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ITP5267

This paper appears in *Managing Modern Organizations Through Information Technology*, Proceedings of the 2005 Information Resources Management Association International Conference, edited by Mehdi Khosrow-Pour. Copyright 2005, Idea Group Inc.

Relationship Antecedents in Outsourcing Success: Empirical Investigation of Three Outsourcing Relationships

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ABSTRACT

The conventionally believed benefits of information systems and information technology (IS/IT) outsourcing in terms of lowering costs, better quality systems and bridging of the skills deficiency depend on how well the relationship between the outsourcer and outsourcee is managed. This paper investigates the relationships between outsourcers and outsourcees. Data is collected based on a case study of three outsourcing relationships involving 6 businesses in Pakistan. The research findings identified trust, communication quality, cultural similarity and shared benefits and risks as the main antecedents that affected outsourcing success. On the basis of the findings, we conclude that outsourcing is likely to succeed when there is congruence between outsourcers and outsourcees in terms of the above dimensions.

INTRODUCTION

Information Systems/ Information Technology (IS/IT) outsourcing covers the development of simple application programs, information processing (data, entry, transaction processing, back-office support), facilities management (managing hardware, software, personnel and networks) and leasing of all IS and IT functions (Apte 1990; Bartell 1998). IS outsourcing has many potential drivers such as financial (cost curtailment); business (IS for start-up companies, focus on core competencies); technical (bridging the IS skills gap and accessing new technology) and political (need to acquire new resources, reducing uncertainty, and enhancing credibility by sub-contracting to specialists) (Lacity and Hirschheim, 1993a). Accordingly, outsourcing success has been evaluated in terms of cost savings from systems development, better quality of delivered systems and bridging of skills deficiency (Lacity and Hirschheim, 1993b; King and Malhotra, 2000).

Other researchers (Bodker, 2001; Lee, 2001; Lee and Kim, 1999; Heeks et al, 2000) evaluate outsourcing with a more social emphasis based on the relationship between the client (henceforth outsourcer) and the provider (henceforth Outsourcee). Relationship strength is often evaluated on the basis of process (such as knowledge sharing) and outcome (such as business value) measures (Lee and Kim 1999; Lee 2001). These are likely to be affected by factors related to the outsourcer, the outsourcee and their relationship. In this paper, we identify and explicate the antecedents related to the above three categories. We also attempt to address what might constitute outsourcing success in terms of relationship process and outcome measures.

THEORETICAL BACKGROUND

Outsourcing of IS/IT came to the forefront in the 1990s after the widely researched and reported Eastman Kodak outsourcing decision (Clark 1992). Since then, the interest in outsourcing never wane, it has actually become a global phenomenon and is having significant economic and political implications across the globe. Chi-wai et al (2000) trace two phases in the development of IS/IT outsourcing research. They assert that in the first phase research was concentrated on the outsourcers' viewpoint within a hierarchical relationship based on financial rationale (outsourcing to lower costs). The second phase of research concentrated more on the need to establish equal partnerships between an outsourcer and outsourcee with an emphasis on strategic management outcomes for both parties. Partnership in IS/IT outsourcing terms implies inter-organizational relationships between outsourcers and outsourcees to achieve shared goals so as to satisfy the needs of both. This second phase is also marked by a shift in the philosophy behind IS/IT outsourcing, which was no more a commodity, but a strategic resource where relationships are more productive than time-bound and task specific contracts (Lacity, 1993; Henderson, 1990; De Loof, 1995). Hence one can notice the emergence of a social perspective with a focus on outsourcing relationships and partnerships (Chi-wai et al 2000).

