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ABSTRACT

Most studies undertaken in the area of IT outsourcing seem to focus only on the customer’s perspective leaving a gap in knowledge about the vendor’s perspective. This study aims to correct this deficiency by investigating the views of four organisations providing IT services in Singapore, and comparing this to the current literature base of customer views. The findings showed that the vendor’s views about security, contract management and flexibility differed from the customer’s point of view. However, two issues, partnerships and vendor inexperience, seem to match the vendor issues found in this study. Additionally, two approaches were found to be used by vendors in the IT outsourcing activities, multiple-team approach and single-team approach. A multiple–team approach is likely to be used by vendors having a contract-based relationship and single-team approach is likely to be used by vendors having a partnership-based relationship.

Keywords
IT, outsourcing, vendor, Singapore

1. INTRODUCTION

IT outsourcing has been one of the most popular outsourcing activities undertaken by organisations. From only US$9 Billion in 1990, the IT outsourcing industry has been predicted to grow to over US$150 Billion in 2004, and an estimated 30% of the 1999 IT workforce in the United States worked in the outsourcing industry (Lacity and Willcocks, 2001). While there have been many studies undertaken in the area, most of them seem to focus only on the customer’s perspective (i.e. organisations receiving the IT services). Little is known about a vendor’s experiences in the outsourcing process (Lee and Kim, 1999; Lacity and Willcocks, 2000; Lee, 2001; Levina and Ross, 2003).

This study uses Levina and Ross’ (2003) definition of outsourcing, which is a “user organisation (customer) transferring property or decision rights over IT infrastructure to an external (vendor) organisation.” This better captures the essence of IT outsourcing, and concurrently, clearly defines the two parties involved in the outsourcing process. Based on this definition, this study uses the term “the customer” for the organisation receiving the IT services, and “the vendor” for the organisation providing the IT services.

Levina and Ross (2003) focused on how vendors provide value to the customer. They suggest that the vendor’s value proposition was based on the ability to develop a set of core competencies, and that vendors were enticed to share this value with the customer. Saunders (2002) also studied the vendor’s perspective. The study compared outsourcing vendors and IT workers and applied Kern’s (1997) IT relationship model to the findings, and suggested that the perspectives of outsourcing vendors and IT workers were very different. Levina and Ross (2003) noted: “While the client’s (customer) sourcing decisions and the client (customer) – vendor relationship have been examined in IT outsourcing literature, the vendor’s perspective has hardly been explored.”

These studies provide great value in understanding a particular portion of the vendor’s perspective in IT outsourcing but they do not provide sufficient information on other issues that vendors face, and how the vendor’s perspective might be compared to the customer’s perspective.

2. LITERATURE REVIEW

Literature on IT outsourcing emerged in the 1980s, when Dearden (1987) predicted the end of the information systems department in organisations. He suggests that information systems development and management would eventually be undertaken by external software specialists. Since Dearden’s paper, there has been an evolution of research trends towards IT outsourcing. Early research concentrated on the potential benefits that could be gained from an IT outsourcing approach (Lacity and Hirschheim, 1993). As the research evolved, researchers
were interested in understanding reasons behind organizations outsourcing their information systems, i.e. the outsourcing decision (Gupta and Gupta, 1992). Consequently, their findings indicated that economic reasons were the most commonly cited reasons for undertaking IT outsourcing (Lacity and Hirschheim, 1993).

Studies on determining the degree to which an organisation’s IT function should be outsourced became popular when Lacity and Hirschheim (1993) studied the various levels of outsourcing. They suggested that organisations should only outsource the portions of their IT function which are not part of the business core. Further studies by Lacity and Hirschheim (1995), and Chapman and Andrade (1997), brought forward the idea of insourcing as an alternative to conventional IT outsourcing.

The selective sourcing approach was introduced by Lacity, Willcocks and Feeny (1995). This outsourcing approach was reiterated by Currie (1998). Using this approach, organisations outsource their IT function to several vendors, and this provides the advantage of not being tied to a single vendor, as well as to create competition among vendors (Currie, 1998).

In recent years, considerable interest has been drawn to understanding the partnership between the customer and the vendor (See Lee and Kim, 1999; Willcocks and Kern, 1998). These studies found that partnerships were favourable to a positive outcome of the outsourcing process.

