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Abstract

The trend towards using information technology (IT) outsourcing to exploit core competencies and attain competitive advantage is increasing in organizations. In this regard, researchers are studying organizations to understand the variety of factors that influence IT outsourcing relationships. This paper presents a model of factors influencing IT outsourcing relationship efficacy. The model is a synthesis of the work of ten groups of authors on IT outsourcing relationships, and is intended as a guide to question formulation for future research.

Keywords

Outsourcing relationships, outsourcing model

Introduction

IT Outsourcing as defined by Kern (1997) is "a decision taken by an organization to contract-out or sell the organization's IT assets, people, and/or activities to a third party supplier, who in exchange provides and manages assets and services for monetary return over an agreed time period." In the past, many researchers have concentrated on the capabilities of IT functions for managing outsourcing arrangements (Feeny & Willcocks 1998a, Feeny & Willcocks 1998b, Lacity & Willcocks 2001). Some investigated organizational strategic intent in engaging in outsourcing (DiRomualdo & Gurbaxani 1998, Gurbaxani 1996, King 2001), while others investigated the determinants of IT outsourcing (Hu, Saunders & Gebelt 1997, Lacity, Hirschheim & Willcocks 1994, Lacity & Willcocks 1995, Lacity, Willcocks & Feeny 1995, Loh & Venkatraman 1992a, Loh & Venkatraman 1992b, Saunders, Gebelt & Hu 1997). There is also a large body of research defining the advantages and disadvantages of IT outsourcing (Ang & Cummings 1997, Cheon, Grover & Teng 1995, Cullen, Willcocks & Seddon 2001, Willcocks, Fitzgerald & Feeny 1995, Willcocks, Fitzgerald & Lacity 1996), or documenting what functions organizations should outsource (Lacity & Hirschheim 1993b, Lacity & Willcocks 2001). Other researchers have suggested how organizations should negotiate and develop sound contracts (Harris, Giunipero & Hult 1998, Yao 2002, Willcocks et al. 1995, Willcocks, Lacity & Kern 1999, Steensma & Corley 2000).

IT outsourcing proponents have emphasized that managing outsourcing relationships is very important (Kern & Willcocks 2001, Kern & Willcocks 2002, p.17, Pinnington & Woolcock 1995, Willcocks & Lacity 1999, p.165). A relationship is defined as "a long-term commitment, a sense of mutual cooperation, shared risk and benefits, and other qualities consistent with concepts and theories of participatory decision making" (Henderson 1990, p.8). While IT outsourcing relationships have received some attention in the literature, few researchers have provided insights into the IT outsourcing relationship between client and supplier (Goles & Chin 2002, Kern & Willcocks 2001, Klepper & Jones 1998, Lacity & Willcocks 2000, McFarlan & Nolan 1995), and most have produced inconclusive results, as indicated by Kern and Willcocks (2002, p.4). Although these contributions help us to understand IT outsourcing relationships in general, our understanding of managing the relationship remains limited. Until now, there has been no single practical model that fully explains the dynamics of managing IT outsourcing relationships.

The research question that motivates this paper is thus as follows: ***"What key factors influence the efficacy, and ultimate success, of the IT outsourcing relationship between client and supplier, as perceived by the various stakeholders?"*** The efficacy of a relationship refers to the degree to which the outcome of a relationship between client and supplier matches stakeholders' expectations. The contribution of this study lies in the development of a model for understanding IT outsourcing relationships. The model, presented below in Figure 1, is a synthesis of the work of the ten groups of authors who have researched and published work on IT outsourcing relationships, augmented by insights from our own preliminary field discussions. The intention is to use this model as the basis for enquiry into IT outsourcing relationships. Our contention is that the model defines the set of issues that researchers will need to consider in attempting to understand the success of IT outsourcing relationships.

Identifying the Relevant Literature

A search through the IT outsourcing literature identified over a dozen studies concerned with outsourcing relationships, concepts, and models. Table 1 shows the factors influencing outsourcing relationships identified in each study, and the types of stakeholders considered, i.e., executives, middle managers (including IT and business unit managers), and users. It also indicates whether the focus of study was on client or supplier organizations and whether studies were cross-sectional or longitudinal.

