

A Framework for Managing Multiple Vendors in an Outsourcing Arrangement

by

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Abstract

Multivendor Outsourcing (MVO) is a unique style of Information Technology Outsourcing (ITO) whereby a client firm procures products and services from, and manages individual relationships with, two or more vendors. Exploitation of the MVO design reaches back to Eastman Kodak's 1989 data warehousing mega-contract and has since become an important sourcing design that exploits individual vendor speciality.

While MVO is often leveraged by organisations worldwide, much of what is known about MVO management emanates from practitioners in the industry. Little academic investigation of MVO has been conducted outside of providing basic definitions of the phenomenon and limited exploration of focused areas of the trend.

This research investigates the issues, risks and complexities of MVO, collectively labelled "contingencies", and organises them into a practitioner-oriented management framework. The literature review uncovers contingencies for an *a priori* model of MVO contingencies. Case study method was used to collect, analyse and understand data from client firms, vendors and consultant firms. Subsequent analysis permits a revised model of MVO contingencies to be proposed and other pertinent findings to be presented.

The research found that one model for categorising MVO contingencies consists of five dimensions: *People*; *Process*; *Performance*; *Governance*; and, *Risk*. Data collection and analysis uncovered the fact that MVO has its own challenges compared to generic ITO, especially around relationship and coordination management. In addition to the revised model of MVO contingencies, 29 individual findings were discovered through the research.

Both the revised model and findings of the research are designed to improve the outcomes realised from MVO by client firms. These contributions also develop a research platform for further academic investigation into the phenomenon of multivendoring.

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Glossary

| Term | Definition |
|------------------------------------|---|
| Complementarity | Theory of Complementarity; a theory that posits that certain actions and tasks will improve returns or performance in another activity or area. |
| Contingency | Used to encapsulate the terms issue, complexity, risk and consideration. |
| ES | Enterprise System |
| Information Systems | Used interchangeably with Information Technology. |
| Information Technology | Electronic data storage, processing and communication technologies supported by complementary processes. |
| Information Technology Outsourcing | Outsourcing concerning Information Technology assets, process and functions of a client firm. |
| IS | Information Systems |
| IT | Information Technology |
| ITO | Information Technology Outsourcing |
| Multivendoring | Used interchangeably with Multivendor Outsourcing in this text. |
| Multivendor Outsourcing | A specialised form of Information Technology Outsourcing leveraging several providers rather than a single vendor. |
| MVO | Multivendor Outsourcing |
| Outsourcing | A procurement strategy where a client firm chooses to acquire products and services from a supplier organisation rather than develop and deliver the product or service internally. |
| QUT | Queensland University of Technology |
| RBT | Resource Based Theory |
| Resource Based Theory | A theory that suggests a firm's success is directly related to the organisation's available resources and their ability to exploit them. |

| | |
|----------------------------|---|
| Selective Sourcing | A sourcing strategy characterised by a client firm outsourcing only parts of their IT department, retaining some IT capabilities within the organisation. |
| Services Integration | The process of combining service components into complete services for delivery to end-users. The Services Integrator performs the Services Integration process. |
| SI | Services Integration or Services Integrator |
| SLA | Service Level Agreement |
| Sourcing | The process of acquiring a product or service for use by a client firm. |
| Supplier | Used interchangeably with Vendor in this text. |
| TCE | Transaction Cost Economics |
| Transaction Cost Economics | A theory that posits that all inter-party interactions include a cost based on a number of factors including opportunism, uncertainty, asset specificity and contracting frequency. |
| Total Outsourcing | A sourcing strategy where a client firm chooses to have all IT services delivered by external organisations. |
| UAT | User Acceptance Testing |
| Vendor | A supplier organisation that provides products and services to client firms. |

Statement of Authorship

The work contained in this thesis has not been previously submitted to meet requirements for an award at this or any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Signature:  T. Heed

Date: 17 February 2012

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1.0 – Introduction

Information Technology Outsourcing (ITO) has become an important component of effective Information System (IS) functions (De Looff, 1995; Gilley & Rasheed, 2000; Wadhwa & Ravindran, 2007; Willcocks & Lacity, 1998). The global ITO industry had a total value of US\$334 billion in 2009 with growth projections of 1% for the following year (Ridder & Maurer, 2011). ITO is a truly massive industry with large impacts in the operations of IT functions worldwide.