Several authors (Lee and Kim, 1999; Lee, 2001; Heeks et al, 2000) have suggested models that are based on the relationship paradigm and that can be used to analyse the antecedents and success of outsourcing. Lee and Kim (1999) recognized that previous research on outsourcing relationships failed on two counts. Firstly, they had concentrated on quantitative correlation analysis between partnership success (results) and related variables. Secondly, they were not able to decipher between process-related success (in terms of expectation management) and outcome-related success (cost curtailment and strategic gain). Thus Lee and Kim (1999) clearly delineated partnership quality variables (the antecedents) and outsourcing success measures in terms of both process and outcome by testing 74 outsourcing relationships. They found that partnership was positively facilitated by participation, communication, management support and information-transfer. They also identified trust, business understanding, risk sharing, conflict management and commitment as some of the key factors affecting partnership quality (predefined outcomes of relationship as defined by the partners' expectations). According to Lee and Kim (1999) antecedents of a good relationship are three fold: (1) Dynamic factors that include participation and joint action, communication quality, coordination and information sharing, (2) Static factors that comprise age of relationship and mutual dependency and (3) Contextual factors that entail cultural

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similarity and top management support. Finally, outsourcing success may be viewed from the business perspective (outcomes) and user perspective (process).

Heeks et al (2000) stressed the need to evaluate the nature of the outsourcer-outsourcee relationship along six dimensions of the COCPIT1 model (**C**oordination and control systems; **O**bjectives and values; **C**apabilities; **P**rocesses; **I**nformation and **T**echnology). The model gauges congruence of the relationship comprising Coordination and control systems (extent to which outsourcer and outsourcee use similar systems such as staff monitoring and appraisal); Objectives and Values (degree of organizational cultural similarity between the two parties); Capabilities (how far the outsourcees capabilities match the needs of the outsourcer); Processes (both parties must use similar processes, e.g. if the outsourcer concentrates on soft issues, the outsourcee may employ soft systems methodology); Information (information concerning outsourced work must be shared consistently by both parties) and Technology (both must employ similar technology for the purpose of development work, a lack of congruency will develop if the outsourcee develops a system that is incompatible to the outsourcer's technology). Heeks et al (2000) defined successful outsourcing relationships as those in which these dimensions depict close matches between the outsourcer and the outsourcee, such relationships are in synch; other relationships are liable to sink

Lee (2001) went further to study the impact of knowledge sharing, organizational capability and partnership quality on IS outsourcing success. He proposed a model that lay premium stress on knowledge transfer and recognized that this can be difficult given the potentially different structures, cultures and goals of the outsourcer and outsourcee. Lee (2001) investigated both the extent to which tacit (knowledge that is transferred through the written, spoken or symbolic expression and lies in the practices and learned abilities of individuals) and explicit knowledge (expressible and communicable knowledge) are transferred between the parties as antecedent variables affecting outsourcing success. Outsourcing success was measured by the business value generated for both parties. Lee (2001) hypothesized that this basic relationship is mediated by partnership quality (trust, conflict, commitment, benefit and risk sharing) and organisational capability (capability to learn and acquire knowledge) respectively.

Although Lee and Kim's (1999) work clearly differentiates antecedents and outcomes of outsourcing relationships, it fails to examine some soft issues in terms of the user perspective. For example, the extent to which outsourcing relationship failure may impact employee morale and perceptions are not considered. In addition, the authors pointed out that the study was restricted to Korea and its application to other countries needs to be tested. On the other hand, Heeks et al's (2000) didn't empirically support their COCPIT dimensions and criteria for analysing relationship success and failure. The business value both in process and outcome terms of a congruent relationship is not explicitly defined. The analysis by Lee (2001) is lob-sided towards knowledge transfer as key factor affecting outsourcing success. We argue that the extent of knowledge transfer could be considered as a process measure of outsourcing success. However knowledge transfer is likely to be affected by variables related to the outsourcer, outsourcee and their relationship.

In summary, evaluating outsourcing relationship requires viewing it in its entirety. Current models do not take stock of how individual initial projects develop into a relationship and how far the project success augurs well or otherwise for the relationship in the future. A hybrid model that seeks to appraise individual projects and link them with holistic measures of a relationship such as extent of knowledge transfer and expectation management would be relevant.

RESEARCH FRAMEWORK

We next present (Figure 1 and Table 1) a research framework for analyzing IS/IT outsourcing relationships based on the models discussed above and other literature Lacity and Hirschheim (1993a), Carlson (2000), Lacity et al (1995).