Selected Studies	**Factors**	**Stakeholders**	**Perspective**	**Nature**
Davis (1996) [3]	Governance Inter-organizational design	Middle managers	Client Supplier	Static
Goles (2001) [9], Goles and Chin (2002) [10]	Client capabilities Supplier capabilities Quality Relationships	Executives Middle managers Users	Client Supplier	Static
Klepper (1995) [1],	Behavior	Executives	Client	Static

Klepper and Jones (1998) [5]		Users		
Kern (1997) [4], Kern and Willcocks (2000, 2001, 2002) [7,8,11]	Intent Contract Structure Interaction Behavior	Executives Middle managers	Client Supplier	Static
Lacity and Willcocks (2000) [6]	Stakeholders Relationship phases Relationship types	Executives Middle managers User	Client Supplier	Static
Lee and Kim (1999) [12]	Partnership quality	Middle managers Users	Client	Static
McFarlan and Nolan (1995) [2]	Strategic partnerships	Executives	Client	Static

Table 1: Summary of selected IT outsourcing relationship studies ([number] indicates corresponding column in Table 2 in Appendix)

Analyzing Themes in the Literature

Iterative examination of the 12 studies, augmented by preliminary field discussions with four case study organizations that have outsourced all or part of their IT service provision, and two IT outsourcing suppliers, indicated that eight groups of factors were sufficiently encompassing to explain the aspects of the outsourcing process that were most likely to influence IT outsourcing relationships. Those factors are outsourcing strategy, due diligence, contract development, governance, performance management, contract management, working relationship management, and knowledge management.

Table 2 (see Appendix) compares factors identified by the various authors. It was motivated by a table of similar layout by Goles (2001). The first column shows attributes of the eight main factors (in bold) identified by the various authors. As each factor was identified, its associated attributes were listed beneath. This step was repeated until all factors and attributes identified by authors as influential to outsourcing relationships were tabulated. We then marked each junction cell with ‘X’ to associate factors and attributes with their respective author/s. The tabulation thus provides a visual map of the outsourcing relationship literature showing areas that the various authors have concentrated on in their research, and areas that need to be investigated further.

A Model of Factors Influencing IT Outsourcing Relationship Efficacy

Our review of the 12 studies also suggested that an outsourcing arrangement could be divided into three main stages: pre-contract, contract, and post-contract. Therefore, we tied our eight factors to those three stages. Finally, we integrated Lacity and Willcocks’s (2000) relationship stakeholders and relationship phases framework into the model. This allowed us to map the three outsourcing stages onto the different phases, to understand the activities that take place at each stage. It also helped us to determine whether the selected studies had examined IT outsourcing relationships from different stakeholder perspectives.

The final result of all this integration effort is the model shown in Figure 1. Because it represents the integration of so much thinking from the literature, Figure 1 and the following discussion of the eight factors identified in the figure are the key contributions of this paper. The focus of the model is on the factors that influence the efficacy of an outsourcing relationship. The *efficacy* of a relationship refers to the degree to which the desired outcome of a relationship between client and supplier is met. As an example of the meaning of the arrows labeled “Influence”, the arrow from “Outsourcing Strategy” to “Efficacy of Outsourcing Relationship” is meant to indicate that if the client organization’s strategy and goals are not clear from the start, then the organization can find itself in an unsuccessful relationship with its supplier(s). The other arrows have similar meanings. Finally, the dotted line between “Efficacy of the Outsourcing Relationship” and “Outsourcing Success as Perceived by Stakeholders” is meant to suggest that the efficacy of a relationship has an important influence on outsourcing success, as perceived by the various stakeholders. However, that probable link is not explored further in this paper.

The remainder of this section explains each of the eight factors in turn, its importance, and highlights attributes that need to be investigated in later research.

