Important Factors in IT Outsourcing Relationship, a Model Development and Verification in Major National Companies

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ABSTRACT

This paper explores which factors contribute to a strong, IT Outsourcing (ITO) relationship. Therefore, a conceptual model has been developed and tested in four Major National Companies (MNCs), who have outsourced their IT and additionally, their IT service providers have been studied. All the involved contracts have multibillion SEK (the Swedish currency krona) turnovers and belong to top 100 largest MNCs in Sweden. A case study research method has been used. The novelty in the model is to have contract management and expectation management as the most important factors that influence a good ITO relationship strongly supported by communication and conflict and conflict resolution. Trust, commitment, and cooperation received lower scores. We believe that this information could help IT decision makers to improve their relationship with the service buyer or a provider. This research supports the propositions that an effective relationship improves the contract management and strengthens the ITO success.

Keywords

IT Outsourcing Relationship, Major National Companies, Factors for Relationship, Model for Relationship

INTRODUCTION

Companies today try to prosper in a high paced and highly competitive climate. A tactic employed by many companies in order to streamline their business processes and operations and retain or increase their competitive advantages is to outsource. Outsourcing can be described as a way of procuring services, goods or knowledge from a third party, or when a certain business process or function at a company or organization is handled by an external party. To quote Burkholder “Outsourcing can result in a company quickly reaping benefits through expertise, enhance control and leverage with limited capital investments and with reduced operational expenses” (Burkholder, 2006). Within the European Union ITO is well spread. About 58% of the companies in Sweden have outsourced their IT and about 76% in Denmark [28]. According to a report from Gartner presented by Rådmark [29] in the next years there will be an increase of ITO in the European countries and smaller companies are expected to increase their ITO at a rate three times higher than so far. Relationship management is an
important factor for achieving a successful ITO and has to be addressed early in the ITO life cycle, in all relevant working levels. It has to be practiced continuously until the termination of the contract. A flourishing relationship keeps both parties satisfied, which makes for a win-win situation (Bergkvist, 2008) while a badly working relationship does the opposite. Good ITO relationship enables successful ITO; therefore, it is important to know the factors that affect the ITO relationship.

The reminder of this paper is divided into the following sections: (1) Research Background, (2) The Model and Propositions, (3) Research Methodology, (4) Data Analyses, (5) Results and (6) Conclusions.

RESEARCH BACKGROUND

Many researchers have contributed on how to improve the ITO relationship. Here, some of them are mentioned. Perrin and Pervan (2005) explore a conceptual model based on relational exchange theory where they along with Kern & Willcocks (2000), Lee and Kim (1999) and Mohr and Spekman (1994) identify a number of factors that contribute to a successful relationship. These factors include trust, commitment, conflict, communication, co-operation, satisfaction, and dependency, so a lack of these might indicate that a relationship is not working at its full potential. The factors proposed by Perrin and Pervan (2005) are presented below.

• Communication
  Perrin and Pervan (2005) quote Mohr and Spekman (1994), where they state that effective communication between provider and service buyer is of critical importance to the success of the outsourcing relation. The exchange of information between the parties needs to be open, honest, timely and accurate. It also needs to be meaningful and useful to ensure that the objectives of the contract are achieved, to avoid conflicts and take corrective action when required. Perrin and Pervan (2005) use terms formal and informal communications when describing reporting requirements. They mean that formal communication is stricter, and is scheduled on a weekly, monthly, quarterly etc., basis, whereas informal communication is more ad hoc.

• Trust
  Klepper (1994) define trust as, “a firm’s belief that the partner firm will behave in ways that will benefit the firm and its faith that the partner will not act opportunistically or otherwise take advantage of the relationship”. Detailed contracts reduce the level of risk and actually promote a more trusting and long term relationship (Perrin and Pervan, 2005). An alternative argument to this proposition is that high levels of trust and cooperation between the organization and the provider, act as a substitute for the need to have complete and formal contracts (Perrin and Pervan, 2005; Chiles and & McMackin, 1996). High levels of trust in a relationship are positively associated with the success of the relationship (Kern, 1997; Perrin and Pervan, 2005).