Although IT outsourcing literature has evolved over the years, with different trends and focuses, the perspective investigated has always been constant: the customer. An analysis of the literature reveals the lack of academic research relating to the outsourcing vendor's perspective. This view is echoed by a number of authors (Lee and Kim, 1999; Lee 2001; Levina and Ross, 2003). These studies call for more research into the vendor’s perspective. In fact, looking at the evolution of focus in outsourcing literature, understanding what vendors face in the outsourcing relationship seems like the next natural step.

Lee and Kim (1999) define partnerships as an inter-organisational (vendor and customer) relationship established to achieve the participants' shared goals. Henderson (1990) and Grover, Cheon and Teng (1996) describe two types of outsourcing relationships, transaction based relationship and a partnership based relationship. Henderson as well as Grover et al argue about the benefits of partnerships. Lee and Kim (1999) empirically validated their arguments, finding that partnership quality is a key predictor of the outcome of the outsourcing relationship. Lee and Kim (1999) believe the relationship between the vendor and the customer is a partnership rather than that of a supplier/buyer relationship. Such a view has been substantiated by many studies (Henderson, 1990; Grover et al, 1996; Greco, 1997; Willcocks and Kern, 1998) that focus on the mutually beneficial relationship in the outsourcing activity.

The literature also highlights contract management as one of the major issues surrounding IT outsourcing. One common issue is the customer’s lack of skill in managing the outsourcing process (Lacity and Hirschheim, 1995; Jorgensen, 1996; Earl, 1996; Hurley and Schumann, 1997; Fowler and Jeffs, 1998), including outsourcing contract documents. Vendors are often more experienced in developing contract documents, which usually results in contracts that weigh heavily in their favour (Lacity and Hirschheim, 1995). Organisations frequently underestimate the amount of resources expended due to their inexperience with contracts (Earl, 1996). Barthelemy (2001) finds that the cost of managing a contract averages around US$300,000 a year, or 8% of the yearly cost of a contract. He suggests that these costs should be included in the total costs of outsourcing. A contract’s specifications might be interpreted different by the organisation and the vendor. Ambiguous specifications of service levels will invariably escalate into conflict between the vendor and the customer. As suggested by Lee (1996), this issue links directly to the negotiation of the contract. If the service levels are defined very accurately in the contract, fewer problems are likely to arise during contract maintenance and dispute management will be easier.

Apthoe, Sobol, Hanaoka, Shimada, Sarrinen, Salmela and Vepsalainen (1997) highlight a drawback of outsourcing; the customer must transfer knowledge about its requirements and needs to the vendor, a process which Barthelemy (2001) calls transition cost. Domberger et al (2000) concur, adding that both customer and vendor face a steep learning curve to acquire knowledge about business requirements and specifications. This learning process is often accelerated by the vendor taking over the customer IT staff. Earl (1996) and Lacity and Hirschheim (1993) suggested that such practice could ensure continuity of knowledge about the customer’s needs and requirements. They argued that this practice negates most of the technical and management expertise advantages that the vendor professes to have. They question the claim of providing enhanced technical skills when the customer is in fact still being served by its ex-staff.

Additionally, Domberger et al (2000) suggest this learning process is one of the reasons that the costs of subsequent contracts for IT outsourcing are invariably lower than the initial one. Vendors, who have previous experience, know the characteristics of the customer, and do not need to undergo the learning experience again.
The vendor perceives the renewed contract as less risky, as they have gained experience with regards to the customer’s IT function (Domberger et al, 2000).

Flexibility is a ‘bilateral expectation of a willingness to make adaptations as circumstances change’ (Heide and John, 1992, quoted in Goles and Chin, 2002). Customers see flexibility as a strategic issue. Smith et al (1998) asserts that since IT is a strategic resource, it should not be outsourced, but rather, kept within the customer to use as it sees fit, consequently providing strategic flexibility for the customer. Outsourcing a strategic resource implies giving up an organisation’s direction, competitive advantage and strategy to another firm. Interestingly, McLellan, Marcolin and Beamish (1998) point out that some organisations actually outsource strategic IT systems, as they are unable to capitalize on their systems as efficiently as a vendor. Saunders, Gebelt and Hu (1997) agree with McLellan et al’s (1998) view, stating that the outsourcing of core functions can be done successfully, by thorough negotiation of the outsourcing contract.