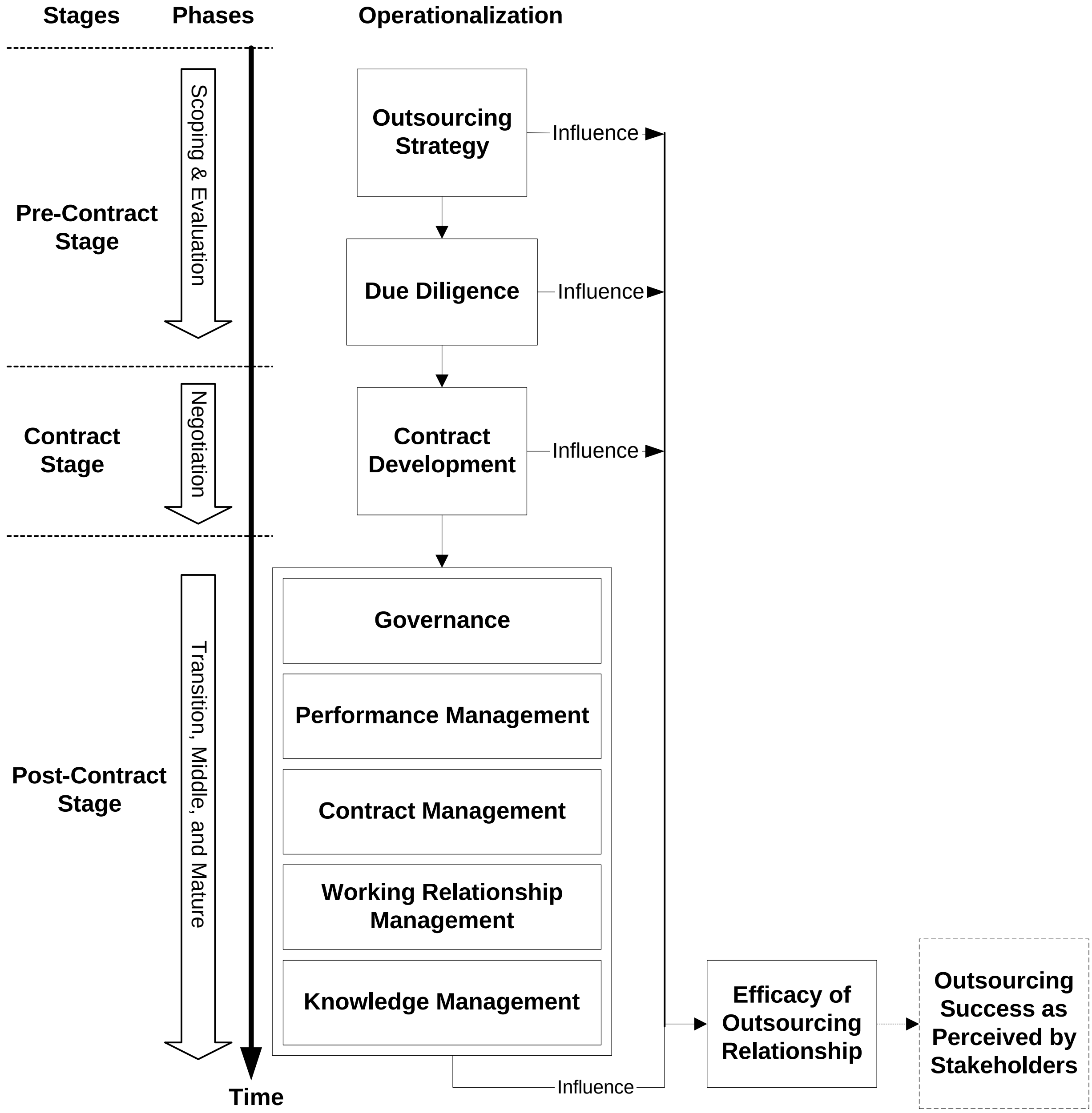

Figure 1: IT outsourcing relationships model

Factor 1: Outsourcing Strategy

The initial process of engaging in IT outsourcing is complicated. Although outsourcing is considered as a powerful management tool (Johnson 1997, Laabs 1993b), wrong outsourcing decisions are costly (Willcocks et al. 1995, p.62) and result in loss of competencies and capabilities and in exposure to unexpected risks and business failures (Ngwenyama & Bryson 1999, p.352). The decision to outsource has never been an easy task for decision makers (Yang & Huang 2000). The reason is that it involves significant complexity and business risks (Antonucci, Lordi & Tucker 1998, Marcolin & McLellan 1998). The complexity of IT outsourcing decisions is one of the explanations for some of the reported failures (Lacity & Hirschheim 1993a, Loh & Venkatraman 1992a, Loh & Venkatraman 1992b).

