

China's Service Outsourcing Under the Background of China (Shanghai) Free Trade Zone

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Abstract

Service outsourcing is a product of the rapid development of economic globalization and international trade. China's service outsourcing industry started relatively late, and the development history is short. The establishment of China (Shanghai) free trade area and the development of service outsourcing industry provides the chance and opportunity for China. Under the background of free trade zone in Shanghai, it is both an opportunity and challenge for China's service outsourcing; we should seize the opportunity to develop China's service outsourcing.

Keywords: free trade zone; China; Service outsourcing

Introduction

China (Shanghai) free trade zone (hereinafter referred to as the free trade zone) is that Chinese government has set up a comprehensive test of free trade zone in Shanghai. Free trade area will open wider to the outside of the service measures, negative list management mode and reform of investment enterprises for the record management; it provides the convenience for the development of the outsourcing. In recent years, service outsourcing maintains the momentum of steady and rapid development in China, and gradually to the high-end outsourcing knowledge-intensive business transformation. The establishment of a free trade zone will be rich China outsourcing in new areas, broaden the new outsourcing development path, bring new power for China's service outsourcing industry development. In short, the establishment of free trade zone will become a new Chinese outsourcing business development, and in the year of 2014 to promote a new round of outsourcing market steadily.

1. China (Shanghai) Free Trade Zone and Service Outsourcing

China (Shanghai) free trade zone is a comprehensive test of free trade zone in Shanghai the Chinese government has set up on August 22, 2013. Shanghai free trade zone by the state council formally approved on September 29. it was officially publish the foreign investment access special management measures (negative list). In 2013, the global economy is still in the midst of the depth adjustment stage, the transformation and upgrading of China's economy has entered the critical period, along with establishing a new system of the open economy ideas into practice, promote foreign trade will effectively promote the development of China's service outsourcing.

Outsourcing is a word first appeared in 1990 Gary Hamel and C.K.P Prahalad in the Harvard Business Review published a paper titled "the enterprise's core competence", refers to the way by setting up agreed to outsource the work. Service outsourcing is refers to the enterprise outsourcing its non-core business, using the best professional team to undertake the external business, making it focus on core business, by this way the enterprise can reduce costs, increase efficiency, enhance core competitive ability and strain capacity a management model to the environment. Service outsourcing usually include information technology outsourcing (ITO), business process outsourcing (BPO) services or technical knowledge process outsourcing (KPO) three categories.

2. Free Trade Zone under the Background of the Development of Service Outsourcing

Free trade zone of function orientation provides a new opportunity to the development of service outsourcing and opportunities, the development of service outsourcing industry ushered in the broad ways.

2.1 Lead the Innovative Development of Trade in Services

To actively explore new areas in the development of trade in services, new ways and new mode, encouragement of new development of international trade, further enhance the level of service industry in our country opening to the outside. As a result of trade in services and service outsourcing service are the same in nature, trade in services provide services, import and export business existence, labor export, etc. According to the function analysis of the free trade zone of the proportion of consulting, computer services and financial services will increase sharply. Service outsourcing is the middle service, and it can realize remote online delivery. So free trade zone to be a trade innovation lead area, development of service outsourcing is one of the best way.

2.2 Construction of Agglomeration of the Offshore Industry System

To develop the development of outsourcing and data services, such as strengthening the offshore financial support. Free trade zone to be a type offshore industries concentrated area, study its industrial structure, almost covers the main service outsourcing industry, including ITO (data services), BPO (consolidation, financing, leasing process design), KPO (knowledge outsourcing) three types of business. China should seize on the opportunity, give to polymerization in case to expand offshore outsourcing.

2.3 Guide Foreign Investment Service Actively

Further innovation of China's foreign investment promotion mechanism with service, make Chinese enterprises "going out" service high and low costs, free trade zone will become the forerunner area of investment service. It can make Chinese enterprises to "go out" by high service and low costs. Countries (2013) number 33 the reply on further promoting the development of service outsourcing industry, pointed out that "to explore the international market, make the overall image of China's service outsourcing industry, set up the China outsourcing brand". Free trade is for the Chinese enterprises and capital, including service outsourcing enterprises move towards the world forefront, one of the most open service platform.

