for the effective organizing process and therefore the reliance have been wanted to keep as minimal as possible” (Pajarinen 2001, 1). E.g. many global companies have a category manager in charge of the purchasing functions of each product groups because their purchasing functions (Vesalainen 2010, 50). Pajarinen (2001, 5) has also researched that the important part of outsourcing and the comparison of competition is to take into account the relative production costs but also the outsourcing related costs as negotiation, surveillance/control and coordination costs.

Subcontractors can be used almost anywhere in business. Subcontractors can e.g. be electricians or plumbers or any other workers in different installation tasks but they can also be used in production area or for some paperwork tasks depending on the business. The advantage is that that when these professionals also doing certain sub portions of work, the real employees can concentrate e.g. on core tasks of the business. It is also possible that subcontractors can be cheaper in a long term compared to own employees because the specialists on their own field can be more efficient and thus their contribution for the work can be more viable because they do the same work all the time and are experts on their own field. (Ideal Consulting Services Inc n.d.)

### 4.4 Organization and its strategy change

In this chapter I am focusing on the theory regarding the possible strategy change inside the organization. When thinking about this study and the research questions, the possible organizational change or organization’s strategy change would happen if Moody International Finland Oy would start using employed inspectors and not only subcontracted inspectors. From the organizational perspective Moody International Finland Oy is the smallest office in Intertek group. Intertek group has several offices around the world and many offices have both employed and subcontracted inspectors. All countries are however totally different and the nature of inspection business vary. Some countries are operating on the different projects where is very typical to use daily resident inspectors. Typically these projects are long-time projects at some big sites and therefore using employed inspectors in these cases are very profitable and better because the turnover and costs are easier to predict. Some countries as Finland are

however operating with daily ad-hoc visits where the predictability and regularity are more difficult to estimate and therefore Intertek group has given quite free hands to each country to develop their own strategy. So the local operations and strategies of different countries inside the Intertek group can be different.

When an organization has to improve its results, it means that both employees' results and product or service quality must be better at the same time (Sydänmaanlakka 2001, 14). Gratton has defined that employees are the most important resources of companies even though very rare people in different companies are feeling like this and organizations themselves are not doing anything but they create the success with the help of their employees. (Talja 2006.) A learning organization describes a new kind of working culture. It is an organization where employees are continuously developing their abilities in order to get the things what they want and the organization has an ability to create, get and transfer information and change its behavior based on new information and new beliefs. (Hätönen 1998, 14-15.)

Productivity and profitability form from quality and efficiency but when companies are trying to achieve efficiency, the value of employees' well-being is often very minimal. Many times companies are concentrating too much on efficiency which means that "how many equipments can we produce with one Euro" and too less on productivity "how should we process and market the equipment that it would generate as much Euros as possible". (Tiensuu, Partanen, Aaltonen 2004, 21-23.) According to Sydänmaanlakka (2001, 15-21) a continuing change means new and big requirements to organizations and its learning processes and organization's key element is learning. An organization must change faster as its competitors and environments. In a fast changing environment the needed contents of learning are also changing fast.

Trompenaars and Prud'homme (2004, 171-199) have emphasized the importance of corporate culture when an organization wants to change its strategy. Company's managers must understand the current company culture and how much of this should be maintained. In many businesses the pressure is big from different sectors as e.g. from customers side, from financial side, from stakeholders side and from technological side and therefore it is vital to target the current strengths of the current culture to the correct places and ensure that they won't disappear in the changing process. The reasons for company's strategy and cultural change can vary. Sometimes the reason for strategy change can be the change of a core business or probably some technical changes in business processes whereas sometimes a global acquisition can set up some new requirements to strategy. According to Jones, Aquirre and Calderone (2004) many company executives are focusing on tactical plans and best practices when company is under the strategy change process but the core element to understand is also the human side of change management. Employees are the key factors who make the difference and who are responsible of different issues that the change requires.

When an organization wants to change its business strategy, it has to understand the gap between the wanted business performance and its current stage (Building4business.com 2012). The figure 7 below shows the core elements of this business change process from defining the problem to the effectual stage. First the company has a certain business problem which is known. Then it leads to the vision which includes strategy formulation. After this the creative stage will come where certain analysis or designs can be made. At the efficient stage the real strategic change development will start. At optimal stage the strategic change implementation process is starting. Finally in the effectual state the strategic change will come into realization.

In this research Moody International Finland Oy has the certain business problem/question related to its strategy and this research is evaluating the process if this strategic problem can be put to the effectual state. A deeper approach regarding this cycle will be given in the discussion/conclusion part.



Figure 7. The strategic change cycle from building4business.com (2012)

#### 4.5 Job satisfaction

In the previous chapters I have concentrated quite much on organizations' perspectives but the second important side of the coin is employees' or subcontractors' perspective and thus we should put emphasis for the job satisfaction in this study.

When it is simplified and generalized strongly people can roughly be categorized into three different sectors how they approach to work. These are passion, career and job. A person who is working at a passion is thinking that the job is the key element which gives him/her satisfaction and e.g. salary is not usually important for these people. People who are career orientated are searching different work development and promotion possibili-



ties whereas people who are working at a job think that salary and compensation are the most important factors and these will act a big role whether they will stay in the company or are searching new work opportunities. (MindTools n.d.)

Mr Marshall Goldsmith had established an exercise for different professionals. This exercise “measured” peoples’ job satisfaction and career choice. This exercise had three different categories: play, work and misery. The first category “play” meant that work was nice and fun and people are doing it willingly even though compensation would be paltry. The second category was work which meant and people did their work because of justified and sufficient compensation. The last category was misery which meant that work was just pure torture and unpleasant action which was tried to avoid all the time. The typical results from this exercise showed that 75% of professional were categorized themselves that they “work” and 15% were thinking to “play”. 10% of professional had answered that they feel “misery” in their work. (Zidle n.d.)

According to European Foundation for the improvement of living and working conditions (2007) Statistics Finland performed a quality of life survey where they measured job satisfaction in Finland. Statistics Finland had performed five different face-to-face interviews surveys and every time these surveys had involved from 3,000 to 6,000 employees. These years have been 1977, 1984, 1990, 1997 and 2003. The number of answers to the 2003 survey was 4104. The figure 8 below shows the results of these surveys.

**General job satisfaction in Finland 1984, 1997 and 2003 (%)**

	<b>Very satisfied</b>	<b>Quite satisfied</b>	<b>Rather dissatisfied</b>	<b>Very dissatisfied</b>
<b>2003</b>	33	60	6	1
<b>1997</b>	31	63	5	1
<b>1984</b>	29	65	5	1

Figure 8. General job satisfaction from Quality of Work Life Surveys 1984, 1997 and 2003 adapted from European Foundation for the improvement of living and working conditions (2007)

#### 4.6 Profitability and competitiveness

The main task of this study is to investigate the possibility to use employed workers instead of outsourced contractors and therefore we should concentrate on pure economical profitability facts as well because these will give the basic foundation to the deeper study in this field.

Profitability is the main target of business because if business is not profitable in the long run it will die. Thus it is important to understand how to measure profitability. One way to measure profitability is an income

statement. In short this means that all income and cost of sales and expenses are listed during a certain period. Usually this period is one year. Profitability can also be categorized as economic or accounting profit. Economic profit is based on long-term period and all opportunity costs are also deducted when calculating this. “Opportunity cost is the investment returns given up by not having your money invested elsewhere and wages given up by not working elsewhere”. Accounting profit can be defined as “net income”. It gives you a picture of the momentary viability of the business. It is possible that if your business is not profitable during one year, it is still possibly not the end of your business if next years are better but consecutive years if operating at loss could cause damage to your business. (Hofstrand 2009.)