According to Kern and Willcocks (2001, p.57), “every relationship is launched with particular guiding objectives, reasons, and intentions” behind its instigation, formation, and maintenance. Whatever the reasons, since the decision to outsource has a lasting impact on the organization, executive management should make the decision with long-term objectives in mind. As part of the strategy, it is important for client organizations to determine what they are outsourcing (Laabs 1993a, Laabs 1993b), what their goals and objectives are, and why they are outsourcing (Pearce 2002). As indicated above, the arrow from “Outsourcing Strategy” to “Efficacy of Outsourcing Relationship” in Figure 1 is meant to indicate that if the purchasing organization’s strategy is not clear from the start, the organization can find itself in an in-efficacious relationship.

Factor 2: Due Diligence

We refer to due diligence as a set of pre-planned activities, such as supplier selection/evaluation and supplier development, which organizations take into account before signing a contractual agreement. As part of the outsourcing process, client organizations should be meticulous in understanding the attributes that can build a solid foundation for a successful outsourcing arrangement. We believe that assessing the size and complexity of the service are part of due diligence activities and missing attributes such as supplier selection, evaluation, and development from the studies influence the efficacy of the outsourcing relationship.

Supplier Selection/Evaluation

Supplier evaluation is a critical success factor in the outsourcing process (Chaudhury, Nam & Rao 1995). A client organization can build an effective relationship by understanding the supplier’s competencies as part of its evaluation process. However, evaluation requires more than a quick review of the supplier's capabilities and prior engagements (Bushell 2001). Although each organization may have different methods for assessing supplier capabilities, the evaluation provides a means to determine whether a potential supplier is able to deliver a solution based on the defined requirements.

Supplier Development

It can be argued that supplier development can help client organizations to build and sustain relationships. According to Laseter (1998, p.106), organizations can build mutual relationships by investing resources and time, and by sharing expertise in supplier development. Client organizations will realize the benefits of their investment in supplier development over the life of their engagement. Training is one practice that client organizations can put in place as part of the process. Training programs can influence the efficacy of relationships, as they help the suppliers’ personnel to come up to speed on clients’ business environments, processes, and procedures (Klepper & Jones 1998).

Factor 3: Contract Development

Domberger (1998, p. 12) defines contracting as “the design and implementation of contractual relationship between purchaser and supplier”. The contract specifies the purpose of the relationship, the contribution to be made by the supplier, and the arbitration procedures in case of disputes (Deo Sharma 1998, p.511). However, often, it is difficult to define services in quantifiable terms. Fitzgerald and Willcocks (1994, p.93) suggested that organizations should build specific service level agreements (SLAs) and flexibility into their contracts. Many organizations define their SLAs poorly; they do not spend enough time and effort understanding the activities to be outsourced or identifying both business and technical requirements. Mostly, the focus of their SLAs is on technical requirements, while, in turn, performance measures are based on technical definitions instead of on business rules. Consequently, the service outcome does not satisfy users, whose dissatisfaction may weaken the relationship.

Often, organizations do not have enough expertise to build a sound contract with appropriate flexibilities (Harris et al. 1998, p.380, Kern 1997, Laseter 1998, p.237). The contract must be capable of evolving over time; flexibility is fundamental at contractual level (Kern & Willcocks 2000). Building enough flexibility into the contract allows clients to make appropriate adjustments in responding to changes in technology, business strategy and the marketplace during renegotiation (Bushell 2001, De Looff 1997, p133, Pearce 2002, Saunders et al. 1997, p.76). Indeed, a well developed contract greatly influences the resulting efficacy of the relationship (Lacity & Hirschheim 1993a, Fitzgerald & Willcocks 1994), and a robust development process for creating contracts is one of the critical success factors in IT outsourcing relationships (Bushell 2001).

Factor 4: Governance

Kern and Willcocks (2001) argue that sound governance of an outsourcing relationship is vital to its success. Governance includes, but is not limited to, certain attributes that influence outsourcing relationships during the three stages of outsourcing. The attributes that can be added to the model are senior management role and support, management structure and teams, management style, management skills, and the establishment of appropriate processes and procedures (communication, change management, etc.). We believe these attributes not only help to manage outsourcing arrangements effectively but also influence the efficacy of outsourcing relationships.