Authors have also commented on the loss of the customer’s ability to exploit IT, stemming from the loss of IT skills and knowledge as a result of outsourcing (Cant and Jeynes, 1998; Currie, 1998; Smith et al, 1998). Eventually, the organisation could become stagnant and lose its ability to exploit the strategic benefits of IT (Cant and Jeynes, 1998). Rouse and Corbitt (2002), and Hindle et al (2003), believe that the loss of IT skills would result in the loss of IT innovation in an organisation. In addition to the costs of replacing staff, the organisation faces difficulties and time constraints in rebuilding its IT competencies.

Security of business information has always been an issue with IT outsourcing. Lee (1996) comments that in the outsourcing process, the customer’s sensitive data can be in the hands of the vendor, and the security of sensitive data thus depends on the security measures of the vendor (Tyler, 2001 and Lavery 2001). Fantasia (2000) adds that some data of the customer might be so sensitive that it should never be in the hands of the vendor.

Stimpson (2002) raises another valid point: how secure is an organisation’s data travelling over the Internet? The data has to pass though not just the Internet, but the organisation providing the service, as well as the telecommunications companies providing telecommunications infrastructure such as the Internet (Paraskevas and Buhalis 2002). Vendors using the Internet as a communication medium would have to protect the data that is transferred between the vendor’s remote server and the customer’s information systems.

A review of the literature on outsourcing studies has shown that the focus is on trying to provide the best IT outsourcing solution, or to identify customer issues with IT outsourcing. Little studies have been undertaken on vendor issues (Levina and Ross, 2003) as majority of these studies focus their investigations on the customer.

3 RESEARCH DESIGN

The primary motivation for this research project was to answer the question of ‘what issues do vendors experience in the IT outsourcing process?’ Two supplementary questions support the primary question, being, ‘how do the IT outsourcing issues faced by vendors and customers differ from each other?’, and ‘are there any relationships among the issues that IT outsourcing vendors experience in the IT outsourcing process?’ These two supplementary questions help to both focus the research, and allows for a deeper understanding of the issues at hand.

Due to the exploratory nature of this study, a multiple case study approach was selected. The unit of analysis was the organisations who provide IT outsourcing in Singapore. A case study approach is preferred when wanting to develop a deep understanding of the issues at hand, and uncover the complex relations between the issues (Neuman, 2003). Multiple case studies yield generalised research results (Benbasat, Goldstein and Mead, 2002), and are more robust, and the evidence more compelling (Yin, 1994).

Four organisations based in Singapore were chosen. Two (case A and B) are large multinational organisations, with more than 100 employees, one (case C) is a medium local organisation, with more than 10 and less than 100 employees, and one, (case D) is a small local organisation, with less than 10 employees. The two large multinational organisations (cases A and B) operate in almost all sectors of the IT market such as hardware and software development, IT service provision and IT consulting, and the two smaller organisations (cases C and D) only provided IT services.

The data collected is representative of the cases providing IT outsourcing services in Singapore only. Data collected from these companies should not be misinterpreted as representative of data from other countries in which the organisations operate.

A total of six interviews with project managers or equivalent were conducted over a period of 2 weeks, in August 2003. Two interviews were conducted with different project managers in cases A and B, while only one interview was conducted in cases C and D. The reason for this discrepancy in the number of interviews across
cases is that cases C and D were relatively small companies, and it was more likely that the views represented in the single interview would be the consensus of project managers in the organisations. Cases A and B were large organisations, and an extra interview was conducted to ensure validity and consistency of the data.

The data collected was analysed in various steps. The data in each case were grouped by issues within each case, to allow for easier comparison and analysis. This was partially accomplished by the interview protocol, where the questions asked were already categorised. Next, an analysis was undertaken using a within-case approach, as suggested by Eisenhardt (1989). This means that the data for each case were looked on as a separate entity, without reference or linkages to data from other cases. Neuman (2003) identifies this technique as ‘The Narrative’, where the researcher writes each individual case as a story of events, bringing a descriptive picture of the data to the research. This provides the researcher with a clear and intimate knowledge about individual cases, allowing the researcher to identify the patterns within each case before proceeding to the next step.

Analytic comparison is then performed, where the cases are combined and compared as a whole. This method enables researchers to identify patterns among the cases (Neuman, 2003). Findings arising from the analytic comparison were compared to the issues viewed from the customers’ perspective, as described in the literature review. Differences between the vendor’s and the customer’s perspectives were identified. Issues were also compared between organisations, to explore any themes or cross-organisational issues that might be present.