### 4.6.1 Better profitability through subcontractors

Sometimes it is good and wise to save money and gain better profit to make the job yourself. In some cases it is however better by using subcontractors make it possible for you to have more time for other important tasks and often it will be more profitable in the long run. The good point to remember is that subcontractors are not your own employees and therefore it could cause some problems sometimes. It is possible that sometimes the subcontractor which you would like use is not available and you have to resort others, maybe not so reliable subcontractors. Sometimes the subcontractor can also interpret the existing contract in a different way as you and it can create unexpected conflicts between you and them. If there are own employees and subcontractors in same projects it is important to make it clear that who will lead the project and tasks. (Ideal Consulting Services Inc. n.d.)

### 4.7 Earlier researches related to this topic

Many companies in Finland have to think about their resource questions all the time and different levels of outsourcing is quite common in different industries. When I was looking for information related to my thesis topic and related to the different outsourcing and subcontracting topics, I realized that there were more researches done related from moving from the employee side to the outsourced side than moving from the subcontracted side to in-house workforce which was my real study perspective. However some more related researches were found but these usually had a different perspective or related to different industry. E.g. Mikkola (2009) investigated if subcontracting doctor services in the municipal sector was more profitable than using in-house doctors. As a result she noticed that in very rare municipalities subcontracted doctors gave any savings compared to the employed doctors because the competition is quite small in these doctor services markets and it can even raise outsourcing prices.

Lehkonen (2005) performed a research from the different perspective when she researched a status of 8 freelance journalists who worked for different newspapers as independent subcontracted journalists. Her meaning was to clarify their work happiness and if these freelance journalists were

economically dependent to the client. According to the law these journalists were independent subcontractors but however strongly related to the company. The results did show that many subcontracted journalists felt that their benefits and security in the case of possible maturity, sickness and holiday were quite bad. However they still liked the certain freedom of their work as subcontracted status regardless of many risks.

#### 4.8 Conclusions of the theoretical part

As the theoretical part did show that there are different theoretical elements which are strongly related to the research questions of my thesis subject. The picture 9 below clarifies how these theoretical parts are linked to my thesis topic together from the bigger perspective. The biggest box of the picture shows the importance of the correct strategy to the company. When a company has selected its strategy it has to follow that and it is the base for all actions. Two smaller similar boxes “subcontractor” and “employee” are under the strategy selection because company’s strategy can consist of only one of these possibilities or alternatively with some kind of combination of these. The “profitability & costs” boxes show that both alternatives should be evaluated from many perspectives. The big arrow behind shows that this whole study is strongly related to different Human Resource issues, always from the beginning to the end.



Figure 9. Overall picture of the theoretical part linked to the study

## 5 RESEARCH METHODS AND COST CALCULATIONS

In this chapter I am concentrating on the research methods and certain costs factors from the perspective of this study. In this research work a survey and SWOT analysis were chosen as research methods. Furthermore the traditional Key Performance Indicators (KPI figures) are not suitable and applicable in this research to measure and compare the profitability

and competitiveness between subcontracted and employed workforce because there are many too many parameters which should be taken into account. Therefore when measuring and comparing the real profitability later in the results part, the normal percentage calculations will be used based on the known and evaluated data.

Two different surveys were performed and results were gathered together. The first survey was targeted and sent by email to Moody International Finland Oy's current subcontracted inspectors. The second survey was targeted and sent for the potential future inspectors. The SWOT analysis was created and adapted based on the five research questions which were:

- RQ 1: What are the critical factors when evaluating the possibility to move subcontracted service to the part of company's own operations?
- RQ 2: Would it be possible to use employed inspectors as workforce and with which prerequisites?
- RQ3: In which inspection segments can they be used?
- RQ4: What kind of economical benefits could be achieved?
- RQ5: What factors should be considered when planning and implemented such a change?

The last method was to prepare a calculation where all hours used by all inspectors during 2011 were collected and calculated together per month and per annum. See the appendix 01

### 5.1 Survey

Survey is one the methods to collect data. It is a method where the target group gives a sample from a certain population. It is also a standardized method which means that the questions of the survey are exactly the same for all participants. The contents of the survey can be different based on the meaning. The survey can collect information e.g. of facts, beliefs, attitudes, opinions and behavior and it can also give deeper arguments and evaluations for these. (Hirsjärvi, Remes Sajavaara 2006, 182-186.)

In general surveys can be questionnaires or interviews. Interviews are performed based on information what the respondents have said and questionnaires are usually performed based on paper and pencil which the target group then complete. The nature of survey has also been changing a lot during the past ten years. Technology is making progress everywhere as e.g. in internet where it is usual that when you are on some web page, you are asked to perform a small survey or alternatively when you are travelling and you accommodate at some hotel, it is usual that there will be a customer satisfaction survey on the table waiting for you. There are also many kiosks in many public places which give people a possibility to give opinions of the service or alternative when you have needed some tech-

nical support and called to some service number, it is normal that you will later receive a text message which is asking whether you were happy for the service or not. (Trochim 2006.)

### 5.1.1 Pros and cons of the questionnaire survey method

In this chapter when I am referring to the word “survey” I am concentrating on the questionnaire survey.

Survey as a method had different pros and cons. The biggest advantages are that the gathered information can be quite large and the survey can be sent to many participants at the same time. The amount of participants can be unlimited in a theory. In these days different computer programs can also analyze the gathered data fast and effectively if the survey form has been planned well. This kind of method can also save time and exertion. But survey has also some disadvantages. The responders can misinterpret the questions because it is perhaps not known how aware they are of the survey topic. One problematic issue is also the reliability of the answers because it can be difficult to know how serious and meticulous the responders have been when giving answers. The possible misinterpretations can be hard to expound and control as well. (Hirsjärvi, Remes Sajavaara 2006, 184.)

### 5.1.2 Different forms of surveys

The first way to send surveys is normal post and network surveys. In this method the question template will be sent to participants and then the participants answer to the required questions and send it back to the sender. The real advantage of this is fastness quite easy way to get answers. The problem of this can be many “lost answers”, at least if the amount of a target group is big. According to different researches, the answer rate has usually been between 30%-40% if the participant group is large. The second way to gather information through survey is the controlled survey. In this kind of survey the participants receive survey forms personally from the researcher or alternatively the researcher can send the survey forms by post or by network but he/she will collect answers personally. This can reduce misinterpretations compared to normal post and network surveys because the participants and also discuss about the topic and raise questions to the researcher if needed. (Hirsjärvi, Remes Sajavaara 2006, 185-186.)

## 5.2 SWOT analysis

SWOT-analysis is a rather simple and very commonly used business tool to analyze company’s business issues. SWOT analysis includes four different fields which are Strengths, Weaknesses, Opportunities and Threats. SWOT can be used in all kinds of companies and it can be used when analyzing the company itself or alternatively some business line or project from the deeper perspective. The idea is to separate the current stage (Strengths and Weaknesses) from the future stage (Opportunities and

Threats). The SWOT analysis helps a company to identify that how to strengthen even more the current strengths and how to remove the possible weaknesses. It also helps to understand how the possible opportunities can be utilized and how the possible threats can be avoided. (Qualitas-forum 2009.) The figure 10 below shows the typical model of the SWOT.

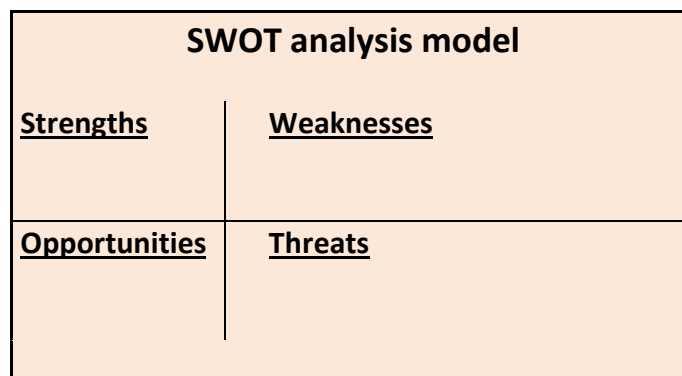


Figure 10. SWOT analysis model adapted from Qualitas-forum.fi (2009)

### 5.3 Current subcontractors costs for Moody International Finland Oy

When Moody International Finland Oy is using a subcontracted inspector it pays the certain amounts to current inspectors based on the agreed rate level for 2012. The current rates are confidential but will be shown in the appendix 02. In this chapter it is marked only as AA. Moody International Finland Oy also pays the certain rate per each kilometers driven by an own car but in this research I have not taken this factor into account because the rate per kilometer should also be paid in the situation if the inspector would be employed. So the rate per kilometer has been delimited outside of this research. Using current subcontracted inspectors, it won't cause any other costs for the company because all possible equipments and tools have been provided by inspectors' own companies.