2.4 The First Optimization Approach

Regulatory means positive innovation, continuous improvement and improve the regional facilitation regulatory model. Play the part of demonstration role in the government management innovation, and actively promote the administrative management modernization, innovation in government management and service. Optimization of free trade zone to be a regulatory area and government management innovation demonstration zone, this will ensure that enterprises in the development of service outsourcing in free trade zone in low cost, safety, normative and sustainable business environment, the development of service outsourcing worry-free, made within the free trade area for the service outsourcing industry development created a completely new way.

3. The Free Trade Area Brings Service Outsourcing in the Development of New Space

Combined with the free trade area of a particular function, as well as the free trade zone development needs, at least the following nine service outsourcing areas will be encouraged and development, as shown in figure 1:

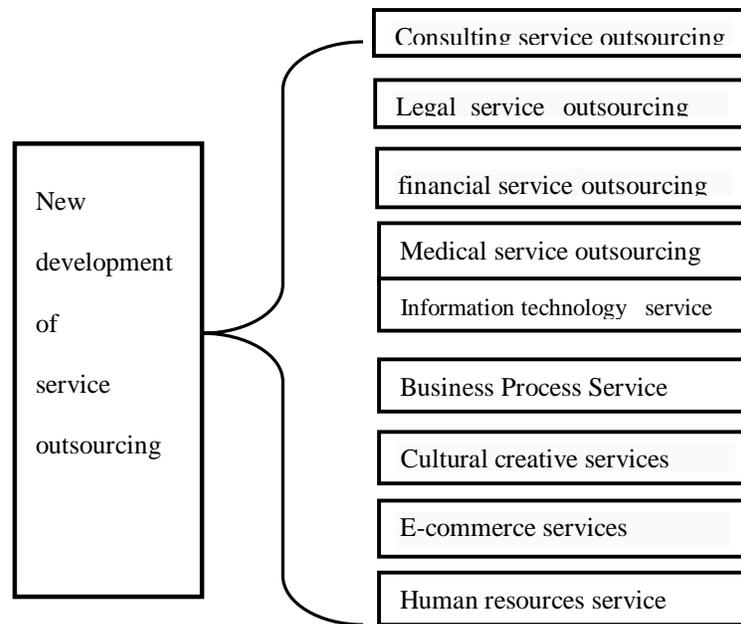


Figure 1

3.1 Consulting service outsourcing including enterprise investment consulting, business consulting, enterprise professional survey, etc. Business investment consulting is to provide clients with investment projects of many aspects, such as investment environment analysis and financing advisory services. Enterprise business consulting is the enterprise registration agent, business information services, and financial consulting, information release planning, etc. Enterprise professional survey is to the enterprise project, market, management, service and so on special investigation, and then to the client provides the feasibility report of the business.

3.2 Including review, drafting and modifying the related legal services outsourcing contract and agreement, to participate in the dispute mediation, proxy dispute lawsuit or blanking and involved in economic policy, industrial structure adjustment and transformation and upgrading and expanding investment macro measures such as providing legal opinions and Suggestions.

3.3 The financial service outsourcing is mainly the financial analysis, forecasting and financial backstage outsourcing business. Financial analysis and forecast the change trend of the domestic and foreign currency interest rates and gold research, etc. Financial backstage outsourcing business including data processing, fund settlement, bank card business, call center, disaster preparedness center construction, etc. The establishment of a free trade zone for financial outsourcing enterprise points out opportunities and prospects for future financial outsourcing will be mainly to third-party payment, wealth management, data mining and other direction.

3.4 Pharmaceutical service outsourcing: free trade area, the innovative biomedical service outsourcing enterprises import record keeping system, biological sample to establish international standards of biological medicine research and development material shall be exempted from tariffs and promote inspection maintenance, more conducive to speed up the development of biological medicine and technology research and development, chemical synthetic medicine research and development, product testing, new type of vaccine research and development of medical service outsourcing. Held in Shanghai from "2014 innovative drug preclinical development peak BBS", according to the Shanghai international biomedical research and development is speeding up into chains and industry chains, strive to reach 30 billion to 2017 Shanghai r&d outsourcing, create a center of research and development of service outsourcing with international influence.

3.5 Information technology outsourcing services including IT specialist consulting, software testing, software customization services, office automation, enterprise information, website design and construction, such as online video service. Unlike traditional ITO, with the help of a free trade area of the platform and the development of the cloud, information technology service outsourcing is developing gradually to the high-end, intelligent.