4 FINDINGS AND DISCUSSION

The findings of the study were twofold. Firstly, the analysis of the individual cases has provided an understanding of the vendor’s outsourcing issues present in individual cases. The list of issues that vendors face are, (i) security; (ii) vendor inexperience with the customer; (iii) contract management; (iv) partnerships; and (v) flexibility. The issues faced by vendors differ substantially from those of customers. While vendors were generally not too concerned over customer issues, what is even more interesting is that some issues identified in the outsourcing literature match the vendor issues found and with some of the customer issues seemingly different from the vendor issues identified. Vendor issues on partnerships and vendor inexperience were similar to that of the customers, but views about security, contract management and flexibility differ from the customer issues identified. Secondly, a relationship, between vendor approaches to outsourcing and partnership levels was suggested by the findings. A multiple team approach seemed to suggest a lower level of partnership, and a single team approach seemed to suggest a higher level of partnership. A relationship between vendor size and vendor inexperience was also found. A larger vendor seemed to experience a shorter period of inexperience with the customer than a smaller vendor.

Security

This study finds that security did not seem to be of much concern for all the cases. There seems to be a general trend through all four cases of pushing the onus of the selection of a security level onto the customer. In other words, the customer sets the security measure and the vendor just implements the customer’s decision. As case A said, “Ultimately, the customer decides what security level or features to be added. We just follow the customer’s wishes.” However, cases A and D reported problems with customers selecting an inappropriate security level, and having to change the security level midway in the outsourcing process. These particular cases report that this problem of inappropriate security levels stem from the fact that some customers do not properly understand the nature of the security level chosen, and could be overzealous or too unconcerned about the security level chosen and its implications. Case D explained, “They were very enthusiastic about having a high level of security, and they chose a level of security that we would see at military installations. Half their users ended up not having enough access privileges to properly do their work and half their existing software did not work on the hardened server.” This can lead to problems in the outsourcing process, when the customer realises their mistake, and would obviously desire to adjust the outsourcing process accordingly. Vendors solve such issues by presenting a default security level for all projects, which can be later modified as the customer better understand their security level requirements.

Interestingly, in this study all interviewees stated that their customers were not raising much issues about this, contradicting earlier literature which suggests that the customer is largely concerned with security issues (such as having their confidential or sensitive organisation data in the hands of the vendor) (Lee, 1996; Fantasia, 2000; Tyler, 2001; Lavery, 2001). Case C adds, “We never have any problems with the confidentiality of data. Our customers know that we have a lot of experience with these matters.”

Vendor Inexperience with the Customer

Cases A and B had little concern with inexperience with the customer, while cases C and D had relatively more concern about inexperience with the customer. All cases stated that they experienced some level of difficulty in...
understanding the customer’s requirements during the initial period of the outsourcing contract. Both Cases A and B stated that they experience a lower learning curve with the customer mainly because the contracts involve standardised platforms which they were expert developers of. Because of this familiarity in developing for these standardised platforms, they are able to bring a higher level of expertise to the customer. Cases C and D did not have standardised platforms, and thus, would not have the familiarity with their development platforms that cases A and B would have. All cases experienced some initial difficulties with the customer, but the working relationship generally got better as the project progressed. As case B explained, “This is like any other relationship. There always is some initial inexperience, as we have to get used to each other’s working style. But as time goes along, things get much easier, as we learn about each other.”

This study also found that vendors experience similar difficulties to what customers face. Vendors generally do not have adequate knowledge about the customer during the initial phase of the outsourcing process. Looking at the customer’s perspective, Apthe et al (1997) and Domberger et al (2000) have both suggested this issue. They believe that communicating clearly business needs and processes might overcome such issues. As case A stated, “There is always some level of inexperience with the customer; this cannot be avoided. What we find lessens the impact of this inexperience is to have an open dialogue with the customer to clarify everything before the negotiation for the contract even starts. If both of us know what we are going into, there are always fewer problems.”

This finding means that vendor inexperience with the customer is to be expected and unavoidable, but can be managed with proper planning, such as good requirements capture during the initial phase of the outsourcing process. Case C agrees, “Requirements capture is the key. If this is done right, there will be smooth sailing. If not done properly, we will be in for a very ‘fun’ project.”