**Subcontracted inspector's hourly rate in 2012 = C  
(the real amount shown in the appendix 02)**

### 5.4 Employer's cost when hiring an employee

When hiring an employee, employer also has to pay certain social costs of employee's gross salaries. The social costs percentages of an employer starting from 1.1.2013 are clarified in the figure 11 below.

<b>Social costs of employer in 2013 (% of salary)</b>	
<u>Employer's part</u>	
Health insurance cost	2,04 (if annual salaries up to 1 990 500€)
Unemployment payment cost	0,8 (average)
Pension cost (TyEL)	17,35 (average)
Life insurance cost (group)	0,7 (average)
Accident insurance cost	1 (average)

Figure 11. Social costs of an employer in 2013 (% of salary) adapted from Elinkeinoelämän keskusliitto (2012)

As the figure 11 states above the total social cost % of an employer will be approximately 21,89%. However this figure shows e.g. 2,04% for the Health insurance cost % and it will be the amount if company's total salaries are up to 1 990 500€. In this case it is expected even though Moody Finland would hire many employees. If the total amount of annual salaries of Moody International Finland Oy would be over 1 990 500€ per year the percentage would be bigger but it will be very unlikely and thus I have used this value stated in the figure above.

### 5.5 Holiday payment

Moody International Finland should also pay the holiday payment for the employed inspector. According to Moody International Finland Oy's accountant Raija Multala (interview 20.12.2012) holiday payment in Moody International Finland Oy will be calculated as follows:

**A = monthly gross salary**  
**25 = working days per month**  
**30 days = annual holiday amount**  
**B = amount of holiday salary**

$$(A / 25 \times 30) \times 50\% = B$$

### 5.6 Fringe benefits in Finland

Employer can also offer some fringe benefits in Finland. Typical fringe benefits are car benefit, house benefit, phone benefit and food benefit. (Veronmaksajien keskusliitto 2012.) These Fringe benefits are benefits which won't be paid as money. In order to apply these benefits the employer must pay all possible costs of these benefits. Fringe benefits are taxable benefits and they are like salary. The costs of fringe benefits are deductible in taxation. (vida.fi n.d.)

## 5.7 Total costs of an employee

Thus we can say that the total costs of an employee would be the monthly gross salary + social costs + amount of holiday salary + possible fringe benefits. Naturally it is also important to realize that the normal monthly salary would be paid also from the employee's holiday month even the employee wouldn't work during this period. Based on this we could say that on the annual level the total costs of one employee would be:

**{12 (months per year) x monthly gross salary + amount of holiday salary} x 1,2189 (social cost % added) + possible fringe benefits = COSTS OF AN EMPLOYEE PER YEAR FOR THE COMPANY**

## 6 RESULTS

When gathering the results from this research work, it will be important to understand the research questions of this study which were:

- RQ 1: What are the critical factors when evaluating the possibility to move subcontracted service to the part of company's own operations?
- RQ 2: Would it be possible to use employed inspectors as workforce and with which prerequisites?
- RQ3: In which inspection segments can they be used?
- RQ4: What kind of economical benefits could be achieved?
- RQ5: What factors should be considered when planning and implemented such a change?

The assignment information and collected data of used hours is based on the figures from 2011 because it was the last whole year when all information from January to December was usable. However even though the assignment figures were based on the year 2011, the information gathered from the surveys were based on the info in 2012. The subcontractor's pay data was also from the current year (2012) because the possible rate adjustments for 2013 have not been made yet and it is not known during this study whether there will be some positive adjustments or not. The social cost percentage information for this research was however according to the information for the year 2013. The idea behind these was that these will better support the research questions and reality because in any case the possible adjustments in rates and salaries are just going to be bigger or at least on the same level as now and additionally all possible changes in Moody International Finland Oy's strategies related to the research questions will be done in 2013 at the earliest.



## 6.1 Results from surveys

As explained already in the chapter five, two different surveys were conducted. The first survey was sent to Moody International Finland Oy's current subcontracted inspectors and the second one to Moody International Finland Oy's potential future inspectors. The replies were expected to receive by email within two weeks of the sending day. All replies were received on time. Both surveys were sent by email and they were fully confidential. Therefore only the survey templates (Appendix 3 and 4) have been attached. All answers of individual inspectors were confidential and therefore they have not been attached. I have only collected the main points of answers and will open these more in later chapters.

### 6.1.1 Survey targeted to Moody International Finland Oy's current inspectors

The survey which was targeted to Moody International Finland Oy's current inspectors was conducted during October 2012. The survey was sent to ten subcontracted inspectors who all are working through their own company to Moody International Finland Oy. The survey template included 12 different questions which were mainly related to their current workload, happiness in current work, possible compensation if they would be employed, and if could they even think about a possibility to work based on employed status. The survey was performed in Finnish but the example questions which were taken from the surveys below have been translated into English. The full list of survey questions are in the appendix 03 (kysely nykyisille tarkastajille).

The four main questions of this survey from this research perspective were:

1. Could you think about the possibility that you could work as an employee for Moody International Finland Oy in the future?
2. How much salary should you get (monthly salary) that you would work for Moody International Finland Oy as a full-time employed inspector? Please underline the most suitable category below:
  - a) 3500€ - 4000€
  - b) 4000€ - 5000€
  - c) 5000€ - 6500€
  - d) 6500€ - 8000€
  - e) 8000€
3. What would be the biggest challenge to "move" from the freelancer side to the employee side in the technical inspection business in Finland?
4. Are you happy with your current workload? Should it be more or less?

All current inspectors except one answered that they couldn't think about to work for Moody International Finland Oy as an employee in the future. The one who could consider this however answered that the base salary should be the last category, from 8000€ per month. Many inspectors also pointed out that it would be hard to move from the freelancer side to the employee side because many subcontractors had also other own businesses which were not related to Moody International Finland Oy. For many current inspectors also the current status as a freelancer is giving much more freedom compared to the employed status and losing this "advantage" could be quite challenging change. One remarkable note was that most of these inspectors had understood the unbalance in the workload and that months and weeks can be very different. Thus they were thinking that the current role as a freelance suits better to them when thinking about this from this perspective.

The surveys also did show the majority of these inspectors were happy with their current workload. Some of the inspectors however pointed out that the variance between months is quite big and sometimes they could do more. Some inspectors also reminded that the real volume is not too much but due to the nature of this ad-hoc inspection business, it is many times possible that two or three different projects should be carried out by one inspector during one day and this will be problematic.

### 6.1.2 Survey targeted to Moody International Finland Oy's future inspectors

This survey was sent to Moody International Finland Oy's possible future inspectors. This survey was conducted also during October 2012. The survey was sent to two new possible inspector candidates. The contacts were achieved through Moody International Finland Oy's database because these individuals had been in contact with the company due to some other business negotiations. Both of these candidates had an existing own company but both were however currently working for different companies as employees. The survey template included 10 different questions which were mainly related to their possibility to work as an employee, possible compensation if they would be employed, and their commitment to work as an employed inspector. The survey was also performed in Finnish but the example questions which were taken from the surveys below have been translated into English. The full list of survey questions are in the appendix 04 (kysely tulevaisuuden tarkastajille).