With ITO, client firms make a decision to acquire Information Technology (IT) as a service delivered from outside the boundary of the firm by a supplier (Nikolova, 2007). There is a considerable body of work pertaining to ITO (Dibbern, Goles, Hirschheim, & Jayatilaka, 2004), with many contributions arising from a "golden age" of outsourcing research in the 1990s.

Eastman Kodak initiated a trend of total IS outsourcing in 1989 with their data-centre "mega-deal", but total outsourcing deals often failed to deliver expected client outcomes (Willcocks & Lacity, 1998). Total ITO failures triggered a trend towards selective sourcing¹ (Lacity, Willcocks, & Feeny, 1996). With selective sourcing, the firm chooses to mix IT functions that are delivered internally and those that are outsourced (Blome & Henke, 2009; Currie, 1998; Gallivan & Wonseok, 1999; Levina & Su, 2008; Sharma & Loh, 2009; Young & Cohen, 2006).

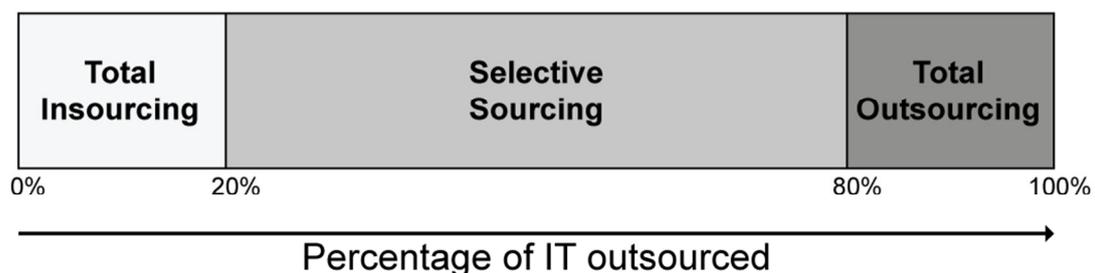


Figure 1: ITO sourcing styles (Lacity, et al., 1996)

¹ The terms 'outsourcing' and 'sourcing' are used interchangeably in this text.

An outsourcing strategy applicable to both total and selective sourcing is Multivendor Outsourcing (MVO). MVO is an outsourcing arrangement where a client firm signs contracts with multiple IT service providers for discrete IT services (Currie, 1998; Gallivan & Wonseok, 1999; Levina & Su, 2008). In this situation, the client firm sources individual components of their IT service portfolio from many suppliers (including internal IT departments) and blends these components into IT services delivered to the user, either through the internal IT department (Brooke, 2010), or through a services integrator (Davies, Brady, & Hobday, 2007).

A report, released by Gartner Research, forecasted that 70% of enterprises would be exploiting multivendor outsourcing by 2005 (Multi-vendor outsourcing, 2004). Proposed reasons for why firms select an MVO strategy include: improved cost control over traditional ITO through increased vendor competition and reduced vendor reliance (Blome & Henke, 2009; Gallivan & Wonseok, 1999); reduction of opportunistic behaviours displayed by vendors (Blome & Henke, 2009; Gallivan & Wonseok, 1999); and, the increasing complexity of IT functions and services (Currie, 1998).

Although there is an extensive amount of literature available on ITO in general (Dibbern, et al., 2004), there has been only limited treatment of MVO beyond basic definitions. MVO is an important, yet poorly understood, facet of today's modern IT sourcing market (Young & Cohen, 2006) and a challenging one at that (KPMG, 2007). An exploration of the complexities and realities of MVO will take steps towards addressing the lack of understanding of this phenomenon.