**Contract Management**

All four cases reported differing levels of concern with contract management. Cases A and C experienced relatively high levels of problems with contract management, as customers try to change the contractual terms midway through the contract, or have disputes about the contract. These requests for changes and disputes are invariably routed to higher management, and take about a week to a month to get resolved, depending on the severity. Cases A and C both had instances where disputes did not get resolved, and had to be settled in court. Cases B and D reported relatively less concern with contract management. They preferred to settle contractual problems as quickly as possible. Disputes or requests for changes in the contract where dealt with preferably on the spot or with as low a level of escalation as possible. All of the cases, however, indicate that the problem stemmed from the customer. As case C puts in a nutshell, “They just do not read the contract before signing!”

Anticipating the problem of changes in contract during the outsourcing process, case C built into the contract a hidden cost to counteract the cost of managing the contract. All cases indicated that a lot of contract management issues originate from the customer and this might be true, due to this gap in experience. Vendors seem to manage the outsourcing contract better than customers because vendors deal with contracts and customers as part of their core business so have relatively better skills in negotiating, interpreting and maintaining the contract. Customers, on the other hand, have less experience with contract management (Lacity et al, 1995; Jorgensen, 1996; Earl, 1996; Hurley and Schumann, 1997; Fowler and Jeffs 1998), and might make more mistakes when negotiating and managing the contract. Case B had a partial solution to this issue of contract management. Case B provided the customer with free legal advice from an independent legal firm to interpret the legal connotations of the contract, and hired independent auditors to monitor the contract, as well as to conduct yearly audits on the outsourcing process. Not surprisingly, case B is the case which reported the lowest concern about contract management.

**Partnerships**

While a high level of partnerships was found to lead to a successful outsourcing relationship by Lee and Kim (1999), this study suggests that there are two relationships that occur in the outsourcing activities, partnership-based and contract-based. Cases B and D promoted partnerships with their customers, while Cases A and C tried to rely very much on the outsourcing contract. All cases viewed partnerships as a beneficial relationship. Case A and C both stated that they do not discourage partnerships, but do not do anything special to promote the development of partnerships. Cases B and D viewed partnerships with enough merit to pursue and stimulate the growth of a partnership-based relationship with their customers.

The partnership-based relationships tend to rely on communication and dialogue to resolve problems, working out any disputes at a low level before escalating it to a higher level of arbitration. This dialogue results in greater flexibility in the relationship. For example the vendor sometimes is unable to provide a previously agreed upon service level but does not incur penalties for this because of this partnership relationship. As case D mentioned,
“We have to give and take in this relationship. Sometimes, the customer might have forgotten to include a service they want us to provide in the outsourcing contract, and if it’s not very expensive to provide it, we just do so. This runs both ways as well, for example our customers will usually look the other way if we just drop a bit below the agreed upon service level.”

Contract-based relationships tend to rely on the contract to resolve problems. Although the arbitration process is relatively similar to that of partnership-based relationships, both parties give very little ground during the arbitration, and the contract usually ends up being altered, with the customer bearing the burden most of the time. In the contract-based relationship, almost no flexibility exists in the outsourcing process. On a positive note, this entices the vendor to try extremely hard to meet the service levels specified in the contract, for if not, penalties are would be incurred. Case A explained, “We have to follow the contract very closely. It is the law governing the project, after all. Without the contract, it’ll be chaos. I actually have customers who decide that they just want us to develop a web presence for them today, and tomorrow they decide that they want a fully functional web portal. If they want something extra, it’s very simple. They have to pay for it.”

There has been an evolution of views regarding partnerships in the literature. Early research stated that partnerships do not exist in outsourcing processes (Lacity and Hirschheim, 1993; Lacity and Hirschheim, 1995), whereas later publications argue that partnerships are beneficial to the outsourcing process (Henderson, 1990, Lee and Kim 1999). All cases reflected the views of the current literature, that partnerships are favourable. However, only two cases (B and D) were in the process of actively developing partnerships, whereas the other two cases (A and C) accepted partnerships if they developed naturally, but did not go out of their way to develop partnerships.

Flexibility

The issue of flexibility for the customer seems to be a non-issue for vendors. They offer no other solution for changing strategic needs discussed in the literature (Lacity and Hirschheim, 1995; Earl, 1996; Hurley and Schumann, 1997), besides renegotiating the contract to suit the changed strategic environment. The literature on the issue of flexibility related to the customer’s point of view does not really link with the vendor’s view of flexibility. The literature focuses on strategic flexibility, whereas the vendors all state that they do not offer strategic flexibility, but offer some flexibility in the form of adjustments to services provided or service level agreements. It is very interesting to note that with cases B and D, there was a willingness to be flexible on smaller changes to the contract, for example, changes to service level agreements or services provided.