• Cooperation
  Klepper (1994) noticed that in a relationship cooperation refers to the parties working together to the same end. On the other hand, Perrin and Pervan (2005) observed, “that higher levels of trust in a relation will result in cooperative behavior because the parties in the relationship know how each party will react”. Cooperation in a relationship provides a win-win situation for both parties and creates an environment where trust can be built up and information shared. It also provides some measure of flexibility to deal with uncertainty and issues not covered in the contract in a non-adversarial manner (Kern and Willcocks, 2002).

• Commitment
  Commitment in a relationship is the willingness of both parties to perform its work together and to achieve their individual objectives and to make the relationship a success. High levels of commitment from both parties will achieve a mutually beneficial relationship, and it indicates to each party that the relationship will continue to the end of the contract (Lee and Kim, 1999; Mohr and Spekman, 1994).

• Conflict and Conflict resolution
  This refers to the day-to-day issues or disagreements that occur between the IT outsourcing parties that either have to be solved immediately or referred to a higher level within the company hierarchy, or a third party, for resolution. The conflicts can vary in size and importance and can include disagreements about objectives, responsibilities, execution of the contract and mismatch of expectations (Dwyer, Schurr and Sejo, 1987; Goles, 2001). Therefore, it is important to recognize that conflicts should be handled and resolved jointly and that all parties agree on the solution Mohr and Spekman (1994).

• Satisfaction
  In this context, the satisfaction is the organizations satisfaction with the effectiveness of the relationship and the achievement of its outsourcing objectives. It is generally expected that satisfaction may lead to extended continuation of the relationship.
**Transaction Cost Theory (TCT)**

Williamson (1975, 1985) argues that the contract is the fundamental problem in outsourcing. First, it is not possible to define all possible scenarios due to bounded rationality, as e.g. nobody can guess all possible future scenarios, high complexity of the problem. Therefore, all ITO contracts are incomplete. Moreover, a fixed contract can not easily be adapted to new needs, without risk for high costs. A flexible contract is open for opportunistic behavior and therefore it should be avoided. The asymmetric information between the service buyer and provider could also aggravate the situation. Still, massive efforts have to be performed to get the contracts as complete as it is possible. It is here where relationship comes in. In an environment where both parties have a friendly, a collaborative attitude to the common goals, it is expected to be more successful than those who communicate via their lawyers. TCT does not cover this area, but handles the risks in the whole life-cycle.

**ITO Relationship Model (Kern & Willcocks, 2000)**

Kern and Willcocks developed a model for IT outsourcing relationship to illustrate the key exchanges and the working context between client and supplier. This model consists of three dimensions: context, interaction and behavioral as shown in Figure 2.

![Figure 2. Outsourcing Relationship Model (Kern & Willcocks, 2000)](image)

The model contains eight behavioral factors (dimensions). The authors have also “power” to describe when the service buyer or service provider has highest power. The model contains a time reference to describe the possible improvements that can be performed. The context contains also an expectation factor. The authors “tested” the model in seven organizations, or more specific, “to explore both conceptually and empirically the outsourcing relationship”.

**THE MODEL AND PROPOSITIONS**

The factors that can create a good relationship have been researched for a longer time. However, the terminology, for these “factors” have several alternatives, like dimensions, attributes, success factors, influencing factors etc., depending on the authors who discussed them. In this research, the term “factor” is used. All the mentioned factors in this paper are necessary for a good ITO relationship and a lack in these factors can destroy a good relationship.

Contract Management (CM), is the fundamental problem in outsourcing, according to Williamson (1975, 1985). The perceptions of what ITO parties intend to do are dependent on CM. Therefore, CM should be an active part of the relationship. Research has been done to understand overall relationship management success in ITO. Factors (dimensions, attributes etc.,) have been identified, some of them are described above.
The goal with this study is to present what main factors can create a good relationship between the ITO provider and service buyer. It is meant to build upon the emerging knowledge of how to manage relations in the area of IT outsourcing particularly for MNCs. This study has not found any definite standard or set of principles on how to manage relations for ITO as e.g. ITIL (Information Technology Infrastructure Library) is for IT service management, so this study tries to fill this gap and provide a better understanding of the ITO relationship.