Senior Management Role and Support

Laseter (1998, pp.17-19) suggested that the capability to successfully manage supplier relationships spans the organization, and in particular requires leadership from senior management. Consequently, senior management support is considered a prerequisite for every successful outsourcing relationship (Lee & Kim 1999), in that it leads the initiative and drive for change from the top down. Senior management plays a critical role in communicating the reasons for outsourcing throughout the organization and in putting in place appropriate management structures and resources (Klepper & Jones 1998, p.290). This role and the accompanying support start from day one by setting the strategic direction, and continue during the outsourcing lifecycle by supporting the governance structure.

Structure

Management structure is an important pillar of successful outsourcing (Jones 2001). Structure refers to the way a team or an organization is organized, whether it is decentralized or centralized, whether it emphasizes line or staff: in short, how the “boxes” are arranged

(Pascal & Athos 1986, p.80). A well-planned structure allows client and supplier organizations to manage their operational activities, monitor the implementation, and measure the performance of services provided. Outsourcing relationships require their own management structure, and the teams from both client and supplier organizations play an important role in managing the engagement. Both teams can develop long-term outsourcing relationships by building structures that suit the outsourcing needs.

Skills

Klepper and Jones (1998) pointed out that successful management of outsourcing relationships requires a new breed of managers. The operationalization of the outsourcing requires managers who have previously managed the outsourced activities but can develop new abilities and skills for managing ongoing relationships with suppliers. Without this professional development, the outsourcing relationship will struggle to thrive. In outsourcing, typically, the individual manager becomes a catalyst, a communicator, and plays a facilitator role rather than the previous one of hands-on manager. Outsourcing relationships require managers to have strong interpersonal and communication skills, to be able to influence and, most importantly, negotiate outwards across organizational boundaries within both client and supplier organizations (Jones 2001).

Style

To manage IT outsourcing relationships, organizations need a different style of management (Jones 2001, Jones & Kliman 2001, Firmbuilder 2001). Style refers to the patterns of behavior of individual managers, from senior managers to line managers responsible for day-to-day operation. A manager’s behavior is a powerful form of communication to people down the line. A further key to success is the ability to motivate employees at all levels to pursue the organization’s objectives (Pascal & Athos 1986, p.47). On the other hand, a manager with an adversarial or demanding style may cause conflict that jeopardizes the relationship. Differences in style can lead to miscommunication, decreasing the level of trust and undermining the relationship.

Factor 5: Performance Management

Any business relationship needs oversight and periodic review (Elliott & Torkko 1996), particularly of service to clients, which, if poor, can be destructive of an outsourcing relationship. It is important to hold the supplier to its obligation, as nothing will cause a relationship to collapse faster than looking the other way when that supplier fails to perform (Klepper & Jones 1998, p. 257).

Monitoring and managing of supplier performance depend on how well the client organization can construct the contract, identify service specifications, and define SLAs during the contract stage. Measuring the performance provides empirical data for measuring the success of the relationship (Gartner 2002). Monitoring the performance and quality of the services provided informs client organizations whether the objectives have been met, what the discrepancies are, what controls need to be in place, and, finally, confirms success. Monitoring also helps supplier organizations to assess the level of customer satisfaction and areas for continuous improvement. Client organizations can realize the anticipated benefits proactively by monitoring the performance against the SLAs on a regular basis. This may sound like a truism, but organizations can suffer greatly and their outsourcing relationships turn sour due to poor performance management.

Factor 6: Contract Management

A contract comprises of the design and implementation activities necessary throughout the life of the outsourcing arrangement (Cullen & Willcocks 2003). It is through contract management that success is ultimately determined. A successful relationship cannot be guaranteed by the contract alone. The contract and the relationship between client and supplier are inseparable (Fitzgerald & Willcocks 1994, Marcolin & McLellan 1998); therefore, during the outsourcing lifecycle, contract management becomes important.