The three main questions of this survey were:

1. Would you prefer to work for Moody International Finland Oy as a full-time employed inspector or as a freelance inspector in the future?

2. How much salary should you get (monthly salary) that you would work for Moody International Finland Oy as a full-time employed inspector? Please underline the most suitable category below:

- f) 3500€ - 4000€
- g) 4000€ - 5000€
- h) 5000€ - 6500€
- i) 6500€ - 8000€
- j) 8000€

3. What are the biggest benefits/advantages when working as an employee compared to the freelance status?

The first candidate answered that he couldn't see the option to work for Moody International Finland Oy as an employee very likely in the future and absolutely prefers to work as a subcontractor. The second candidate was positive to both ways but also preferred to work as a subcontracted inspector. The one who could consider this however answered that the salary should also be from 8000€ per month. Both candidates understood that the real advantage to work as an employee compared to the freelance status would be a regular salary and the work volume could be more regular. Both candidates also answered that it would be very likely that they could work on some way to Moody International Finland still in three years from now. Both candidates understood the certain uncertainty and irregularity in this business because of the nature of the technical inspection business in Finland.

## 6.2 Profitability calculations

Earlier in the chapter 6 it was told how the employee's real costs will be generated. As mentioned earlier the employee's real costs per annum can be calculated by using the formula:

$$\text{[12 (months per year) x monthly gross salary + amount of holiday salary] x 1,2189 (social cost \% added) + possible fringe benefits =}$$

**COSTS OF AN EMPLOYEE PER YEAR FOR THE COMPANY**

It was also earlier mentioned in the chapter 6.1 that Moody International Finland Oy is currently paying to its inspectors:

- **Subcontracted inspector's hourly rate in 2012 = C**  
(the real amount shown in the appendix 02)

Moody international Finland Oy also has the current target standard rate D which is also mentioned in the attachment 02. The typical target margin % is approx 30-40% depending on the client rate. In many cases the standard rate will be used as a client rate but in some cases the client rate can be different. The target margin % of the standard rate is calculated as follows:

$$\text{[ (Rate to the client – Rate per inspector) / Rate to the client ] x 100\%}$$

Moody International Finland Oy's rates to the different clients are approximately on the same level but there can be some variations in the rates based on the client and possible project. When calculating subcontracted inspectors costs, the target margin is easy to calculate because the real subcontractors' hourly rate is known. Measuring this target margin % in a trustable way would however be very challenging if Moody International Finland Oy would start using employed inspectors and therefore I have not concentrated on this and given more emphasis for this subject in this study.

As the appendix 01 shows the amount of general inspectors of Moody International Finland Oy is six. The amount of electrical inspectors is also six as per the appendix 01. One inspector was categorized as the combined inspector because he was capable to perform both general and electrical assignments. In the appendix 01 the hours have also been specified per inspector per month. The basic assumption in this research has been that the combined inspector has used 50% of his total time to general inspections and the rest 50% of his time to electrical inspections. The total amounts of hours can be calculated together. Thus the average amount of hours used of one general inspector during the whole year 2011 was 651h whereas the same figure for the electrical inspector was 580h. Therefore we can say that the annual average costs (regarding hours only) of one general inspector has been:

**651h x C (subcontractor's rate/h) = E (total average costs of hours of one general inspector in 2011)**

By using this same formula the annual average costs (regarding hours only) of one electrical inspector has been:

**580h x C (subcontractor's rate/h) = F (total average costs of hours of one electrical inspector in 2011)**

The real amounts of the above calculations are calculated and mentioned in the appendix 05. According to the surveys of this research only two inspectors from the total of 12 (current and future inspectors included) could even consider to think about to work as an employed inspector for Moody International Finland Oy. In these both cases these both individuals had stated that the base salary should be at least 8000€ or more per month. Thus by using the formula which has been mentioned earlier, we will get the total annual hourly costs:

**[12 (months per year) x monthly gross salary + amount of holiday salary] x 1,2189 (social cost % added) + possible fringe benefits = COSTS OF AN EMPLOYEE PER YEAR FOR THE COMPANY**

In this calculation I have given the value 0€ for the different fringe benefits because it could be difficult to estimate the certain values now. Because Moody International Finland Oy has not used fringe benefits for any inspectors before it can be difficult to estimate what fringe benefits would

be offered. However in the real life we can estimate that at least some fringe benefits could be given, so the fringe benefit values would be however positive but very likely so minimal that I do not want to emphasize that in this research. Therefore the total annual costs for Moody International Finland Oy would at least be:

$$(12 \times 8000\text{€} + 4800\text{€}) \times 1,2189 = 122\,865\text{€}.$$

This figure 122 865€ is however almost 350% bigger than the estimated average annual costs per inspector in the general side and almost 400% bigger than the average annual costs per inspector in the electrical side (see the appendix 5). Therefore in this research and based on this result there is no need to calculate possible other salary costs because the general willingness among other inspectors to work as an employed inspector was pretty negative.

### 6.3 SWOT analysis: Outsourced Vs. employed inspectors

Because the surveys gave an idea from different inspectors' thoughts and perspective, I have also wanted to show the other side of the coin and built and created this SWOT analysis from Moody International Finland's perspective based on the original research topic. The below SWOT analysis has been built based on the main topic of this research work: Outsourced Vs. in-house workforce. The basic idea of the SWOT analysis is to give information of the current business status as Strengths and Weaknesses and also give information of the future perspective as possible Opportunities and Threats. Therefore the original SWOT model and meaning has been a little bit re-generated for this study. In this study the SWOT has been built based on the confrontation idea between the current situation where we are working with the subcontracted inspectors and the possible future stage where we could work with employed inspectors. In this way, the model would show the negative and positive sides of both alternatives



Figure 12: SWOT analysis. Outsourced Vs. in-house workforce: Case Moody International Finland Oy

As the figure 12 above states there are some strengths and weaknesses at the current stage when dealing with the outsourced inspectors. The same applies with the opportunities and threats when thinking about this from the future perspective if using employed inspectors. This SWOT figure 12 has been built quite much based on the theoretical perspective and the results of the profitability calculations have not been taken into account because in a theory it is still possible that e.g. opportunities part could show lower cost of sales and better turnover if the business would grow remarkably and future inspectors salaries will be lower than 8000€ per month.

## 7 DISCUSSIONS AND CONCLUSIONS

In this discussions and conclusions part I am evaluating and comparing more deeply the results of this study by using the confrontation idea. I'm also trying to point out other possible elements and factors which are important to notice when making final conclusions of this research

### 7.1 Reliability of the research and possible margin of errors

The nature of the business itself made this research very challenging because there are many different parameters which should have be taken into account when trying to have a deeper approach to this topic. When thinking about the reliability and margin of errors of this study I can say that the information which was received from the surveys did show the updated current opinions of our present inspectors and also potential subcontracted inspectors. The attitude of the recipients of the survey was positive

and all replies were received well on time. Therefore I trust that this information was quite reliable. Naturally the salary requests of these surveys did show the salary wishes only and these won't necessarily be the last and final salaries after negotiations. Usually persons wish more than finally however will get. So there could be a certain minor margin of errors in salary parts.

The SWOT-analysis also gave us a larger theoretical understanding of the current strengths and weaknesses and also theoretical potential opportunities and threats. Thus the information of our current situation in my opinion was reliable. However the future part (opportunities and threats) did show only the possible elements. Therefore the reliability and margin of errors were bigger when estimating future because we can't say it for sure. The profitability calculations were built based on the amount of assignments and volume during 2011. Therefore the margin of error could be remarkably big in this case because the assignment amounts for 2013 could be totally different as in 2011 and all inspectors will also start from the clean table.

In my opinion the total reliability of the research was quite strong in the soft side elements as in the information received from surveys whereas the pure profitability calculations did show only the certain direction and only based on 2011 figures. Thus the reliability of profitability calculations is not so strong.