**Proposition 1 (P1):** Successful management of the ITO relationship positively influences the Contract Management.

**Proposition 2 (P2):** Successful management of the ITO relationship positively influences the IT Outsourcing success.

**RESEARCH METHODOLOGY**

The units of analysis are the “factors” that influences (improves) ITO relationship, between the service providers and service receivers. This is what the propositions are addressing.

The main steps in this research have been:

- Collect and analyze literature relating to the research area of ITO. The focus was ITO relationship; ITO theories and ITO relevant models. The objective was to find the models that are best suited in describing the relationships we want to study.

- Create the conceptual ITO relationship model based on information from above. This was mainly based on Perrin & Pervans (2005) factors and model with major adaptations.

- Test of the developed model, by using semi-structured interviews. Based on the gained knowledge, the model has been modified to better fit to the interviewees’ experiences from the field.

The used research method is case study approach as proposed by Yin (2003). Theoretical sampling has been used for the selection of cases as recommended by Yin (2003). “The goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory and it makes sense to choose cases such as extreme situations and polar types in which the process of interest is transparently observable” as noticed by Eisenhardt (1989). The selection of the companies is described in the chapter Data Analyses.

The target of this paper is to understand the “mechanism” of the ITO relationship, which is abstract and context dependent and to develop a model that should be tested in its own environment. Yin (2003)’s case study method is qualitative and, supports all the mentioned activities.

Seven case studies were used, which is relevant for performing such an analysis. Eisenhardt (1989, p. 545) mentioned that “With fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing …”. On the other hand, a higher number of cases like 10 could lead to a higher complexity and difficulty to cope with the data (Eisenhardt, 1989).

**DATA ANALYSES**

Due to the required confidentiality by the interviewees, it is not possible to mention terms like company names, company sizes, accurate product or service area where the companies have their main operations. One representative from each side of the business parties (service buyer and service provider) has been interviewed. The used company names in this paper are Company A, Company B, Company C and Company D for the service buyers and their ITO providers A’, B’, C’ and D’.
respectively. The data collection from both parties is important to avoid one-sided information. A summary of the interviewed companies is shown in Table 1.

<table>
<thead>
<tr>
<th>Service Buyer</th>
<th>Service Buyer Profile</th>
<th>Role</th>
<th>Service Provider</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Industrial electrical equipment</td>
<td>Project executive</td>
<td>A'</td>
<td>Account manager</td>
</tr>
<tr>
<td>B</td>
<td>Food Production Industry</td>
<td>Manager of IT department</td>
<td>B'</td>
<td>Project executive</td>
</tr>
<tr>
<td>C</td>
<td>Pharmaceutical industry</td>
<td>Contract manager</td>
<td>C'</td>
<td>Contract manager</td>
</tr>
<tr>
<td>D</td>
<td>Financial industry</td>
<td>Head of outsourcing and analyst</td>
<td>D'</td>
<td>Not available</td>
</tr>
</tbody>
</table>

Table 1. Service Buyers and Providers profile and the Interviewees’ Roles

As shown above, the companies are acting in different business areas, which was important in the selection of contrasts. The interviewed person from company A was a representative from the CIO department, for company B was one of the managers of the IT department, for company C the contract manager for IT services and lastly for Company D the head of outsourcing have been interviewed. All the counterparts at the provider’s side were either contract managers or account managers, the only exception was D’ where no interview has been possible. All the interviewees had more than 5 years experiences with ITO, and all of them have been actively involved in their current, operational, tactical and strategically development of ITO. The service buyer interviewee from company A will be called A, from company B will be called B and so on. Also, the service provider, from company A’ will be called A’ and so on.

Interviews

The interview questions have been sent in advance to the interviews. Semi-structured interviews have been performed, recorded and transcript text has been written. A summary with the question and answers has been sent to the interviewees to comment them. In this way, the requirements for the “Interview Protocol” have been fulfilled (Yin, 2003).

The interviews have been performed with the different interview questions for the service providers and service buyers. Each interview took about 90 Minutes to perform. The interview questions for the service buyer and provider are included in the Appendix.