This research aims to address some gaps in the academic MVO body of knowledge. After an extensive review of extant literature, it is clear that MVO is not collectively well understood. The literature does not explore the area much further than defining the phenomenon of multivendoring². Much of what is understood of MVO derives from more general ITO research, which itself often focuses on more simplistic forms of outsourcing. There is limited

² 'Multivendoring' is used interchangeably with 'MVO' and 'Multivendor Outsourcing' in this text.

exploration of how these ITO propositions apply in the multivendor context, or research into any additional complexities, issues and risks that arise due to characteristics intrinsic to MVO.

Given the limited exploration of MVO issues, risks and contingencies, a strong preliminary contribution to the field is testing how existing ITO propositions apply in a multivendoring engagement along with the development of a MVO management framework. This research will explore extant ITO literature to discover important issues, considerations, complexities and risks (collectively labelled 'contingencies'), categorise these issues, complexities and risks in an *a priori* model of MVO contingencies and test this *a priori* model with case study data. The research then presents this tested model of MVO contingencies that client, supplier and consultant firms can use in management of multivendor engagements.

1.1 – Research Question

The research question for this project is:

What are the important contingencies a firm must consider when deciding to employ a multivendoring strategy?

This research question was selected as it provides the best opportunity to consider issues, complexities and risks together, rather than separately, in the model of MVO contingencies. With this research question, we are more concerned with the contingencies relevant to the client firm rather than the vendor firms, even though vendor firms have their own business case in any ITO engagement (Levina & Ross, 2003).

To comprehensively address the research question, this research will consider the following research areas:

1. Development of a formal definition of MVO;
2. Categorisation of pertinent contingencies in MVO;
3. Development of an *a priori* and a revised MVO contingency model; and,
4. Application of pertinent theory to MVO, including Transaction Cost Economics and Resource Based Theory.

Some of the major areas that are considered within this research question include: the definition of multivendoring; what categories capture the range of complexities in multivendoring; what the complexities of IT multivendoring are; and, what factors make multivendoring successful rather than complex.

1.2 – Research Objectives

The expected outcomes from the research questions and connected research areas are: 1) to provide a formal definition of MVO; 2) to develop an *a priori* model of MVO contingencies; 3) derive a tested (*a posteriori*) model of MVO contingencies; and, 4) identification of areas for future MVO research.

Objectives one and two will be achieved through a thorough review of extant ITO and MVO literature. The third and fourth objectives will be realised through data collection and analysis employing case study method.

Approaching the research in this way permits the research team to leverage existing literature and test how current ITO propositions fare in a realistic MVO context. This will permit a better insight into both the important engagement contingencies in MVO and opportunities for further research in the domain.

1.3 – Significance of the Research

The research project's primary goal is to develop a tested model of important MVO contingencies. A model of MVO contingencies is important given the high uptake of MVO compared to the paucity of MVO management literature. If the expectation is that MVO will benefit client firms, academic researchers must provide evidence and tools to support the use of MVO. A model of MVO contingencies will assist client firms to plan for, and control issues, complexities and risks across, the MVO engagement lifecycle.

Although not the central focus of the research, the model of MVO contingencies will also benefit supplier firms (including vendors, other delivery partners and consulting firms). The model proposed by this paper will provide an insight into the issues, complexities and risks the client firm faces, enabling vendor and consulting firms to respond to these contingencies.

Much of what is known of MVO management arises from practitioner literature. Academic research in MVO management will assist in substantiating claims made by practitioners. This will strengthen the propositions of these practitioners and also identify future research opportunities. Given the paucity of literature in academe, this research and the model of MVO contingencies create a platform for further research in the management of the MVO engagement.