Figure 1. Research Framework

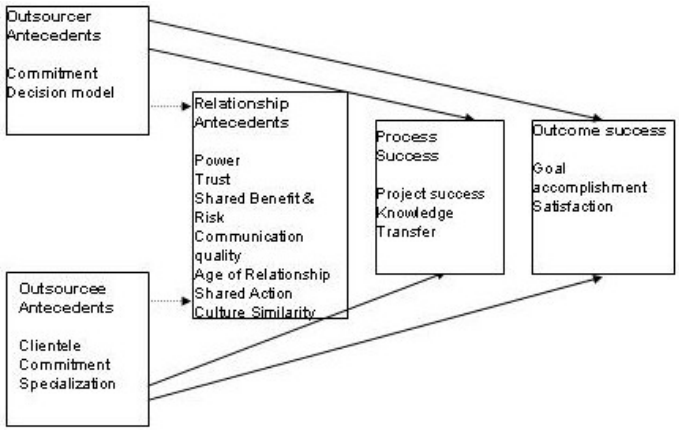

Table 1. Description of Each Construct

Construct	Variable	Basic Description	Reference
Outsourcer Antecedents	*Commitment*	Willingness to maintain relationship / business value.	Lee and Kim (1999), Lee (2001)
	Decision Model	Thought process behind decision to outsource.	Lacity and Hirschheim (1993a)
Outsourcee Antecedents	*Clientele*	Nature of outsourcers in terms of businesses of outsourcers.	
	Commitment	Willingness to sustain the relationship.	Lee (2001)
	Specialization	Industry, business or application focus	
Relationship Related Factors	*Power*	Control over outsourcing arrangement manifested by bargaining power.	Lee (2001)
	Trust	Belief that other party's actions will benefit the other.	Lee and Kim (1999)
	Shared Benefit and Risk	Degree to which the stakes are balanced.	Lee and Kim (1999); Heeks et al (2000)
	Communication Quality	Effective transfer of meaningful data	Lee and Kim (1999)
	Shared Action	Degree of success in both parties working together.	Lee and Kim (1999)
	Relationship Age	Duration of outsourcing arrangement	Lee and Kim (1999)
	Cultural Similarity	Comparable organizational culture	Carlson (2000); Heeks et al (2000)
	Project Basis	Degree of success in initial project	Heeks (2001)
Process Measures	*Knowledge Transfer*	Transfer of outsourced work specific knowledge.	Lee (2001)
Outcome Measures	*Business Success*	Meeting of predefined business objectives	Lee and Kim (1999)
	Satisfaction	Meeting of expectations	Lacity et al (1995)

RESEARCH METHOD

This study follows a case study approach. The primary focus of the research was to explore outsourcing relationships and through that to enrich our understanding of the factors that affect outsourcing success. Case study approach is therefore appropriate and consistent with the nature of the investigation. Case study allows covering the content, process and context of outsourcing without compartmentalizing them (Yin, 1994) and it is well suited to IT implementation in developing countries research (Montealegre 1999). We have used the conceptual framework because an a priori definition of research constructs is more likely to increase the quality of a case study than a free-form case study (Eisenhardt, 1991) and it is consistent to the tenets of case study research (Eisenhardt, 1991; Yin, 1994).

Data were collected through semi-structured interviews. To triangulate the data, business reports and other relevant documentations were also collected. Overall, three separate outsourcing relationships involving three outsourcees and three outsourcers were selected. Two rounds of meetings per organization, each lasting 90 minutes were conducted.

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Notes were taken during the interview. Data analysis proceeded with identifying patterns on particular measures and interpreting their meaning (Yin, 1994). Attempt was made to go beyond the narratives of case study analysis and to understand the relationship phenomenon through values and perceptions that people assign to them (Baroudi and Orlikowski, 2002). The analysis used the research framework and focused first on evaluating the outsourcing success both in process and outcome terms. Next, interviewees' responses were deciphered to identify the outsourcer, outsourcee, and relationship antecedents that affected success.

THE CASE

Contextual Background

Pakistan's IS/IT industry emerged in 1977 when a software development outfit called Systems Limited was formed in Lahore (Hamdani 2001). Initially, there were demand and supply gaps in human resources (skill gaps), marketing and business development (Ikram et al 2002) and the main drivers were prospects of offshore outsourcing as evidenced in neighbouring India. Demand emanating from offshore outsourcing attracted more entrepreneurs to IS/IT service provision. However, with the IT bubble bursting, many of these companies were closed down or spun-off (Masud 2001). Post year 2000 has been damaging for offshore outsourcing. The United States market shrunk, the valuations of software companies came down, the technology bubble burst and IT investors took a beating on the stock market (Ikram et al 2002).