RESULTS

This chapter contains the summarized data from the seven companies and a sort discussion.

Communication

Good communications are key factors in building good relations, without good communications, the exchange of information, ideas, needs and demands will be impaired. All the interviewees agreed on the need and importunacy of this item. In addition to the formal meetings, the ad-hoc ones are the place where the problems can be caught in time. New tools improve the possibility for good communication! The communication between A and A’, works well, both parties are satisfied. The communication C and C’, according to the provider, it should be improved! The results of imperfect communication create problems with expectation management, according to the interviewees.

Contract Management

It has been noticed that the service buyers are very dependent on their contracts with the ITO service provider, who follow the contracts scrupulously, everything is specified, what services have to be delivered and how they are delivered. Nothing is done without careful analysis of the problem and the potential service, and there is little room for flexibility. As long as the SLA (Service Level Agreements) specifies the needs it works well, but when flexibility has to be added, then the contracts can be opposed for opportunistic behavior. C and C’ has found one way to increase flexibility, but not totally loos the safeguards. This is done by using different approval steps and seems to work, when time is not critical.

All the used ITO contracts are complex and large (thousands of pages), without contract managers and lawyers, IT staff cannot understand them. This is a problem for both parties. The length of the contract are about five years, which both parties mean that it is necessary for tuning the processes.
Within the contract management, SLA is the most frequent issue to discuss, but also different long-term planning and price development. A good relationship enables a more creative contracting work (A’, B’, C’) and in this way supports a successful ITO. A, C and D also agree to this statement, but with less enthusiasm.

Trust

Popo and Zenger (2002) stated that “high level of trust and cooperation between the organization and the vendor act as a substitute for the need to have complete and formal contracts”. However, none of the interviewees left the contracting incomplete as to have to rely merely on trust! This is a contradiction and puts contract management even more in focus. “We have telephone conferences that last about an hour whose aim is to increase the clients trust in the operations in which the managers also take part.”, as explained by B’. It can be argued that these high professionals try to minimize the ITO risks and put large efforts to have “complete” contracts.

Cooperation

Some organizations are strictly hierarchical while others are more flat in their organizational structure and both demand different levels of information management. This difference in organizational structures sometimes creates conflicts, and those conflicts can start to put a strain on the relation if not handled correctly.

Company B is flat structured, and their provider B’ is hierarchical, this creates corporate culture problems in their relation. One problem is the provider’s bureaucracy, the approval in many levels versus the buyer’s fast process time. This leads to overestimated task and project times, sometimes up to ten times, or more, larger than expected, which concerns company B. B claims that this creates, an irritating moment in the everyday work. Also, the flexibility among the B’ employees is hindered by their hierarchical system since many of them do not have the courage to take their own decisions and initiatives without asking someone with a higher position. Corporate cultural differences that created problems have also been found by C, C’ and D, but they were not so serious. A explains imperfect cooperation as a lack of competence; therefore, they swapped the application provider twice. In addition, the infrastructure part has been terminated in advance and re-negotiated with better conditions and improved coordination between the global sites.

Commitment

The issue of commitment is closely tied with cooperation. How can there be a good cooperation without a commitment? According to our interviewees, as long as the contract is followed, the commitment is fulfilled.

B claims that they felt like they did not get the best and brightest personnel from B’ and started to doubt about their competence in certain areas, and therefore they swapped the service provider. Company D has lately removed some services from their provider and took back them again. These services are extremely critical, and have high demand on state-of-the-art IT platforms. Lack of commitment by A and D also indicates a lack of competence, the providers believe that they are able to deliver, i.e. an over-commitment. This is the way that our interviewees interpreted commitment.

Conflict and Conflict Resolution

All interviewees agreed to that conflict have to be resolved quickly or escalated if they cannot be resolved at the level where they arose since a festering problem can be disruptive for the relationship. The highest escalation level for the service buyers was to get advice from own corporate legal how to proceed. (Swapping the suppliers was not conflict driven; it was because of lack of competency). It has been noticed that all companies have minor to middle conflicts, totally unpredictable. Those conflicts are many times unavoidable; therefore it is necessary with a well working conflict resolution.