IT outsourcing proponents have emphasized that managing the contract is crucial (Klepper & Jones 1998) and complex (Barrett 1996). Although fundamental, the contract is neither self-enforcing nor self-adjusting (Kern 1997). The ideal is to have a relationship management process in place. Many client organizations have expressed dissatisfaction with their contractual agreements concerning the underestimation of time and the skills needed for effectively managing outsourcing contracts (Quinn 1999). According to Corbett, "management often fails to realize that outsourcing contracts require a very different style of management" (as cited in Klepper & Jones 1998, p.281). In the literature, poor contract management and lack of communication have been cited as major causes of dissatisfaction and conflict in outsourcing relationships.

Factor 7: Working Relationship Management

We introduce the working relationship factor as a combination of interactions and behaviors between parties; this is important in establishing and sustaining strong and long-lasting relationships in IT outsourcing (Kern 1997, Kern & Willcocks 2001, Goles 2001, Goles & Chin 2002). The contribution of our model is that it explicitly articulates the attributes, whereas much of the literature only implies it. The working relationship needs to be sustained over a long time, and, if well conceptualized from the outset, influences the outcome of the outsourcing in a positive way (Laabs 1993b).

By nature, the working relationship is a complex and dynamic factor to research. This complexity encompasses relational, social, and human characteristics, since each individual brings different background, experience, style, and culture into the outsourcing engagement. In this context, research has identified a number of attributes as most influential to outsourcing relationships: trust, commitment, conflict, communication, cooperation, satisfaction, and dependency (Goles 2001, Goles & Chin 2002, Kern 1997, Kern & Willcocks 2000, Kern & Willcocks 2001, Kern & Willcocks 2002, Lee & Kim 1999). Some attributes are interdependent, such as commitment and trust. Greater commitment leads to greater trust and vice versa (Kern 1997, p.46). The commitment of either party to the relationship is a clear indication that the party is serious about achieving success. Some attributes influence each other and some are antecedent to other attributes. According to Kern and Willcocks (2000, p.343), cooperation and trust develop over time. However, cooperation depends on trust. Greater trust in a partner leads to greater willingness to undertake cooperative behavior in a coordinating way. Similarly, organizations that have low trust in a partner will be less willing to undertake cooperative behavior (Klepper 1995). Personal relations or social bonds not only produce trust (Kern & Willcocks 2000, p.331) but are also helpful in resolving conflict between parties (Kern & Willcocks 2000, p.340). We suspect that listening and the personalities of stakeholders also influence the efficacy of outsourcing relationships. All these attributes are a reminder of the complexity of the working relationship between parties and of how limited our present understanding is.

Factor 8: Knowledge Management

The notion of knowledge transfer/sharing has been explored broadly in IT outsourcing (Kern & Willcocks 2002, Lee & Kim 1999). However, its importance has not been emphasized strongly enough. We believe that this factor is as important as any other in outsourcing, and deserves to be investigated thoroughly in order to explain how knowledge sharing influences both structure and management and the efficacy of the relationship.

According to Corbett, the ongoing exchange of knowledge and expertise between client and supplier is a trademark of successful outsourcing engagements and contributes to the success of the relationship (as cited in Klepper & Jones 1998, p.286). Pursuing a successful relationship requires investment, knowledge for example, by both client and supplier (Kern 1997, p.45), while lack of knowledge transfer damages the relationship (Greengard 1998b). When clients share their knowledge with their suppliers, they demonstrate trust (Cohen & Prusak 2001, p.45), and trust builds commitment. The more commitment expressed by an organization, the stronger the relationship becomes.

Knowledge sharing starts in the organizational culture (Fitz-enz 2000), and requires commitment from senior management (an attribute we discussed under governance) and buy-in from employees (Greengard 1998a). However, sharing knowledge presents a difficult challenge during the outsourcing engagement. Many organizations are concerned about sharing proprietary information (Laseter 1998, p.139). Often they feel that they lose knowledge or skills if their employees are transferred to the supplier organization as part of the outsourcing arrangement (Pearce 2002). Therefore, it is beneficial to both client and supplier to learn more about knowledge transfer/sharing and its influence on IT outsourcing relationships.