Thus with the offshore market being less lucrative, the domestic market has now become of greater focus for the outsourcees (Hamdani 2001). About 30 % of the software companies are operating specifically to meet the domestic market needs (Ikram et al 2002). Most of these companies make custom software, stressing the need for the outsourcer to accurately define its business requirements and the outsourcee to understand the outsourcer's business. This need coupled with a growing tendency to seek local clientele is leading to the formation of many IS/IT outsourcing partnerships in the local industry.

Case Organizations

The outsourcers and outsourcees were the source of information. Because of anonymity concerns names of all organizations and personnel are not identified. The interviewees are quoted in the analysis as OSRA, which denotes outsourcer in relationship A and OSEA, outsourcee in the same relationship and similarly for the rest. The profiles of the cases are summarized in Appendix 1 and 2.

RESULTS AND FINDINGS

Success Evaluation

Two main dimensions, i.e., process and outcome were used to measure outsourcing success. While the first measure mainly refers to project success and extent of knowledge transfer, the second measure covers satisfaction and business value. Table 2 captures a summary of the findings.

ANTECEDENTS TO OUTSOURCING SUCCESS

Process Success Antecedents

Kumar and Mani (2001) stress that initial IS/IT projects outsourced are often 'pilot' projects in terms of the overall relationships and set the trend for greater confidence building till such time that the outsourcee becomes a virtual software arm for the client. In addition, Lee (2001) outlines knowledge sharing as an intermediate outcome that affects the value and sustainability of outsourcing success. Our findings identified several factors as major determinants of process success. These include outsourcer's decision model, outsourcee's specialization, and relationship antecedents in terms of communication quality, power, trust, cultural similarity and shared action.

Table 2. Success Evaluation

Dimensions/	Relationship A	Relationship B	Relationship C
Initial Project Brief	Leasing system for analysing details on payment. Has a database with tariffs and interest details on each leasing arrangement. Generates periodic reports for accounting department.	An order processing information system, details records of garment type, prices and current stock levels. Used by the operations and sales departments.	Expert system that gives decision support for designing advertisements based on different scenarios, output provides choice of medium, suitable models and calculates cost based on variables entered.
Project Success	SUCCESS The system required new technology; the outsourcing arrangement helped the transfer of this. Outsourcer A did not have the requisite skill which Outsourcee A had. Objectives were achieved and both parties expressed higher degree of satisfaction.	PARTIAL SUCCESS Outsourcee B assisted the outsourcer in procuring suitable computing technology. However, the objective of streamlining processes was not achieved and outsourcer was not clear on precise performance essentials. At times, projects were not delivered on time.	PARTIAL SUCCESS An expert system was delivered but personnel were given little training ll experienced difficulty in using the system. Outsourcee's emphasis on performance and reliability couldn't satisfactorily met outsourcer's values on creativity and flexibility hence some objectives were not achieved.
Knowledge Transfer	HIGH There was a reasonable degree of direct interaction between personnel and a substantial business know-how exchange. Source code, user guides, debugging details and troubleshooting were given to client.	LOW The Outsourcee had limited business know-how. Information is shared only on a need-to - know basis. User guides were given but not source code and debugging details. There was limited team interaction	MEDIUM Although information sharing and interaction are high, some aspects of the advertising business are unclear to the outsourcee. All user guides and debugging details provided but source code was available at request.
Goal Accomplishment	Objectives Achieved.	Most Objectives are Achieved	Objectives Achieved
Satisfaction	Highly satisfied	Satisfied	Highly Satisfied

Relationship B that was least successful on the project measure had a political decision model. It was based on the desire to modernize without weighing the cost imperatives and assessing suitability for the business. Hence in accordance with the political model, the decision-makers acted on their individual perceptions rather than concrete business analysis (Lathi, 1996). OSRB remarked 'Outsourcing is the in thing, our competitors use it.' In contrast OSRA said: 'We conducted an analysis based on our skill expertise; we were seeking more strategic benefits such as systems that give us a cutting edge at reasonable cost'. Thus Outsourcer A was following a rational decision model and conducted an analysis.