3.6 Business process outsourcing services, mainly to carry out the integrated design, integrated solutions and related technology projects such as research and development, including mobile office solutions, Internet solutions, e-commerce solutions, strategic planning and business management solutions, marketing solutions and other services outsourcing business.

3.7 Culture creative service outsourcing: the research and development of digital visual display, film and television image customization service, 3 d animation customization service, 3 d emergency drill system research and development, product research and development of virtual simulation and other service outsourcing business..

3.8 Electronic business service outsourcing: cross-border payments, cross-border logistics, cross-border credit, cross-border information security management support system design and development, including data authentication, data transmission, data management, and other research and development of service outsourcing.

3.9 Human resources service outsourcing is mainly including human resource planning, recruitment and configuration, training and development, performance management, salary welfare management, labor relationship management, etc., because of the special advantages of free trade zone, can guarantee the benign operation of human resources management.

4. The Free Trade Area Brings New Opportunity to the Development of Service Outsourcing

Over free trade area of function orientation, the development of service outsourcing new space and a high standard of international investment rules, better play to the radiation and leading role, forming the forefront of Chinese enterprises "going out" service platform. Free trade zone of Shanghai new opportunities for outsourcing services mainly for the following:

4.1 Investment Facilitation. One is the negative inventory management. To not open industries and restricted commercial activity, explicitly told foreign, as long as not included in the list is no prohibited are available for the law. This will be conducive to attract the foreign service outsourcing enterprises, promote the development of China's service outsourcing industry. Secondly, the pilot national treatment before admittance of foreign investment. Outside of negative listing temporarily stop the implementation of foreign investment enterprises with foreign investment, sino-foreign joint venture enterprises, sino-foreign cooperative joint venture enterprises and other three laws, temporarily stop the implementation of the relevant provisions of the protection of cultural relics and other measures. Foreign investment projects approved by filing management mode of entry. This provision simplifies the rigmarole of foreign investment, for the record management system for enterprises of the party or pick up package enterprises is beneficial. Three is the enterprise overseas investment management mode innovation. Free trade zone will strengthen the overseas investment of the enterprises in the area of financial support, will be implemented for the specialty which is engaged in the foreign equity trading enterprises shall be levied at a reduced tax rate a percentage of income tax. Free trade zone outside of the service outsourcing enterprises can easily in the free trade zone to set up delivery "service outsourcing center", "customer contact center", "offshore information center", etc.

4.2 Implementation of Trade Facilitation. First of all, the development of offshore trading. Engaged in offshore business enterprise, income tax shall be levied at a reduced percentage rate. Secondly, it will promote the development of trade in services innovation, expand the culture of "going out" of overseas channels, for cultural products will explore creative service to carry out the export tax rebate. At the same time, it will be set up within the free trade zone biomedical outsourcing enterprises for the record, research and development materials imported from biological samples shall be exempted from customs duties, promote testing services. This policy is good for the development of our country's animation design, cultural creativity, the examination of service outsourcing, and biological medicine industry.

4.3 Speed Up the Financial Internationalization. Within the free trade zone gradually realize the freedom to use and capital account convertibility, and vigorously promote the development of cross-border RMB business, realize the marketization of interest rate, encourage to set up the regional or global fund management center, order and settlement center, deepen the individual local franchise exchange business pilot, cultivate the modern currency exchange services. The area of financial service outsourcing provides a broad market, especially the financial institutions of financial information technology services, application software development as well as the bank card business, financial and technical support, etc. The typical service outsourcing business, can get rapid development.