As for the issue of loss of IT skills in the customer (Cant and Jeynes, 1998; Currie, 1998; Smith et al, 1998), all cases state that it was inevitable that some customer IT skills were lost as the marketplace gets more and more specialised. However, the cases feel that there is little danger in losing IT skills entirely. Case B explains, “We can provide IT services more efficiently, we can do planning for them if necessary. Why would organisations nowadays need IT skills?” Case A added, “We can provide any IT service cheaper and better than they can do it in house, why bother with having technical skills in house anymore?”

Outsourcing Management Approaches and Relationships with Customers

The present study suggests two different approaches to outsourcing management. From the case study, cases A and C adopted a multiple team approach, and cases B and D adopted a single team approach. The multiple team approach involves multiple vendor teams managing the outsourcing project, while the single team approach involves a single vendor team managing the outsourcing project.

The multiple team approach describes the management of the project where the outsourcing project is transferred between vendor teams as the project passes through different phases of its life cycle. For instance, in
case A, a team specialising in the design of systems were first attached to the customer. Then, the project would be passed to a team specialising in systems implementation, after which, a team specialising in the maintenance of the system would take over the outsourcing project. There was no overall project manager who took charge of the entire project, but rather, information about the project and the customer was passed between project teams during the course of the project. Case A and C use a multiple team approach. The single team approach describes the management of the project where an outsourcing project was attached to a single team for the entirety of its life cycle. The team is assembled based on the specific needs of the project. An overall project manager is assigned to each outsourcing project, and whenever possible, this project manager is responsible for the duration of the outsourcing process. Case B and D use a single team approach although case B differs from case D in that it adds temporary specialist personnel to the team when required, whereas case D does not.

The findings suggest a relationship between the approaches adopted and the level of partnerships adopted. Cases A and C, which adopted a multiple team approach, adopt a lower level of partnership. Case A stated, “We don’t have time to develop long term partnerships with the customer. We just do our job, do what we are paid for, and that’s it.” Cases B and D, which adopted a single team approach, have a higher level of partnership. Case B stated, “Partnerships are very important. We want to take the time and effort to cultivate our relationship with the customer.” A single team approach seems to encourage a higher partnership level with the customer, while a multiple team approach seems to encourage a lower level of partnership.

The higher level of partnership seems to have a closer vendor-customer relationship, as demonstrated in: (i) more communication between the two parties, (ii) a higher level of willingness to compromise, and (iii) the increased sharing of information. An explanation for this phenomenon can be seen through social exchange theory. A partnership is seen as a willingness to share benefits and risks (Lee, 2001). The central tenet of partnerships is the establishment of trust, and in fact, it is that element of trust that separates a contractual based relationship from a partnership based relationship. A multiple team approach, with different vendor teams at different stages of the outsourcing process, means that the accumulated trust from each team is lost at each change of vendor teams, and has to be rebuilt from scratch. However, a single team approach, with the continuity of the vendor team in the outsourcing project, is conducive to the development of trust over time, as trust is developed and accumulated over the course of the entire outsourcing process. Thus, the single team approach seems to be a more conducive environment for the development of trust, from which partnerships would develop, as shown in the findings.

**Vendor Size and Inexperience**

There seems to be a link between the initial level of vendor inexperience with the customer and the size of the vendor. All cases reported some sense of vendor inexperience during the initial period of the outsourcing process, but what is interesting is the difference in concern between the larger and smaller vendors. Cases A and B reported very little concern about their inexperience with the customer, while cases C and D reported a relatively higher level of concern about their inexperience.