Outsourcee's specialization to meet client's needs ensures that processes, control systems and capabilities are well matched with those of the outsourcer and contributed to process success. OSEC noted the following

Although we have an excellent rapport with the outsourcer there are some aspects of their business that need more time to grasp and some of our techies never figure out the fine print.

Communication facilitates user involvement and that has been found to significantly affect IS design and implementation success (Avison and Wood-Harper, 1990). Because of poor communication, most projects can go wrong in the design stage and hence require re-work (Gorge et al, 1999). Based on both relationships A and C, we see that communication quality was higher and played a major part in ensuring project success. Similarly, for relationship A, exchange of personnel facilitated greater communication, cooperation and knowledge sharing during project. Most of our interviewees reinforced these positions.

The best thing about our practice is that we send personnel directly to the client's workplace, one-on-one correspondence helps us understand each other better. (OSEA)

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Trust (belief each party will act in the other's interest) was high in all three relationships. Even in relationship B, where some project objectives were not attained in the initial project, interviewees indicated mutual trust. All outsourcers commented that they would have considered other outsourcees had the initial project failed. In case of the most successful project in relationship A, the outsourcer indicated that the company would ensure that trust remained intact by regularly consulting with the outsourcee on any instance where there may be misunderstandings. Thus as suggested by Elitzur and Wensley (1997) trust in an IS/IT outsourcing arrangement requires a certain degree of monitoring, i.e., trust is verified by action that demonstrates each parties interests.

When I was unsure about a certain deliverable not being on track, I would just reach for the telephone and call the provider (OSRC)

The power dynamics observed are interesting. Although knowledge transfer is two-way; it was observed that initially the outsourcer had more power in terms of deciding which outsourcee to deal with. Later on, outsourcees may acquire firm specific knowledge and the bargaining power shifts. Thus due to the age of the relationship, knowledge vested in both members keeps them locked into the arrangement- the outsourcer is locked-in since a new outsourcee partner will have a learning curve to overcome to familiarise itself and the outsourcee may be locked-in as it has invested in outsourcer specific needs. Power dependency can also be regulated by mutual trust. The parties in A and to some extent in C were not insecure of the possibility of the outsourcer terminating the relationship if complete knowledge was transferred to the client. Similarly, the outsourcers were not worried about loss of corporate memory or knowledge because of outsourcing their IS/IT. There was in fact evidence to the contrary as both had gained knowledge through the relationship.

Organizational cultural similarity is observed to a certain degree across all relationships. Relationships A and C are typical of the existing culture in many local IS/IT outsourcees which are less hierarchical given the personnel exposure to the western market and high skill profile of the work force. Thus the restrictiveness of power distance in IS design and implementation by curtailing shared action and communication are not witnessed. Uncertainty avoidance is characteristic of Pakistan (Jordan 1999). This may actually be beneficial as the organizations seek to minimize surprises by interacting and sorting out relationship norms as was depicted in relationship C. Lack of shared value (cultural similarity) however could affect the extent of knowledge transfer and project success. This can be seen from the following remarks of the parties in relationship B.

It is unfortunate that sometimes we are given a date for a certain deliverable and the service is not delivered. (OSRB)

Outcome Success Antecedents

Outcome success entails the degree to which agreed goals for outsourced work have been met and overall satisfaction with it (Lee 2001; Heeks 2001). Our findings indicate that trust, shared benefit and risk, cultural similarity and commitment were common antecedents that affect the outcome of IS/IT relationship. Additionally, process success in terms of initial project success and high degree of knowledge transfer has also affected outcome.

Outsourcers in all three relationships cited equal terms of the relationship as a strong point in terms of their satisfaction in the relationship. Blois and Kern (2002) stress that such norms need to be inculcated in both parties working practices. This would prevent surprises that might lead to dissatisfaction from cropping up and develop a mutual trust between the parties. Our evidence indicates the same.