Discussion

In this section, we discuss some of the differences between the models and explain why our comprehensive model can be used as a vehicle for guiding future research into IT outsourcing relationships. Kern and Willcocks's (2001) model discusses many of the same factors but at higher, more macro, level. Like the model in Figure 1, it starts with strategic intent for engaging in an outsourcing arrangement, and ends with international and behavioral factors. Goles (2001) identified four influential factors in outsourcing relationships: client capabilities, supplier capabilities, interaction and behavior, and quality. Lee and Kim (1999) introduced the partnership quality factor. These three models, in conjunction with the relationship stakeholders and phases framework developed by Lacity and Willcocks (2000), greatly influenced the development of our integrated model.

We believe our integrated model provides a richer map for exploring IT outsourcing relationships for several reasons. First, the integrated model includes all explicit factors and attributes identified by the 12 studies in Table 1, as well as many that were implied. For example, Kern and Willcocks (2001) identified Structure as an explicit factor but alluded to the notion of specializations that "can be assumed to broadly correspond to the outsourcing relationship" (p. 64). Thus, the notion that specialization can be translated into a skill attribute belonging to an individual was implied in, rather than part of, their model. We changed "skill" from an implicit to an explicit attribute, and categorized it under the governance factor. In other words, our governance factor includes not only team structure, but also other attributes such as skill, style, number of joint teams, senior management support, and outsourcing champions. In future research, identifying and considering all possible attributes that can be included under the governance factor, and researching them thoroughly, may provide a deeper understanding of the role played by governance in influencing outsourcing relationships and the success or failure of their outcomes.

Second, we introduced Due Diligence as a new factor after discussions with senior managers at one of our case study sites. Due diligence refers to pre-planned activities, processes, and procedures that organizations normally exercise before signing a contract. Due Diligence has a number of attributes, such as supplier selection and supplier evaluation. Another attribute of Due Diligence is supplier development. By investing time and resources in developing supplier needs to understand the client's processes and procedures, client organizations can demonstrate commitment, which in turn will transform into trust and ultimately into longer, more robust, and efficacious relationships.

Third, the model highlights the importance of considering different stakeholder perspectives of the efficacy of an outsourcing relationship. Different stakeholders have different expectations, and assess the success or failure of outsourcing arrangements differently. As pointed out by Lacity and Willcocks (2001), while executive management concentrates on cost reduction, other stakeholders demand service excellence. Thus, considering only a limited number of stakeholders in an outsourcing study provides limited knowledge. A richer and more holistic view of the dynamics of outsourcing relationships is required. Additionally, human resources turnover influences the efficacy of relationships. The attribute of turnover, which has so far only been implicitly referred to in the literature, should be investigated explicitly.

Finally, Table 1 shows that most research on IT outsourcing relationships consists of snapshot studies taken at a particular time (cross-sectional), which provides us with a one-sided view of relationships. Considering that relationships are complex and dynamic, we argue that a longitudinal study may be useful in understanding the formation and development of all factors that influence the efficacy of relationships over time, and in determining when and how those factors take effect. In addition, many studies focus on the client's perspective. Suppliers are the other half of the outsourcing equation and are equally important and influential. Thus, we argue that a longitudinal study, which provides a dynamic view of outsourcing relationships and considers both client and supplier perspectives, should be used as a basis for future studies. By viewing outsourcing as a three-stage process, the model in Figure 1 provides a useful framework of factors to consider in such a longitudinal study.

Before concluding, it is appropriate to explain how an outsourcing success could be measured. Prior research expressed success in terms of overall satisfaction or benefits, whether strategic, technological or economic (Grover, Cheon & Teng 1994, Grover, Cheon & Teng 1996), or as realized cost saving (Lacity & Willcocks 1998). Although, these indicators are valid, they are not sufficient. Success is a multi-dimensional construct that is only meaningful if discussed from the point of view of a given stakeholder (Seddon 1997). Our model recognizes the importance of adopting a multi-stakeholder perspective in assessing success.

Conclusion

The findings of this study concur with Kern's (2002, p.17) view that "understanding of IT outsourcing relationships is limited". Hence, there is a need for a more comprehensive and a richer model for studying outsourcing relationships. Our review of literature revealed that prior researchers have approached the topic of IT outsourcing relationships from many different points of view. Many prior models are either extensions of existing models or utilize frameworks from other disciplines, such as the marketing relationship literature, to explain IT outsourcing relationships. The key contribution of this paper is therefore the integrated model of IT outsourcing relationships in Figure 1. The model is an attempt to integrate most prior research in this topic area to support a future longitudinal study of IT outsourcing relationships from the differing perspectives of the many stakeholders who are party to such relationships.