Expectation Management

Expectations are shattered when one party’s image of what should occur does not match the reality, and the responsibility is not always on the service provider. If the service buyer does not exactly know what they want, it is going to lead to misunderstandings, frustrations, conflicts and more work. Both parties have to work iteratively to create a solid base of understanding. The service provider has to understand the service buyer’s needs and the service buyer has to understand what IT can do for them and what not.

Provider B’ centralized Company B’s servers and placed them in a server hall, in a neighboring country. This relocation, increased the geographical distance and created a negative consequence, the response times increased. The provider should have informed the customer about the response times, but also explain the necessary step to reduce costs! Then the customer
could select option. Another example from Company B, their native helpdesk, has been moved, and the native support disappeared. The other companies have also encountered problems like this.

**Relationship Management**

All the service providers strived to have a good relationship and found it important to maintain it. The interest from the service buyers was not so clear. B said: “it does not matter if I have a good relationship with the provider, if the operation does not work, then that is what counts”. A meant that relationship is very important, for the operations and negotiations (they had the 34:th iteration). C and D found that it is easier to work with a good relationship. A’, B’, C’ were convinced that a successful ITO can only be achieved by a good relationship. A, C and D have a more restricted view, but they partially agree.

**Satisfaction**

Satisfaction has been understood as “project delivered according to contract”. A’, B’ and C’ meant that when the customer does not complain, then they are satisfied!

**Discussion**

It can be considered that contract management is a main factor for ITO success. Expectation management as shown above is an additional factor that has to be examined for a successful ITO. If the service buyer does not get what he/she is expected than the relationship gets impaired and the ITO will not be successful. This is the reason why expectation management is added to the model. Communication has been mentioned to be the most important ITO relationship factor. Conflict and Conflict resolution has been shown to be a general problem caused mainly by the high IT complexity and has been selected as the second relationship factor. The remaining ones are on same level (level three). Satisfaction has been removed from the list, it seems to be covered in contract management.

*Successful management of the ITO relationship positively influences the Contract Management (Proposition 1)*

It was found from the interviews that there is some support for the proposition that successful management of the ITO relationship positively influences the contract management. (Interviewee: A, C, D, A’, B’ and C’).

*Successful management of the ITO relationship positively influences the IT Outsourcing success (Proposition 2)*

It was found from the interviews that there is some support for the proposition that ITO relationship positively influences the IT Outsourcing success. (Interviewee: A’, B’, C’, and A, C and D).

The new model is shown below.

<table>
<thead>
<tr>
<th>Relationship Mgt Success</th>
<th>1. Contract Mgt</th>
<th>2. Expectation Mgt</th>
<th>IT Outsourcing Success</th>
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<tbody>
<tr>
<td></td>
<td>P1</td>
<td></td>
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<td></td>
<td></td>
<td>P2</td>
<td></td>
</tr>
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</table>

**Table 2: Conceptual Model**

A critical review of the result shows that some areas differ from the expected ones. The behavioral factors trust, commitment and cooperation are not quite so important. It could be considered that our interviewees represent a relative large ITO, with many sites with high asset specificity applications that are running in real time and no stops are tolerated. Trust and commitment are replaced with paragraphs in the contracts and cooperation is an integral part of the service delivery. Some support of this model is found by the research from Perrin and Pervan (2005) and Kern and Willcocks (2002).

**CONCLUSION**

A conceptual model has been developed to find relationship factors for ITO. The main factors of this model that influence the ITO relationship is communication, which has also been showed by several researchers and it is not ITO specific. Conflict
and conflict resolution are the second most important factors. Conflicts are usual, and the resolutions have to be done immediately. It has been shown that contract management is a central factor, which is supported by TCT (Williamson, 1975, 1985). On the one hand, flexibility is needed for changing the contracts, on the other hand, flexibility opens for opportunistic behavior for both ITO parties, and finally the bounded rationality, nobody knows what happens in the future, as well the complexity in ITO is so high that there, it is no possibility to foresee all the possible scenarios. Finally, the model shows that expectation management is also important as also noticed by Kern & Wilcocks (2000).