1.4 – Structure of the Thesis

The remainder of the thesis is structured in the following manner.

1.4.1 – Literature Review

Chapter Two includes the literature review conducted for the project. This review includes an insight into the current state of ITO and MVO research. The review investigates the proposed styles of ITO outsourcing and how MVO relates to these. Extant ITO literature is analysed for propositions and findings that are relevant to MVO contingency management. Analysis of the propositions and findings of other papers allows the *a priori* model to be presented in the final section of the review.

1.4.2 – Research Methodology

The third chapter of the thesis describes the research methodology employed, including why methods and techniques were selected and how these were applied within the research. This chapter also discusses how data was analysed. The chapter considers aspects of research rigour and results reliability.

1.4.3 – Case Studies

Chapter Four details the data collected during the data collection phase of the project. This chapter identifies the overarching results identified through the selected methodology.

1.4.4 – Analysis and Discussion

Discussion of the cases is followed by a full analysis of the data collected in Chapter Five. This analysis and discussion permits the proposal of the revised model of MVO contingencies.

1.4.5 – Conclusion

This final chapter of the thesis concludes the research project by identifying the major results of the research, contributions made to theory and practice, and also the limitations of the research and future research opportunities.

2.0 – Literature Review

Chapter One introduced the field of Multivendor Outsourcing (MVO) and the purpose of this research at a broad level. Part of the design of the research is that an *a priori* model of multivendoring is developed for testing with case study data.

The literature review will develop the *a priori* model of MVO contingencies by defining multivendor outsourcing; understanding the position of MVO in relation to the styles of Information Technology Outsourcing (ITO); identifying theories pertinent to understanding and classifying MVO issues, risks and complexities; and, categorising issues influencing MVO.

2.1 – Outsourcing Styles and MVO

MVO is not a recent trend (Young & Cohen, 2006). The phenomenon stretches back to the original 1989 Eastman Kodak deal, where IBM, Digital Equipment Corporation and BusinessLand each delivered discrete components of the data warehouse outsourcing contract (Gallivan & Wonseok, 1999). This deal can be seen as an early MVO engagement, but at the same time was an example of total outsourcing (Willcocks & Lacity, 1998). MVO is therefore not a stand-alone phenomenon, but is positioned within the classification of broader ITO styles.

Extant literature suggests there are three primary sourcing styles: total insourcing, total outsourcing and selective sourcing (Currie, 1998; Feeny & Wilcocks, 1999; Lacity, et al., 1996; Willcocks & Lacity, 1998). Lacity et. al. (1996) provide the most comprehensive definition of these three styles; they base their definition of each style in the percentage of the Information Technology (IT) function that is delivered from within the firm compared to the percentage outsourced (Lacity, et al., 1996). Total outsourcing exists where 80% or more of the firm's IT function is outsourced (Lacity, et al., 1996). Where 80% of the IT function is retained by the firm, the firm engages in total insourcing (Lacity, et al., 1996). Anything in between these extremes is selective sourcing (Lacity, et al., 1996).

2.1.1 – Definition of Multivendoring

Insourcing, total outsourcing and selective sourcing describe the extent of a client firm's outsourcing engagement, but they do not explain the number of parties involved.

Multivendoring occurs when the client firm engages many vendors for corporate IT services (Currie, 1998; Gallivan & Wonseok, 1999; Sharma & Loh, 2009). Vendors include organisations separate from the firm and its internal IT function of the client firm. Based on the positioning of multivendor outsourcing within the three major sourcing styles, a proposed definition of MVO follows:

“Multivendoring is the process of selecting and managing two or more distinct vendors to deliver one or more IT services, processes or functions.”