We acknowledge that developing a comprehensive model that includes all factors and attributes that influence the efficacy of outsourcing relationships is both challenging and complicated. We therefore do not claim that our model is the last word on this topic. However, our claim is that the model is useful because it considers multiple stakeholders, recognizes the importance of the supplier's perspective, and frames the study of outsourcing as a longitudinal process, not a cross sectional study.

This study has the following limitations. First, the factors identified are based primarily on prior studies. We are currently engaged in longitudinal case studies with several organizations to test and improve our model. Second, we did not consider external factors such as changes in economies, markets, and technologies. It would be useful to examine those factors and identify other factors that possibly influence the efficacy of outsourcing relationships.

In conclusion, our model is aimed at the operational or micro level, rather than at the macro or guiding-principle level. We believe it is more encompassing, integrated, actionable, and outcome-oriented in terms of different stages and phases of relationships. We hope that the proposed model establishes new framework for future research by highlighting factors to be explored from the viewpoints of multiple stakeholders, and by encouraging a longitudinal approach to understanding the reciprocity of IT outsourcing relationships.

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Appendix

Stages	Factors and attributes	Selected Studies											
		1	2	3	4	5	6	7	8	9	10	11	12
Pre-Contract	**Outsourcing Strategy**												
	▪ decision criteria/intent					x			x			x	
	▪ exchange/relationship type	x				x							
	Due Diligence												
	▪ supplier stability, goal, competency				x	x		x					
	▪ supplier development					x							
	▪ HR transition issues		x			x							
Contract	**Contract Development**												
	▪ contract type					x			x				
	▪ flexibility		x		x	x		x	x				
	▪ set up SLA/SLM								x				
Post-Contract	**Governance Management**												
	▪ capability (skill & training)							x	x				
	▪ executive commitment		x										x
	▪ management structure			x									
	▪ processes		x	x		x							
	▪ strategies (communication, HR)			x		x							
	Contract Management												
	▪ SLA management				x			x	x				
	▪ renegotiation					x							
	▪ risk management					x			x				
	Performance Management												
	▪ cost reduction		x										
	▪ customer satisfaction				x			x	x				
	▪ service delivered				x			x	x	x	x		
	▪ service quality									x	x		
	Working Relationship Management												
	▪ business understanding				x			x				x	
	▪ cultural fit		x	x	x	x		x		x	x		x
	▪ commitment	x			x			x		x	x	x	x
	▪ conflict/conflict resolution	x			x	x		x	x	x	x	x	x
	▪ cooperation	x			x	x		x	x	x	x	x	
	▪ coordination			x						x	x		x
	▪ communication				x	x		x	x	x	x	x	x
	▪ consensus									x	x		
	▪ dependency				x			x	x	x	x	x	x
	▪ expectation				x			x	x				
	▪ flexibility									x	x		
	▪ integration									x	x		
	▪ investment (resources, knowledge, time)	x			x			x					
	▪ joint action/participation												x
	▪ personal bond/chemistry		x		x								
	▪ power	x		x	x			x	x			x	x
	▪ satisfaction (overall)	x			x							x	
	▪ shared vision				x			x					
	▪ stakeholders						x						
	▪ trust	x		x	x			x	x	x	x	x	x
	Knowledge Management												
	▪ knowledge sharing/transfer											x	x

Table 2: Analysis of factors influencing IT outsourcing relationships; table format adapted from Goles (2001)

Key to the columns in Table 2:

1. Klepper (1995)
2. McFarlan and Nolan (1995)
3. Davis (1996)
4. Kern (1997)
5. Klepper and Jones (1998)
6. Lacity and Willcocks (2000)
7. Kern and Willcocks (2000)
8. Kern and Willcocks (2001)
9. Goles (2001)
10. Goles and Chin (2002)
11. Kern and Willcocks (2002)
12. Lee and Kim (1999)