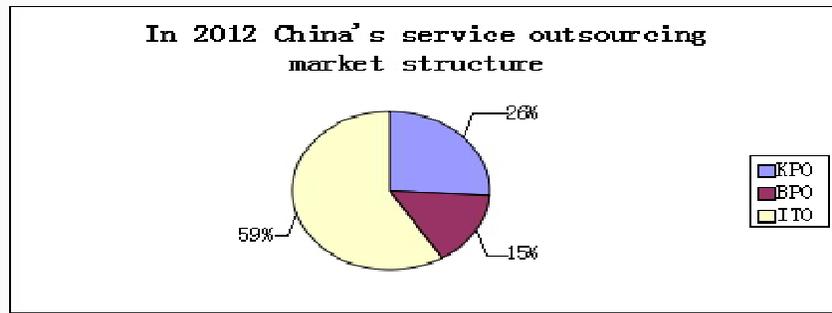
4.4 Good Business Environment. The three elements of cost, personnel and environment is the main driving force of the development of the service outsourcing. The construction goal of free trade zone, is to build the business environment in line with international standards. Within the free trade zone, it will develop conforms to the international practice of the legal system and the establishment of more efficient and transparent management system. Include: legal system security. To our country the present foreign investment projects approved, for approval of foreign investment enterprises and foreign capital admittance condition limit, the tax policy laws and regulations such as design will make a series of breakthrough. The operating environment will be more safer, in the personnel entry and exit more freedom, the service outsourcing in the introduction of high-end talent to provide a more convenient channel. Aspects of management system. Within the free trade area will set up a mechanism of flexible management mechanism, deepen the system of administrative examination and approval, in the end in order to reflect the greater freedom and operational convenience. The focus will be shifted to customs supervision of free trade and domestic market, spilling than any region of the domestic enjoy more preferential policies, reduce the operating costs of the enterprise. According to preliminary statistics, the customs first announced in January 2014, free trade import and export gross 59.56 billion yuan, compared with the previous 2.4% month-on-month growth. Among them, the free trade exports in January of 15.05 billion yuan, rose 5.2%. Imports of 44.51 billion yuan, rose 1.5%. Total import and export, respectively, compared with the free trade area listed on the first month of 18% (October 2013).

5. Free Trade Zone Under the Background of Service Outsourcing Development Challenges

5.1 The Impact of Outsourcing Consulting and Intermediary. With the development of free trade zone, China's service outsourcing development accelerated. At the same time, service outsourcing has become more complex, professional outsourcing consulting and intermediary companies appears particularly important. Global outsourcing buyers according to outsourcing consulting and intermediary organizations to choose outsourcing suppliers. At present, with the development of free trade zone, outsourcing will increase greatly, and the number of China's service outsourcing consulting and agency is small scale. The resources are scattered, limited. And also there is not so much say in domestic and even international. How to cultivate Chinese research and consulting institutions and industry group, is one of the problems we face in the further development of service outsourcing.

5.2 Investment Facilitation and Filing Management Challenge. According to the study of Chinese entrepreneurs association, the small scale of service outsourcing enterprises in our country, the average number are 175 people, mostly in 100 small businesses, under the number over ten thousand people in China service outsourcing enterprises only five. At present, China's top 100 enterprises internationalization level on average only 12%. However enterprise internationalization level has reached 38% in developing countries, and some European and American countries enterprises internationalization level as high as 60%. So the investment facilitation to promote in the system is beneficial to service outsourcing enterprises to do bigger and stronger. All foreign investment projects within the free trade zone by the approved access way, instead of filing management is quite convenient and the entry of foreign capital, which has a certain reputation and brand in the international service outsourcing enterprises with the needs of the customers, to conduct business within the free trade zone, and the market competition partner, will accelerate occupy the Chinese market.

5.3 In the Low-End Value Chain, Service Outsourcing Industry in China Lack of Sustainable Development Ability. IDC research shows that more than 70% of the world's KPO outsourcing are from India in 2012, less than 30% in our country and other countries. Service outsourcing business in our country at present mainly concentrated in the field of ITO, accounting for 58.8% of the whole industry, this is clearly a lack of ability of sustainable development, and is not conducive to China's comparative advantage into full play. Our BPO industry foundation is weak, the enterprise mergers and acquisitions in the appeal is not strong, the bargaining power is relatively low, has a great challenge on the BPO industry transfer. As the chart shown, BPO business in the whole structure of the outsourcing market accounted for only 15.2%, and BPO offshore business execution amount is less.



Source: ministry of commerce of the People's Republic of China

5.4 Lack of High-Tech People. Talents are the key factors of supply and service outsourcing industry development is also the Chinese service outsourcing industry to upgrade the core of the 3.0 era. There are large need of big data mining and the application of scarce talent. To "technology + industry", "language + service" comprehensive talents demand is increasing. In addition, combined with the development of free trade zone in Shanghai, service outsourcing industry development opportunities means talent gap overstated, service outsourcing enterprises need to write a long listing talent demand more and more, to cope with free trade zone within international development needs. Including offshore finance, software outsourcing, communication service, modern service outsourcing industry, will usher in huge demand. Can service outsourcing enterprises in maintaining a lower personnel costs at the same time, to attract international talents to join in will be the important factors that affect enterprise development.