The level of concern about vendor inexperience with the customer seems to correlate to the size of the organisation. Cases A and B are classified as large multinational organisations, with more than 100 employees, while cases C and D are classified as a medium national organisation, with between 10 to 99 employees, and a small local organisation with less than 10 employees respectively. Cases A and B both reported that this relative lack of concern about vendor inexperience with the customer is a result of them leveraging their size, which allowed them to develop for standardised platforms throughout the entire organisation. This standardised platform allowed the large vendors to be immediately familiar with the environment they develop for and maintain, thus reducing time spent learning how a certain technology might work in the customer’s environment. As case A explained, “We develop using our standard platforms, there is no need to train our engineers and technicians to fit whatever the customer wants, as the customer has to come to our platform if they want our services. We don’t experience much difficulty in the initial stages of the project because of this.” Another explanation for this relationship between vendor size and inexperience might be due to the fact that larger vendors would have access to a larger pool of resources and expertise that smaller vendors would not have access to. Due to the vendor’s size, they would invariably have a higher volume of customers than smaller vendors, and would have learnt from experience the needs and requirements of the customer. Case B explained, “We have more than 1000 personnel working for us locally. I can bet that you can’t name one area in IT where we are not able to deploy our solutions. If we don’t know something, we just hire someone who does.”

**5. CONCLUSIONS AND OUTLOOK**

This study identified that vendors faced some outsourcing issues differently, most particularly in the issues of security, contract management and flexibility, where the vendor exhibited little concern about these issues. The
issues of vendor inexperience and partnerships had similar perspectives with the vendor and customer. It also uncovered two approaches taken by vendors with regard to IT outsourcing. Two cases used a multiple team approach and two cases used a single team approach. These approaches might be linked to the level of partnership evident in the relationship between the vendor and the customer. The multiple team approach seemed to encourage a contract based relationship, and a single team approach seemed to encourage a partnership style relationship. An explanation for this phenomenon might be due to the fact that as the multiple team approach changes teams during the process of the IT outsourcing contract, with social capital having to be re-developed every time a team is changed. In a single team approach, social capital is developed throughout the course of the IT outsourcing project.

The size of the vendor also seems to affect the concern about inexperience with the customer, with smaller vendors reporting more concern. This might be due to the fact that larger vendors have a larger pool of expertise and have had dealings with more customers, and thus, larger vendors would be able to adapt to different customers more quickly than smaller vendors.

This study contributed to a greater understanding of IT outsourcing issues from the vendor perspective that has been claimed to be the significant gap in the IT outsourcing literature (See, for example Lee and Kim, 1999; Lacity and Willcocks, 2000; Lee, 2001; Levina and Ross, 2003). This gap of knowledge in the IT outsourcing literature about the vendor’s perspective has thus been partly filled, and this has brought about further research opportunities to bring about even greater understanding of the vendor’s perspective and the IT outsourcing process as a whole. In practice, the findings of this study could assist organisations in better understanding the vendor’s point of view in the outsourcing process. Saunders et al (1997) state that the selection of a vendor is critical in the outsourcing process and through the insights that the findings provide into how vendors view various issues, customers are able to make a better outsourcing decision. Being given an insight into the various issues faced by vendors, customers would be able to understand the vendor’s perspective, and be able to work better with the vendor. For example, customers might be able to realise that the responsibility of security decisions is placed on the customer, while the vendor is only concerned with implementing these decisions. Customers may also benefit from understanding the two approaches used by vendors for IT outsourcing and the implications of these approaches, and choose an approach that would be suitable for the customer’s needs.

The findings of the study were limited by a number of factors. As the study uses a case study approach, the findings of the study cannot be generalised. Having said this, generalisation was never the aim of this study; rather, this study provided a look into the world of outsourcing vendors, and the issues they face. The use of small sample size would mean that the organisations investigated are not representative of all IT outsourcing vendors, thus the finding should be considered as indicative. All organisations interviewed declined to provide access to documents or archives regarding the outsourcing process, citing confidentiality constraints, and thus that the data gathered might not be comprehensive. Also, as only project managers were interviewed, the data collected for this project might only represent their experiences and views, which might differ across different layers of the organisation. Thus, the data collected should not be viewed as representative of the entire outsourcing vendor, especially with regard to data from the large multinational organisations. The fact that this study only captured data regarding outsourcing operations in Singapore must be kept in mind when interpreting the results. The data captured could be different depending on the country of operations.

There are further avenues of research arising from this study, which only identified the general outsourcing issues from the vendor’s perspective. Further study would also be required to confirm the relationships among the issues. It would also be interesting to see if the observed issues change during a longitudinal study, or during the observation of the entire outsourcing process, to study when certain issues appear, and when they would be resolved. Another aspect worth to look at is a study that incorporate both the customer’s and vendor’s perspective and compare their perspective simultaneously to understand how each issue affects both parties in the outsourcing process.

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