### 7.2 Answers to the research questions

The meaning of this research was to evaluate and find answers to the original research questions of this study which were:

- RQ 1: What are the critical factors when evaluating the possibility to move subcontracted service to the part of company's own operations?
- RQ 2: Would it be possible to use employed inspectors as workforce and with which prerequisites?
- RQ3: In which inspection segments can they be used?
- RQ4: What kind of economical benefits could be achieved?
- RQ5: What factors should be considered when planning and implemented such a change?

It would be obvious that this kind of overall strategy change to move from the subcontracted side to the employment side would be a big step to the tiny company as Moody International Finland Oy. When evaluating and analyzing the critical factors which affect to the possibility to move subcontracted service to the part of company's own operations, the important notes based on the theoretical part and the methods of this study were that the company has to understand its workforce and to listen that how happy

they are. In this kind of specialist business the talents and skills of our inspectors are very high, so we should also understand that we really can't set up all possible limits by ourselves as a company but with the cooperation with the skilled inspectors. In some different areas where the job requirements wouldn't be so high, it would be easier for the company to set up the limits and rules without listening its contractors and employees because it could be easier to find alternative contractors or employees if some of them would not agree and comply with the rules

Other critical factor would be the economical side and all issues related to this. I did not see relevant and significant signs and reasons to think about to start using employed inspectors because of the economical figures of the company achieved in 2011, inspectors' salary requests and the general attitude of inspectors. The third critical factor in addition to inspectors' opinions and economical side is the nature and the size of business. If the technical equipment inspection business would be easier to predict and the monthly turnover would be more in balance, the possible risks and threats could be easier to identify and control. This would of course create better starting points to budget the reasonable operative figures. Lastly the turnover and annual volume of the business are also among these critical factors. When the volume would be so big that many inspectors would have enough hours to cover their salary, this kind of issues would however place us to a different position as a company and the pressure to move to this side could possibly come also from the higher level of Intertek Group.

The research question number two is very much related to the above when clarifying the possibility to use employed inspectors as workforce and with which prerequisites. The answers for the possible prerequisites are explained above. Yes it would be possible with certain prerequisites as clarified above but unfortunately this research has shown that these terms of prerequisites do not fill at the moment.

The research question number three wanted an answer to the possible segments where the employed workforce could be used. As earlier in this study was described that I had two different research categories in this study. These categories were general side and electrical side. The used hours were specified and calculated together in the appendix 1. The average hours used by one general inspector was 651h per year and the amount was 580h per one electrical inspector per year. So in any cases the average difference between the general and electrical side at an annual stage was not very big. The highest real amount of used hours per one electrical inspector in 2011 was 1658h and the highest real amount of used hours per one general inspector in 2011 was 740h (referring to the appendix 1). As the profitability calculations did show earlier, there is no any reason to use employed inspectors in these categories, not in the general side and not in the electrical side at the moment.

The research question number 4 asked about the economical benefits which could be achieved but as stated already earlier the economical benefits are not likely at the moment if completing this change. The business should grow in a remarkable way if these benefits could be achieved. At



the moment the business views for 2013 are however not so optimistic that these economical benefits could be thought if using employed inspectors.

The last research question was seeking an answer regarding the factors which should be considered when planning and implemented such a change. As earlier it came clear that a company and Moody International Finland in this case has to understand the overall picture of the business and realize the most important factors before planning and implementing a this kind of change in practice. The idea of this research work was to pre-analyze the current stage of Moody International Finland Oy based on economical figures, future views, nature of business, inspectors' opinions. Furthermore all other practical strengths, weaknesses, opportunities and threats and possible noticeable issues before starting any planning and implementation regarding this issue should be taken into account. At this time all possible meters did support the current strategy to continue the operations and strategy as using the subcontracted inspectors only.

As I have explained before and also tried to open different factors and variables related to the research questions, we must remember that the answers gathered from current and future inspectors' surveys did show the opinions from these experts who have had tens of years experience from different industries. We should also remember that these individuals have probably 30-40 years of experience of being employed for different companies and many can also be already near the retirement age. Thus their opinions can be different as younger generation possibly would have. Younger generation can think that it would be much safer solution to work as an employee compared to entrepreneurship whereas older generation can think that they already have enough experience, skills and talents to select their working "style". These experienced specialists have probably consciously chosen the outsourced option where they can work as part time basis and it could be their first "step" towards retirement. However I have not wanted to concentrate on this age issue too much in this research because the basic idea of this research was to investigate and evaluate the possibilities to use employed workforce instead of subcontracted workforce for Moody International Finland Oy's business and mainly from the economical and practical perspectives. But naturally this kind of facts should also be considered very carefully in the case if economical calculations or trends would have shown the need for this change because the basic idea of this kind of strategy change should be still long lasting. In addition there might also be many different elements such as possible increasing health insurance costs and medical service costs for the company when hiring older generation.

### 7.3 Generalizing the results and continuation researches

This research was performed because the current strategy of Moody International Finland Oy has always been based on subcontracted workforce only and it was interesting to research the possibility to use employed workforce as a part of workforce from different perspectives. The results which were achieved through the different methods did serve this current situation of Moody International Finland Oy but due to the nature of the

business, the results could be difficult to generalize directly to other companies or industries. The nature of this business is so unique in Finland and companies are different.

Even though this research has now shown that Moody International Finland Oy has no current need and idea to move from the subcontracted inspectors to employed inspectors, it can still be possible that in the future these kinds of questions and needs will rise again. We should also notice that the surveys were performed now based on these current inspectors opinions and after some years the range of Moody International Finland Oy's inspectors can be totally different. It is also possible that the average age range can perhaps be lower as now. Thus the opinions and salary requests of new younger individuals could be different than this research did show.

Therefore I have created the figure 13 below which will give the overall picture of different elements and variables which should be considered if planning a this kind of strategy change in the future. It is important to review all elements carefully and try to find a suitable balance with them. It can be possible that the certain elements definitely would show the need for the change but one individual element could possibly block or slow down this process.

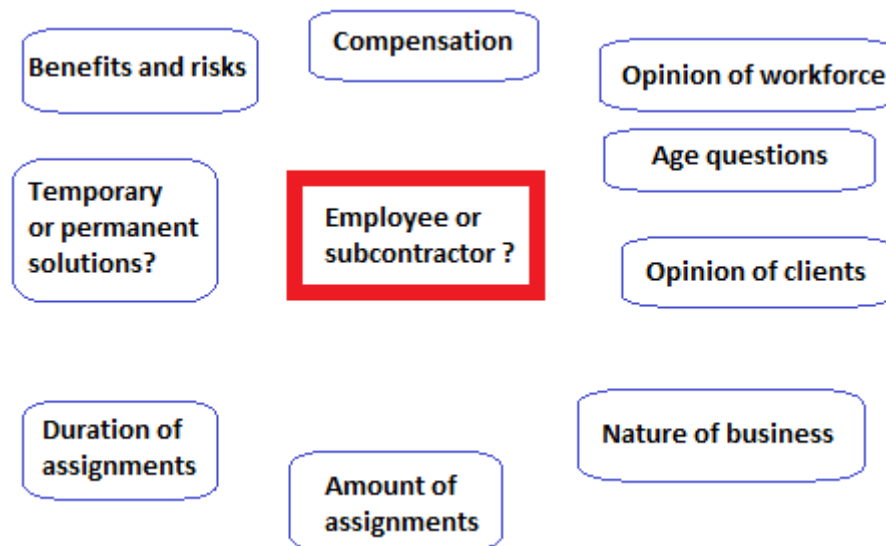


Figure 13. Different key elements to be considered when evaluating the possibly strategy change of Moody International Finland Oy

As the figure 13 above shows there are many different elements which will require deeper investigation and approach if planning to start using employed inspectors instead of subcontracted workforce in the future. From the company's perspective different economical issues are of course the most important elements because profitability is the main target of business. "If business is not profitable in the long run, it will die" (Hofstrand 2009). Therefore the key element is to review and evaluate economical benefits and risks in the both situations and compare them. Very strongly related to this issue is also the compensation of subcontractors and also possible employees which should be understood.