2.1.2 – Positioning of MVO

One potential way to look at the positioning of MVO in relation to other sourcing styles (insourcing and styles of outsourcing) is by considering two dimensions: vendor mix and scope. In this configuration, the vendor mix refers to the number of vendors the client firm engages and vendor scope relates to the number of functions outsourced.

| Scope \ Vendor mix | No vendor | One vendor | Many vendors |
|--------------------|------------|---------------------------------|------------------------------------|
| Everything | Insourcing | Total single vendor outsourcing | Total multi-vendor outsourcing |
| Selective | Insourcing | Selective outsourcing | Selective multi-vendor outsourcing |

Figure 2: Matrix of outsourcing styles

From this viewpoint multivendoring is executed as either total multi-vendor outsourcing, or as a selective sourcing engagement, where some IT functions are delivered internally and others outsourced to many suppliers. Non-MVO styles (insourcing, total outsourcing and selective sourcing) are identified

based on definitions provided by Currie (1998), Willcocks & Lacity (1998) and Feeny & Willcocks (1999).

Another proposed view of the relationship between the client firm and vendors firms is presented below. The client may select one or more IT functions and then outsource these to one or more IT vendors.

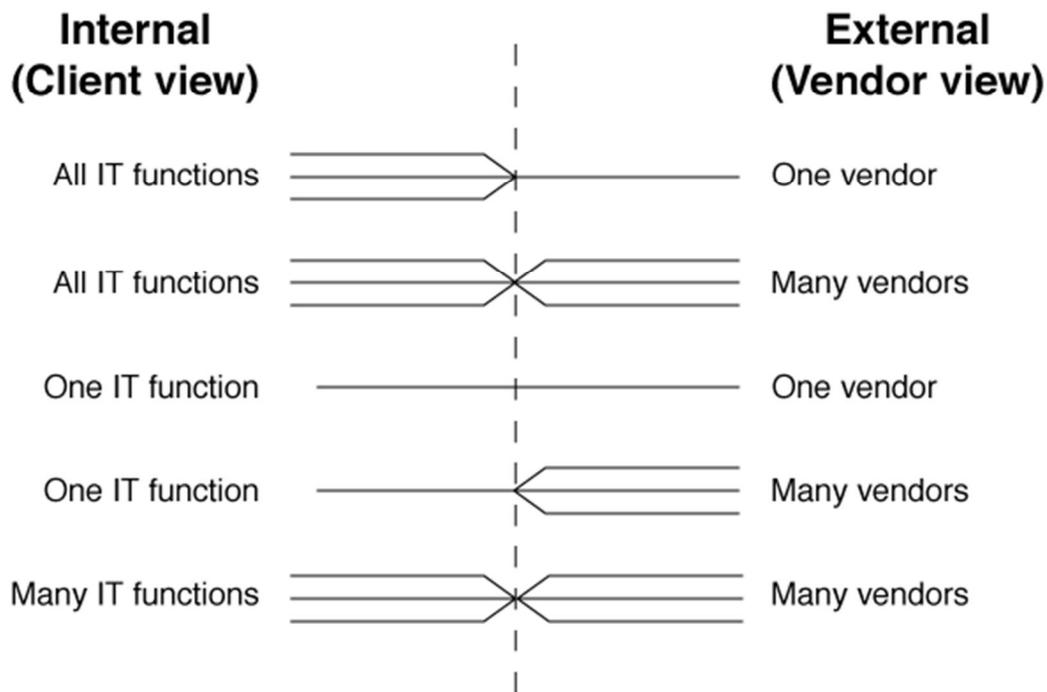


Figure 3: Internal and external view of sourcing styles

In this arrangement multivendoring occurs whether the client firm chooses to outsource all of their IT function, a single function or a mix of many different functions to more than one vendor. Regardless of the number of processes or functions outsourced, it is expected that clients firms will generally face similar contingencies, complexities and risks when engaging in MVO.