We realize the outsourcees make an effort to make the right software for us, they make mistakes at times, but they make the effort to meet our demands. (OSRA)

Risk sharing and management has also contributed to the satisfaction of both parties. In all three arrangements, although the outsourcer uses the software developed, maintenances were contractually the exclusive rights of the outsourcees. Thus, risk of losing the outsourcer all together is low. It may be argued that since the outsourcee is essential for maintenance, the outsourcer would loose control and the dependency could lead to dissatisfaction (Palvia, 1995). However, commitment, the extent of knowledge transfer, the age of the relationship and mutual trust and benefits mitigate this reduce the risk of opting out by either party and contribute to the overall outcome.

We can't just pack up and leave the arrangement tomorrow, you may say that we have other options, but we have worked hard to establish a rapport and we have much at stake (OSRA)

Organizational cultural similarity has contributed towards the overall outcome of the relationship. Predictably, A and C demonstrated a great deal of satisfaction with the relationship.. Outsourcer C however said that a little more work in the area of conveying the nuances of advertising to the outsourcee needs to be done.

It's great to be on the same wavelength as your client. We speak the same business lingo and the rapport is just fantastic! (OSRA)

Both parties in relationship B also seemed content with the arrangement even though in terms of initial project success and knowledge sharing this relationship did not fare as well as relationships A and C. This is due to the outsourcee B's commitment to meet outsourcer A's need in terms of least cost solutions. The following excerpts support this

Our priorities are different from many upscale software companies, we provide reasonably performing services that are unrivalled cost wise. (OSEB)

DISCUSSION AND CONCLUSION

Contemporary IS/IT outsourcing research has witnessed a paradigm shift towards valuing the relationship between outsourcers and outsourcees rather than one-off contractual arrangements (Chi-wai et al 2000). However, defining what constitutes a relationship and how it succeeds or fails still needs further research.

Based on the analysis above we can say that ideal IS/IT outsourcing relationship may be defined as a mutual undertaking between outsourcer and outsourcee that adds business value for both and may depict certain manifestations such as initial project success, knowledge transfer, meeting predefined goals and producing satisfaction. On the basis of this, relation A is most successful followed closely by C with B having the less favourable prognosis. Zatlin (2001) asserts that for many smaller organizations where IS/IT is not viewed as a core competency, cost would be the sole motivator of outsourcing. Relationship B appears to have been founded based on minimum cost considerations with outsourcee B following cost leadership strategy. Hence as long as these mutual expectations are met, this relationship might continue to be tenable. The research results can be summarized by the following outsourcer objective – outsourcee value matrix.

Figure 2 indicates that outsourcer motivation for outsourcing may be to minimize costs or seek strategic benefit by developing better systems. Outsourcers A and C represent the latter while outsourcer B represents

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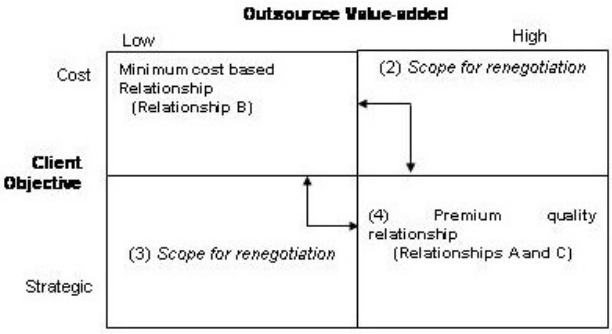
Figure 2. Outsourcer Objective-Outsourcee Value-Added Matrix



the former. The outsourcee can be characterised as one adding higher value such as outsourcees A and C or lower value in terms of greater strategic benefit such as outsourcee B. In figure 2 relationships A and C are shown as strategically motivated (Quadrant 4) where as relationship B had cost curtailment as the mutual objective (Quadrant 1). Both the minimum cost-based and premium quality relationships appear to be tenable.

The quadrants labelled (2) and (3) represent hypothetical possibilities that may not be tenable. In these cases, the relationship terms must be renegotiated to either of the quadrants labelled (1) or (4). The assumption in this matrix is that higher value would be added at higher cost to the outsourcer. There will be learning effects and value added may improve for the strategic objectives to be met over time. If for instance the outsourcer has strategic objectives and the outsourcee is adding low value even though the outsourcer is paying for premium services, the outsourcer would want to move from quadrant (3) to (4). However, here bargaining power is an issue since it was observed in the three relationships that bargaining power is initially tilted in favour of the outsourcer who can choose from amongst competing outsourcees; as the relationship becomes older and the outsourcee has information that enables it to provide more compatible and relevant service, the bargaining power is likely to shift. Thus the initial project once again is of great significance for renegotiating sub-optimal relationships or opting out earlier on.