The employer must also understand and study the nature of this kind of vendor equipment business in Finland and to analyze what are the prerequisites of both possible cases. Will the nature of business support a certain kind of workforce and how e.g. the competitors are operating? The vendor equipment business in Finland is pretty much related to small individual assignment visits which will take approximately from one day to three days. Thus the company must also understand the practical problems and issues to assign certain inspectors to certain assignments and how to operate this circle in an effective and profitable way. The company should recognize that certain inspectors are not always free to needed assignments and some inspectors are eligible to operate only on a certain field, so the risks of “empty” working days must be known.

The above pure economical issues are very important to the company and even more when thinking about the situation from the close perspective. But the most important thing is to understand that the possible change from the strategy perspective because it should also work after the current period. The possible employment is a big issue to the company and the company should have a long-lasting viewpoint and all decisions should be made for this idea in ensuring to avoid possible termination and other related issues. Therefore also the softer issues as inspectors’ opinions, clients’ opinions and possible ageing issues should be understood and evaluated. Clients are however the important part because they will order these inspections and pay the bills whereas inspectors are the part who will physically do the job, so these key “stakeholders needs should be satisfied in the long term.

I also wanted to point out the meaning of a temporary or the permanent solutions in the figure 13. The idea of this study was to research this as an assumption of the permanent perspective where the idea was that inspector(s) would work as normal permanent employees for different daily ad-hoc assignments. This would mean the normal daily business of Moody International Finland Oy. In a theory it would of course be possible that Moody International Finland Oy would receive a big project in the future which would take time e.g. 3-4 years where the daily residency would be required. In this case the predictability would naturally be easier when the total monthly and annual workload would be known. In this case Moody International Finland Oy could naturally think about the temporary employment contracts for this certain project period. However all these possible project cases would then be different and therefore I do not go more deeply in these possible scenarios in this research.

This topic moving from the outsourced workforce to the in-house workforce as a general level is however not so typical phenomenon in companies compared to the opposite situation to move from the in-house workforce to the subcontracted side. Industries are different and the results of similar researches could be different in different sectors. Therefore the continuation researches related to this topic might be valuable. Also from Moody International Finland Oy’s perspective this topic can again be

timely if company's situation will change remarkably in the future. Therefore it will be good to follow up the situation continuously.

### 7.4 Final conclusions

When gathering the final conclusions and summary together we must remember that this research was made for Moody International Finland Oy based on inspector's opinions and feelings and the pure economical calculations. As mentioned already earlier and because of the importance, I will again emphasize that the nature of this business is so irregular and changing that the variables and factors which are affecting to the results can continuously change. Assignments are very different and the inspection locations can be almost anywhere in Finland. The assignment notice times will vary a lot. Sometimes the inspection day is known two weeks earlier but many times the notice time can be only 1-2 days. It is also possible that in some cases we do not have anyone to offer because the suitable inspectors have already been booked for some other jobs or they have some other own business.

The results of current inspectors' surveys did show very clearly that these inspectors have no great willingness to work as an employee for Moody International Finland in the future. The answer to the most important survey question which asked their possibility to work for Moody International Finland Oy as employed inspectors was pretty negative. One of them mentioned that it could be possible in some cases but the salary level should be then very good, from 8000€ +. However when calculating the annual total costs of an employed inspector when the salary would have been 8000€ per month, it would have been over 350% bigger than the average costs figures per inspector (see appendix 5).

This pure calculation is however difficult to interpret in a trustable way because the annual hourly costs of one inspector has been calculated based on the average hours used during 2011. The used hours also did vary between inspectors always from 134h to 1658h per year (see appendix 1). Because the maximum amount of hours used per one inspector was 1658h in 2011, the total annual hourly costs of this inspector based on 2011 hours would have been the amount of H € (referring to the appendix 5). The comparison calculation in the appendix 5 shows that the subcontracted hourly costs even in this highest volume case would have been only ca. 73% of the total salary costs compared to the employed status. So based on this pure calculation the subcontracted inspectors would be much cheaper to the company compared to the employed inspectors. However again it is important to notice that we have so many possible variables which can affect to the total workload of each individual inspector.

As also before mentioned, the used hours of inspectors in this study were working hours, travel hours and reporting hours. In this study I have given the same weight for all hours, regardless of the type because when Moody International Finland Oy is charging the clients, all hours have the same value. The same applies to the subcontractors' rates. All hours (work, travel and reporting) will be invoiced at the same unit amount. Thus I have

not separated these different hours per inspector but calculated all together because it will support this study better. However when comparing the hours used per inspector per year, we must remember that all inspectors do live around Finland in different places. Inspection locations are also located in different places and some inspectors can be specialized to do only a certain kinds of inspections. Therefore it is difficult to measure inspector's "regular" day in a trustable way. It can be possible that even though one average day per inspector could be 10h, but some inspector is using 4h of this for travel and some inspectors approximately only 2.

As the surveys did show almost all current inspectors were also pretty happy with their current workload because it is giving certain freedom and they have a possibility to conduct other businesses as giving some trainings and other consulting work for different companies. Some inspectors mentioned that the volume is not a problem but sometimes it is possible that two or three assignments should be performed during one day and this creates certain challenges. It is also usual that almost all these individuals who are our current inspectors have a long working history, good education and wide experience from their own special area. Therefore because of the nature of this special consulting work, the needs and different requirements can be very high and I can understand that this 8000€+ is not so unusual salary request. As clarified by Markku Salo, Manager in Global Sales and Operations Development of Metso Paper (Interview 12.9.2012), the typical salaries of demanding consulting work can vary from 5000€ to 15 000€ per month in Finland.

When having a deeper approach to the appendix 01 which shows the hours used by different inspectors in 2011, it can be seen that months are totally different and also inspectors' hourly amounts differ a lot between different months. It can also be seen that some inspectors have much more hours than other colleagues even though they are under the same category (general or electrical). Therefore in this research the only sensible way to measure the total hourly amounts per inspector per year is to calculate the average hourly amounts per year and compare this then to the requested salary amounts. This will be the only and the best way to give a some kind of estimation for the future. The margin of error can still be quite big because the assignment amounts per inspector varied a lot in 2011.

The future inspectors' surveys did show the similar kinds of results. The first candidate didn't think that very likely that he could work as an employed inspector at all. The second one mentioned that it can be possible but the starting salary should have been at least 8000€ per month. Therefore the calculation would have been similar as in the previous chapter regarding the current inspectors. However when the salary requests 8000+€ per month was mentioned but the real amount was not even asked. This same applies to the both surveys (current inspectors and future inspectors). Therefore the real amount could have been much more than this starting level from this category (8000 + €).

The overall main result and the conclusion regarding the both surveys was that in the both sectors the main point was the negative attitude regarding

the employed status and in this research I give this issue the highest priority. Even though the profitability calculations would have shown that the employed inspectors would have been more profitable to use, the main issue would still have been the commitment of the employed inspectors and the question of how long-lasting this kind of strategy would have been.

I also refer to the figure 7 (The Strategic Business Cycle) in the chapter 4.4. As this picture shows theoretically that there are different kinds of stages of the strategic problem from the business problem to the effective stage and implementation. When applying this figure to our case I can realize that this kind of strategy change to move from the subcontracted inspectors to the employed inspectors even partly would have been a remarkable change in Moody International Finland Oy's business strategy, and therefore it would be important to ensure that all possible changes would be effective, profitable and above all practically possible, not only next year but also after this in the long term. Unfortunately the results from the surveys did not support this change.