The factors trust, commitment and cooperation have a lower importance, according to the interviewees.

This paper mainly contributes to the IT Outsourcing decision makers, who are helped by the developed model, in improving their relationship on both the service buyers’, as well as the providers’ side.

**Limitations and Further Research**

It has been noticed that there is a barrier concerning the service providers’ confidentiality towards their service buyers and contract restrictions that resulted in some restricted answers from the providers’ interviewees. They tended to answer our questions in a more general way and did not speak, as freely as was expected and there was a resistance from the companies to divulge failed relationships or portray them in a negative way, which affects the case specific variables. The used research method is qualitative; therefore, the result can not be fully generalized but replicated for MNCs (Eisenhardt, 1989, p. 6). The size of the company and geographical location are factors that could give a different result. The different corporate culture in this study showed how problematic this area. A large study, with many MNCs could also confirm the achieved result in this study. It has been valuable to investigate both the service buyer and provider, and this is recommended for future studies.

**REFERENCES**


Appendix 1 - Client side questionnaire

Questionnaire
IT Outsourcing relationship

The lines provided underneath the questions are just for notes since the answers will be noted during our meeting. Certain questions might be rendered unnecessary by answers to other questions.

Why? What? How?

1. What were the main goals with your outsourcing project? (Reduce costs? Focus on Core Competency? Streamline operations?)

2. What is outsourced (e.g. IS/IT infrastructure, ERP systems or a particular application)?

3. Why did you choose to outsource to your current outsourcing provider? Size? Competence? Price? Where there other potential partners and if so, how did the selection process look like?

4. When you outsource, the provider sometimes has to provide certain material and personal assets like technology, machines and employee knowledge – which is called “asset specificity”. Would you say that your outsourcing project demands high asset specificity?

Cooperation

5. Have your goals changed in any way since you started the outsourcing project (e.g. you started out wanting to reduce costs but saw other benefits as well)?
6. Have you gained access to new resources since you joined the outsourcing relation that you didn't have before (personnel, information, and innovation)?

7. How often do you check if the milestones of the contract are being reached?

Satisfaction

8. How do you measure the outsourcing results within the company?

9. How do you measure the relation satisfaction between you and your outsourcing provider?

Costs and Benefits

10. Has the outsourcing project reduced your costs as much as expected?

11. Did you take into account the potential increase of transaction and communication costs when planning the outsourcing project (or did they come as a surprise during the project)?

Contract

12. What is the size (financially) of the outsourcing contract (0-10 MSEK, 10-100 MSEK, 100-500 MSEK, >500 MSEK, >1000 MSEK, >2000 MSEK)?

13. Roughly, how large part of your IT-budget is the current outsourcing contract?

14. The literature speaks about tight and loose contracts, i.e. with a high level of detail and low level of detail. Can you say something about your own contract? Where would it fit?
15. There is a term called “bounded rationality” meaning that a single person can’t possess all the details relating to a certain subject. Also since the contracts are formulated by lawyers, they can sometimes become very complex. Is this a problem you have encountered (e.g. have there been conflicts due to misinterpretations of the contract actually entails)?

16. What is the length for your outsourcing contract and how long has it been going on?

17. Do you consider extending the contract when it runs out? Would it be the same length as the current one?

Communications

18. Do you have any official means of communication? Teleconferencing, face-to-face etc?

19. How often do you and your coworkers have meetings with your ITO supplier?

20. Do you think the corporate culture matters? If so, how well do you think your corporate culture matches your providers?

21. Are you satisfied with the communication between you and your outsourcing provider?

Conflict

22. How do you normally deal with conflicts within the outsourcing relationship?

23. Did you notice any resistance from your employees when the project first started? Did they worry about downsizing? Is there any resistance remaining?
Internal factors

24. How many people are involved in maintaining the outsourcing relation and on what levels (e.g. upper management, middle management, operational level)?

25. How did the competence change during the outsourcing project? Any competence gained or lost?

26. Is there some IT competence left in the company e.g. the IT architect?

Commitment

27. Do you foresee any changes in the near future? Growing closer or moving away from each other? Why?

28. Do you have an exit strategy so that the relationship can be terminated without it causing too much chaos, how easily could you replace your provider?