In terms the measures, project success was found to be an important short-term measure that can act as a predictor of overall relationship success. Thus it is crucial that the relationship gets off to a good start. In addition, effective knowledge-transfer between parties is essential to ensure that the outsourcing relationship achieves the desired goal. However, if a relationship meets the criteria owing to any one or all of the process measures such as initial project success and knowledge transfer and if that is highly valued by the parties, then satisfaction is the likely result.

Regarding the antecedents, the trust, communication quality, cultural similarity and commitment were found to be antecedents that affected both process and outcome success. This consolidated previous findings such as Lee and Kim (1999). On the other hand the finding related to antecedents like outsourcee specialization and cultural similarity and power extended previous works. These findings could lead us to suggest best managerial practices to achieve better value from outsourcing. These include developing mutual trust, improving communication quality through direct team-to-team interaction, joint project appraisal, investment in relationship specific personnel (hybrids) and commitment to mutual benefits and sharing of risks.

The analytical model was applied to three relationships where the organizations were conveniently sampled. Hence, as with any case study research, the findings may not be generalized to all IS/IT relationships. All antecedents were gauged by data gathering through semi-structured interviews. The model is applied qualitatively for a richer contextual analysis. However, future research can apply the model for a quantitative analysis with a larger sample size. The three relationships studied entailed clients who outsourced their IS/IT activities completely to their respective providers. Future research can take a variation on this and apply the model to explicate relationships that based on partial outsourcing arrangements. Furthermore, this research entailed clients who had one service provider; testing the model on clients with multiple service providers presents another research opportunity.

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APPENDIX 1: OUTSOURCERS' PARTICULARS

Factor	Outsourcer A	Outsourcer B	Outsourcer C
Area of Business	Car manufacturing and sale	Textiles	Advertising Agency
No. of Years in business	12	20	9
Structure	Functional / Cross-functional Teams for development.	Hierarchical	Flat / Team based advertising account management.
Key Competitive Strength	Differentiation	Cost	Differentiation / creativity.
Management	Professional / foreign qualified	Family / some local professionals	Professional / Creative artists / some qualified abroad.
In-house IS ability	No, but some cross-trained staff with IS management expertise.	No	No
Outsourcing experience (number of years)	8	5	7
Number of IS Outsourcees	1	1	1
Problem-solving Approach	Participatory	Ad hoc / top-down.	Participatory
IS Work Outsourced	Leasing software Accounting software Website Maintenance & Training.	Payment Processing IS Website Pay-roll Consultancy	Expert systems Website IS maintenance and Training
Nature of Outsourcing (Complete vs. Partial); One-off vs. continuous	Complete and Continuous	Complete and continuous	Complete and continuous
IS liaison With Outsourcee	Cross-trained individuals	Operations Manager	Direct advertising team and outsourcee development team interaction.
Personnel Interviewed	Relationship Manager (OSRA)	Operations Manager (OSRB)	Creative Team Leader (OSRC)

APPENDIX 2: OUTSOURCEES' PARTICULARS

Outsourcee Factor	Outsourcee A	Outsourcee B	Outsourcee C
Years in Business	14	6	12
Specialization	-Manufacturing sector -Leasing Applications	No particular specialization	-Fast moving consumer goods companies -Advertising agencies
Structure	Flat and application based	Hierarchical / functional	Flat and application based
Key Competitive Strength	Premium quality	Cost	Premium quality
Personnel / Management	Western qualified management	Local management	Local professional staff / some foreign qualified management
Years in contact with corresponding client	8	5	7
Problem solving approach	Participatory	Based on senior management decision	Participatory / team based
Number of other outsourcers (not covered in this research)	15-20	25-30	10-15
Liaison With Outsourcer	Relationship manager	Senior Software Engineer	Team leader
Personnel Interviewed	Relationship manager (OSEA)	Senior Software Engineer (OSEB)	Team leader (OSEC)

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