As mentioned earlier in the theoretical part and in chapter 4.4. "Many company executives are focusing on tactical plans and best practices when company is under the strategy change process but the core element to understand is also the human side of change management. Employees are the key factors who make the difference and who are responsible of different issues that the change requires." (Jones, Aquirre and Calderone 2004.) Therefore the main emphasis and weight in this research from Moody International Finland Oy's perspective is to listen carefully the opinions of our inspectors who are making the results to us.

The previous mentioned surveys did give a good picture for Moody International Finland Oy from the inspectors' perspectives. The profitability calculations also gave certain results to us that also supported the answers found from the surveys, indeed from the illustrative purposes only but in any cases the calculations did not show any supportive signs which would support the employed inspectors' possibility. However the sampling was still relatively narrow because the answers were received from the ten current inspectors and only two future inspectors. It would have been possible that in the bigger sampling the positive attitudes towards employed status would have been bigger.

The SWOT analysis (figure 11) which was mainly built from the theoretical and especially Moody International Finland Oy's perspective did show that there are current strengths and weaknesses when using subcontracted inspectors. In my opinion the strengths are however bigger as weaknesses at the moment. The biggest strengths are that the solution is currently very risk-free for our tiny entity in Finland and we pay only based on the used time. This solution works well to us because our turnover and annual volume is still relatively low e.g. compared to other key players in this business in Finland as the figure 1 in the beginning of this report did show. I also want to emphasize that as the surveys did show, the current inspectors are pretty happy for the current status to work as subcontracted inspectors and it gives our business a remarkable value. The weaknesses part of the

SWOT analysis show that when thinking about this issues from the company's perspective, we can easily first think about that how strong their commitment to us would be if they are not our employees. But when thinking this from the other side of the coin, it can be possible that the real commitment to our business can be very high just at the moment because they are happy now to work as subcontracted freelancers. In my opinion the person who is happy will be more committed in the long-term.

The other question is however the commitment from the clients' perspectives' if the clients would be aware that our inspectors are subcontracted instead of employed. It is possible that in some businesses this can be a big problem or at least an issue which will affect to the business somehow but however in our business this has been a very minimal issue and I have not faced this issue as a problem during my nine years daily work within this business. Usually clients are not even asking this issue because it won't affect to the service what they get and also the clients rates will be the same despite of the fact whether these inspectors would be employed or not.

The opportunities part of the SWOT did of course show the theoretical opportunities if using employed inspectors in the future. As mentioned also earlier this could be possible if the annual volume would be bigger and the nature of vendor equipment business would be more stabile and easier to predict. As also mentioned already earlier in this report, some offices of Intertek Group are using the both subcontracted and employed inspectors and some offices only employed inspectors. But all cases and country details are also very different and all countries should evaluate and decide their own strategy according to the given limits.

The threats part of the SWOT analysis did evaluate the possible threats if we started using employed inspectors. The biggest problem is the irregularity of the assignments. It is hard to predict the amounts of hours. Moody International Finland Oy's turnover can also change and differ a lot between months. Therefore the big risk would be that even small changes and possible recession in business could cause us big financial problems. In the worst cases this could lead to the real surviving strategy and not only a change in the strategy. Of course the threat would be bigger as how many employed inspectors would be on our list. In addition of these all financial risks, the real practical problem would also the increased admin burden, tasks and costs for our current tiny entity. Possible training of new subcontracted inspectors would also raise some practical questions.

Moody International Finland Oy's local business is currently handled by one part-time accountant and one office employee. The more real employed workers would be on our list, the more admin burden this would also cause. Thus the other important questions would be; could we cover this increased workload because of the employed inspector or inspectors anymore? Should we also increase the administrative resources because of this change? The noticeable point is that Moody International Finland Oy as a "tiny" entity has a relatively small risk tolerance. If something goes wrong or business would be financially unprofitable, our tiny entity

could not survive a long time without group's possible support. So when we're thinking about the total costs of all this possible change we really have to think about this whole situation from many different perspectives.

As an overall conclusion from this whole research, I would like to point out the importance of different human related issues. As Strömmer (1999, 14) had defined that leadership is an essential part of supervisor work and the things will be done by using people. This above sentence is so true also in this research work because the leadership relies very strongly now on Moody International Finland Oy's shoulders who should also "supervise" now this strategy to the correct line. The question is whether to stay on the current line or to make some minor or major changes in the strategy. We have to understand and listen people's opinions if we want to be successful in the long term because "things will be done by using people".

I also want to refer to the job satisfaction research which was mentioned in the chapter 4.5; how important it is that the employee or in this case we can also say that a subcontracted inspector is satisfied with his daily work. The noticeable theoretical note which also supports this research was that as it was mentioned in the chapter 4.3.2 "It is also possible that subcontractors can be cheaper in a long term compared to own employees because the specialists on their own field can be more efficient and thus their contribution for the work can be more viable because they do the same work all the time and are experts on their own field". (Ideal Consulting Services Inc n.d.) This could also be possible in the situations if Moody International Finland Oy hired an employee or employees, these employees could be used to different kinds of inspection works even though the area would have not been exactly their own field. This would have then of course happened because of economical pressure to get the investment pay back.

It is valuable to follow up critically the situation all the time. Anything can happen in the future and technical inspection world can be very different in Finland in some years. Moody International Finland Oy must also remember that Intertek group can also demand some strategy changes in the future if group's target is to find e.g. new possible synergy ways to compete in this business. It is also possible that some new mergers or acquisitions will happen and this kind of changes will again set up new challenges. However until that Moody International Finland Oy can safely continue on the road which was selected already a long time ago and continue using subcontracted inspectors only.



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**Total hours  
in 2011**

**APPENDIX 1**

Inspector	Category	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Inspector A	GE	101	30	12	89,5	37	23	0	55	77	0	145	122	691,5
Inspector B	EL	119	119	152	158	101	80	52	172	140	111	205	249	1658
Inspector C	EL	140	2	0	0	0	84	0	62	0	0	33	0	321
Inspector D	GE	14,5	8	80,5	5	42	69	20	0	39	101	55	73,5	507,5
Inspector E	GE	100	111	147,5	96	95	118	69	121,5	68	59,5	72	80	1137
Inspector F	EL	123,5	42,5	33,5	41	0	0	118	0	0	0	0	0	358
Inspector G	GE/EL	60	84	107	106	94	96	59	109	36	37	99	33	920
Inspector H	GE	83,5	105	127	77,5	53	73,5	106	0	23	36	56	0	740,5
Inspector I	GE	0	52	34,5	33,5	84,5	58	9	0	97	0	0	0	368,5
Inspector J	EL	0	43	78	133	85	67	47	44	0	14	0	36	547
Inspector K	EL	0	0	0	0	0	0	0	16	58	0	0	60	134
Total amount of h		741,5	596,5	772	740	591,5	668	480	579,5	538	358,5	665	653,5	<b>7383</b>

EL = Electrical

GE = General

All hours used in 2011

**7383h**

Electrical related hours 3018 plus 50% of inspector G's hours in 2011 (460h) = **3478 h**

General related hours 3445 plus 50% of inspector G's hours in 2011 (460h) = **3905 h**

Average hours general inspector **650,8 h**

Average hours electrical inspector **579,7 h**

Average monthly h general inspect. **54,24 h**

Average monthly h electrical inspect. **48,31 h**

## **Intertek Moody Finland**

## APPENDIX 2

Inspectors' pay rate in 2012

Hourly rate: Euro      ? (confidential)      Rate C

Standard rate for clients

Hourly rate: Euro      ? (confidential)      Rate D

Moody International Finland Oy:n bisnesnäkyvät ovat hyvät vuodelle 2013. Toimittajilla on tasaisesti tilauksia sisässä sekä vuositasolla liikutaan hyvin normalissa vauhdissa verrattuna edellisiin vuosiin. Firman tulos myös liikkuu halutulla tasolla. Pitemmän tähtäimen suunnitteluun liittyen suoritamme kuitenkin kyselyn liittyen nykyiseen työtilanteeseen ja teknisen tarkastuksen luonteeseen ja samaan aikaan evaluoimme strategiaa tulevaisuutta varten. Osana tätä strategiaa on ymmärtää tehokas resurssien käyttö tarkastustoimeksiannoissa. Seuraavat kysymykset ovat tarkoitettu Moody International Finland Oy:n nykyisille tarkastajille (alihankkijoille). Kysely on osa Petteri Mainingin ylemmän ammattikorkeakoulututkinnon opinnäytetyötä.