29. Do you think that your outsourcing relationship could be better for you if your partner would do things differently?

30. Now when you see how your outsourcing relationship has developed, would you have done anything different in the beginning (e.g. started using certain services from the beginning instead of waiting?)

Trust

31. Do you feel that you could count on your provider if the unexpected would happen? Have you seen any goodwill from their side?
About the provider

32. So last question, what would you recommend a CIO (or other relevant person) to do to create a successful outsourcing relationship? What have been, in your opinion, the most important factors? Any hidden pitfalls?
Appendix 2 - Supplier side questionnaire

Questionnaire
IT Outsourcing relationship

The lines provided underneath the questions are just for notes since the answers will be noted during out meeting. Certain questions might be rendered unnecessary by answers to other questions.

Why? What? How?

1. What IT services do you provide for your client?

2. Sometimes the provider has to provide certain material and personal assets like technology, machines and employee knowledge – which is called asset specificity. Would you say that you provide a service with high degree of asset specificity?

3. What would be the primary goal with the outsourcing project? Draw them closer to increase future cooperation and revenues?

Cooperation

4. Have you found any benefits that you were not expecting from your outsourcing relationship? (Eg. You gained new workers with skills you didn’t have before, etc)

5. How did the competence change during the outsourcing project? Any competence gained or lost?
Satisfaction

6. How do you measure customer satisfaction? Surveys?

7. How often do you measure your results? Is it spontaneously or is it on a weekly basis?

Contract

8. What is the size of the outsourcing contract (0-10 MSEK, 10-100 MSEK, 100-500 MSEK, >500 MSEK, >1000 MSEK, >2000 MSEK)?

9. How much manpower is assigned to this project?

10. The literature speaks about tight and loose contracts, i.e., with a high level of detail and low level of detail. Can you say something about your own contract? Where would it fit?

11. There is a term called "bounded rationality" meaning that a single person can't possess all the details relating to a certain subject. Also since the contracts are formulated by lawyers, they can sometimes become very complex. Is this a problem you have encountered (e.g., have there been conflicts due to misinterpretations of the contract actually entails)?

12. Would you consider trust to be a big issue in your relation or does the contract give enough stability?
13. How do you look at flexible contracts where you adapt the contract to the customer’s needs?

14. Do new contracts often entail large investments both monetary and in manpower, or do you only use the resources you have at hand? If you invest in them, where does your “break-even” point lie for 3, 5 and 7 year contracts?

15. Do you have problems with employee poaching or does the contract give you sufficient protection?

Communication and Internal factors

16. Are you satisfied with the communication between you and your outsourcing client?

17. How often do you and your coworkers have meetings with your client? Is it different at different levels e.g. sales, management, CIO etc?

18. How do you keep in touch with your client? Teleconferencing, face-to-face etc? Do you have an official means of communication? Maybe different means are used at different stages in the relation?

19. Is it important for you to be able to meet your outsourcing client face-to-face on a short notice (a more personal relation)?

20. How well do you think the corporate culture matches your clients? And how important is it that the corporate cultures match? If they don’t would you try to adapt to the customers culture?
Commitment

21. How would you rate your client's importance to the company on a scale 1 to 10.

22. Do you have many ITO competitors with same global range and competencies ready to take over if the relation would fail? If that is the case, what efforts if any have you done to improve the relationship? (Eg. Sacrificing some revenue to improve the relation?)

23. Do you think that your outsourcing relationship could be better for you if your partner would do things differently?

24. Do you feel that your relationship has potential to mature, grow into something better with a higher level of trust and commitment? Both in the near future or further along the line? Maybe develop into a partnership?

25. Now when you see how your outsourcing relationship has developed, would you have done anything different in the beginning? Why?
Conflict

26. How do you normally deal with conflicts within the outsourcing relationship?

27. Are there any particular area/areas results in most conflicts?

28. So last question, what would you recommend a CIO (or other relevant person) to do to create a successful outsourcing relationship? What have been, in your opinion, the most important factors? Any hidden pitfalls?