6. The Suggestion to Develop Service Outsourcing Under the Background of Free Trade Zone

6.1 Establish Outsourcing Supporting System, and Promote the Benign Development of Service Outsourcing

The complete outsourcing service support system on the prosperous development of service outsourcing industry with a strong supporting role. Outsourcing service supporting system should be actively cultivate a batch of high professional level , service good reputation service intermediaries, such as accountants, appraisers firms, management consulting companies and other organizations, through the intermediary service agencies for the service outsourcing enterprises to provide information, consultation, evaluation, legal and other services, forming a powerful intermediary service system. In this way can the free trade platform to enhance competitiveness.

6.2 Integrate Various Resources, Develop Large Service Outsourcing Enterprises

All the free trade zone by the approved access to filing management way, the entry of foreign capital, and investment facilitation, make it easy to well-known international service outsourcing enterprises into China, the impact to domestic outsourcing enterprises. Package enterprises should actively track at home and abroad, analyses the function of free trade zone by the central government, policy, system and so on .Through various forms and channels, and even domestic and international service outsourcing enterprises, colleges and universities consultancy integrate various resources, and at the same time, through the innovation supporting system such as public housing, office premises, personnel training, high-end talent introduction, etc., encourage conditional and service outsourcing enterprises to free trade, cooperation, joint venture run independently. To strengthen capacity for independent innovation, increase investment in science and technology, we should through dedicated to CMMI international certification. In order to improve the enterprise's international recognition and popularity, promoting the international competitiveness of enterprises, improve the ability of the development of the international market. Cultivate large service outsourcing enterprises, achieve economies of scale for our service outsourcing enterprises as soon as possible. Registered with the service outsourcing enterprises within the free trade zone, it is only through technology innovation and credit commitment, innovative business model, to create their own brand, constantly improve the adaptive ability of the market, they can better development.

6.3 Guide the Enterprises Core Competitiveness, Encourage Enterprises to Innovative Business Model

Foster strengths and circumvent weaknesses, accurate positioning, grasp the high-end value chain. Although ITO occupy the vast proportion of service outsourcing industry in China, but due to the bottleneck of lack of applicable talents in China, single ITO development especially BPO is not sustainable at present, the trend of the future is the organic combination of the ITO and BPO, that is, from the perspective of strategic partners to help to make decisions of the party awarding the contract, increase the added value of their products. At the same time, for the product design, technology research and development, sales channels to innovate, to foster core competitive advantages of enterprises, improve the ability of companies to undertake service outsourcing business, attract more foreign clients. In recent years, with cloud computing, Internet of things, and the rapid development of emerging technology such as large data, China can build with independent intellectual property rights of China cloud computing and Internet of things platform, committed to cultivate capable of emerging international brand enterprise core technology service outsourcing. Actively guide the domestic demand market in domestic enterprise service ability, while encouraging domestic enterprises and overseas enterprises through cooperation, can effectively support the development of the transformation of service outsourcing enterprises. Top software offshore OBC mode is an innovative business model.

6.4 Emphasis on Service Outsourcing Talents Training, form a Reasonable Talent Education and Training System

China should vigorously develop with international perspective, to have high english level and ability to cross-cultural communication and outsourcing business operation ability strong comprehensive talent. And relevant preferential policies, subsidies, high-end talent development needs the enterprise transformation of high-end talent, actively attract and hire foreign senior talent. Secondly, under the background of free trade zone, to service outsourcing talents about innovation in terms of structure, government must reform which focuses on only the books education while neglecting the practice mode of education, the combination of theory and practice, truly encouraging local institutions of higher learning and scientific research institutes set up for service outsourcing talents training course system, to promote education resources and powerful enterprise resources integration, implementation and service outsourcing enterprises demand docking. New technology talent, service talents and industry experts is the key of web3.0 era development of outsourcing enterprises growth. Low-end operational personnel demand, though still to continue, but more and more become the focus of the enterprise needs and the source of profits. Therefore needed for industry talents and transition of the introduction of technical personnel in the service outsourcing industry and employment support should become the focus of the next personnel policy.

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