Kysely lähetetään luottamuksellisesti sähköpostilla jokaiselle tarkastajalle erikseen. Vastaukset kerätään ja niistä tehdään yhteenveto lopulliseen tutkimustyöhön, mutta tarkastajien ja vastaajien nimiä ei tulla julkaisemaan.

Pyytäisin, että vastaisitte alla oleviin kysymyksiin tietokoneella tälle paperille ja lähettäisitte takaisin perjantaina 19.10.2012 mennessä sähköpostilla osoitteeseen: [petteri.maininki@intertek.com](mailto:petteri.maininki@intertek.com)

Kiitos etukäteen!

t. Petteri Maininki

1. Oletko tyytyväinen nykyiseen kuukausittaiseen työmäärääsi? Pitäisikö se olla enemmän vai vähemmän?
2. Työskentelet nykyisin itsenäisenä alihankkijana. Toimiiko se hyvin?
3. Mitkä ovat suurimmat edut ja hyödyt, kun työskentelet itsenäisenä alihankkijana tarkastuksissa?
4. Oletko koskaan huomannut mitään reaktioita (positiivisia tai negatiivisia) toimittajien tai asiakkaiden taholta, jos he ovat tienneet, että teet työtä itsenäisenä alihankkijana Moody International Finland Oy:lle?
5. Voisitko ajatella mahdollisuutta, että työskentelisit tulevaisuudessa palkattuna tarkastajana Moody International Finland Oy: lle?
6. Jos vastauksesi on "ei" kysymykseen 5; miksi ja mitkä ovat syyt tähän?
7. Jos vastauksesi on "kyllä" kysymykseen 5; miksi ja mitkä ovat syyt tähän?
8. Kuinka näet tulevaisuutesi tarkastajana? Pidätkö todennäköisenä, että työskentelet jossain muodossa Moody International Finland Oy:lle vielä kolme vuoden päästä?

9. Kuinka paljon sinun pitäisi saada palkkaa, että työskentelisit tulevaisuudessa Moody International Finland Oy:lle kokopäiväisenä palkallisena tarkastajana? Alleviivaa sopivin vaihtoehto alla olevista vaihtoehdoista:
- a) 3500€ - 4000€
  - b) 4000€ - 5000€
  - c) 5000€ - 6500€
  - d) 6500€ - 8000€
  - e) 8000€ -
10. Mitä muita työsuhde-etuja pidät tärkeänä?
11. Mikä on mielestäsi suurin haaste siirtyä itsenäisestä alihankkijasta palkalliseksi kokopäiväiseksi tarkastajaksi teknisessä laitetarkastusbisneksessä Suomessa?
12. Mitä muuta haluaisit sanoa kyselyn aiheeseen liittyen?



Moody International Finland Oy:n bisnesnäkömät ovat tasaisen hyvät vuodelle 2013. Toimittajilla on tasaisesti tilauksia sisässä sekä vuositasolla liikutaan hyvin normaalissa vauhdissa verrattuna edellisiin vuosiin. Firman tulos myös liikkuu halutulla tasolla. Pidemmän tähtäimen suunnitteluun liittyen suoritamme kuitenkin kyselyn liittyen nykyiseen työtilanteeseen ja teknisen tarkastuksen luonteeseen ja samaan aikaan evaluoimme strategiaa tulevaisuutta varten. Osana tätä strategiaa on ymmärtää tehokas resurssien käyttö tarkastustoimeksiannoissa. Seuraavat kysymykset ovat tarkoitettu Moody International Finland Oy:n tulevaisuuden tarkastajille. Kysely on osa Petteri Mainingin ylempään ammattikorkeakoulututkinnon opinnäytetyötä.

Kysely lähetetään luottamuksellisesti sähköpostilla jokaiselle tarkastajalle erikseen. Vastaukset kerätään ja niistä tehdään yhteenveto tutkimustyöhön, mutta tarkastajien ja vastaajien nimiä ei tulla julkaisemaan.

Pyytäisin, että vastaisitte alla oleviin kysymyksiin tietokoneella tälle paperille ja lähettäisitte takaisin perjantaina 19.10.2012 mennessä sähköpostilla osoitteeseen: [petteri.maininki@intertek.com](mailto:petteri.maininki@intertek.com)

Kiitos etukäteen!

t. Petteri Maininki

1. Pitäisikö parempana vaihtoehtona työskennellä Moody International Finland Oy:lle kokopäiväisenä palkallisena tarkastajana vai itsenäisenä alihankkijana tulevaisuudessa?
2. Onko jompikumpi yllä olevista vaihtoehdoista; "palkallinen tarkastaja" tai "itsenäinen alihankkija" ehdoton kyllä tai ei? jos niin; miksi?
3. Olisitko valmis matkustamaan ympäri Suomea silloin kun tarvitaan ja hyväksymään tosiseikan, että monesti tarkastuskäynnit voivat ottaa aikaa ja päivät voivat olla pitkiä? Matkoja voisi tulla nopeallakin varoitusajalla (1-2 päivän varoitusajalla joskus) ja keikkojen kestot voivat vaihdella välillä 1-3 päivää normaalisti? myös jos olisit palkallinen kokopäiväinen tarkastaja?
4. Voisitko ajatella työskenteleväsi palkallisena tarkastajana tulevaisuudessa Moody International Finland Oy:lle?
5. Mitkä ovat suurimmat motiivisi työskennellä tarkastajana yleisesti?
6. Mitkä olisivat suurimmat edut ja hyödyt työskennellessäsi palkallisena tarkastajana verrattuna itsenäiseen alihankkijaan?
7. Kuinka näet oman tulevaisuutesi tarkastajana? Näetkö, että työskentelisit Moody International Finland Oy:lle vielä kolmen vuoden pasta jossakin muodossa

8. Kuinka paljon sinun pitäisi saada palkkaa (kuukausipalkka), että työskentelisit Moody International Finland Oy:lle kokopäiväisenä palkattuna tarkastajana? Alleviivaa alla olevista vaihtoehdoista sopivin:
- a) 3500€ - 4000€
  - b) 4000€ - 5000€
  - c) 5000€ - 6500€
  - d) 6500€ - 8000€
  - e) 8000€ -
9. Mitä muita työsuhde-etuja pidät tärkeänä?
10. Mitä muuta haluaisit sanoa kyselyyn liittyen?

## Profitability calculations

Subcontractor's rate in 2012 = ?/h

Formula: 651h (average amount of hours used by a general inspector in 2011) x C (subcontractor's rate/h) = E (total average hourly costs of hours of one general inspector in 2011)

= 651h x ?€/h = ??€ (figures are confidential)

Formula: 580h (average amount of hours used by an electrical inspector in 2011) x C (subcontractor's rate/h) = F (total average hourly costs of hours of one electrical inspector in 2011)

= 580h x ?€/h = ??€ (figures are confidential)

Formula: 134h (the lowest real annual amount of used hours in 2011) x C (subcontractor's rate/h) = G (total annual hourly costs of an inspector in 2011)

= 134h x ?€/h = ??€ (figures are confidential)

Formula: 1658h (the highest real annual amount of used hours in 2011) x C (subcontractor's rate/h) = H (total annual hourly costs of an inspector in 2011)

= 1658h x ?€/h = ??€ (figures are confidential)

Calculation if monthly base salary at least 8000€/month:

Total salary costs:: (12 x 8000€ + 4800€) x 1,2189 = 122 865€.

Comparison: ??€ / 122 865€ x 100% = 73% (figures are confidential)