2.1.3 – Reasons for MVO

MVO has a number of intrinsic benefits for the firm (Gallivan & Wonseok, 1999). Beyond the benefits provided by outsourcing, such as cost reduction, core competency focus, business transformation and risk mitigation (McLellan, Marcolin, & Beamish, 1995), MVO has the ability to reduce and control costs further and increase competition through a larger pool of providers (Blome & Henke, 2009; Gallivan & Wonseok, 1999). Firms also have a broader choice of capable vendors due to increased vendor focus on

specific competencies and specialities (Currie, 1998). In turn, the larger pool of suppliers created by this focus on competency reduces the organisation's dependency on one vendor for a function (Currie, 1998) providing an opportunity to substitute vendors (Porter, 2008).

A number of benefits related to MVO arise from transaction costs incurred when a firm engages in outsourcing. This is due to the fact contracts may never completely consider all contingencies and some agents are prone to opportunism (that is, take advantage of other parties to a contract) (Gottschalk & Solli-Saether, 2005; Watjatrakul, 2005). As there are more parties to the outsourcing engagement, the risk is distributed across multiple vendors, reducing the magnitude of potential damage arising from the engagement's risks (Blome & Henke, 2009). The reliance on single technologies per transaction is removed (Blome & Henke, 2009) and opportunistic behaviours of each party are subdued (Gallivan & Wonseok, 1999).

IT functions are forever increasing in complexity, creating the need for multivendoring (Currie, 1998). While the benefits of MVO are understood, limited treatment has been provided to identifying important contingencies that the client firm must consider when engaging in MVO. To develop a testable *a priori* model of MVO contingencies, an exploration of extant outsourcing theories and contingencies is required. The remainder of this literature review attends to this need.

2.2 – Theories in IT Multivendoring

There are a number of theories influencing the current understanding of outsourcing (Cheon, Grover, & Teng, 1995). These theories aim to explain why firms decide to outsource, what they outsource and exactly how they operate within the outsourcing engagement.

2.2.1 – Transaction Cost Economics

One of the most prominent contributors to the current understanding of outsourcing decisions is Transaction Cost Economics (TCE) (Barthelemy & Quelin, 2001; Watjatrakul, 2005; Williamson, 2008). TCE aims to explain how a firm decides whether to make or buy (Arnold, 2000); in other words, the

choice of whether to create a product or service internally or purchase it from the marketplace (Aubert, Rivard, & Patry, 2004; Williamson, 1981). These transaction costs drive the decision to outsource or insource (Aubert, et al., 2004).

The seminal work on TCE in the sourcing literature is that by Williamson (1981). In his paper, Williamson (1981) investigates reasons for firms making decisions about the firm's boundaries and the organisation of the firm's resources. These decisions are associated with transaction costs that arise from bounded rationality (i.e. a human entity only being able to perceive some aspects required in an inter-organisational contract) (Aubert, et al., 2004; Williamson, 1981) and from opportunism (i.e. one or more members to a contract acting in self interest) (Aubert, et al., 2004; Barthelemy & Quelin, 2001; Williamson, 1981). Bounded rationality and opportunism are the underlying features contributing to the cost of any sourcing activity (Williamson, 1981).

Bounded rationality and opportunism give way to the dimensions that describe transaction cost. Specific dimensions associated with transaction cost are: 1) uncertainty; 2) asset specificity; and, 3) transaction frequency (Lacity & Willcocks, 1995; Watjatrakul, 2005; Williamson, 1981). These factors combine to determine the cost of a transaction that flows on to influence the decision to insource (that is, make) or source from the market (that is, buy).

Uncertainty can be divided into behavioural uncertainty and environmental uncertainty (Cheon, et al., 1995; Watjatrakul, 2005). Behavioural uncertainty links to opportunism; the more difficult it is for the firm sourcing a product or service to determine the actions of the vendor, the higher the associated uncertainty and hence monitoring cost (Barthelemy & Quelin, 2001; Cheon, et al., 1995; Watjatrakul, 2005). Environmental uncertainty derives from an inability to predict change in the environment surrounding the transaction (Barthelemy & Quelin, 2001). As the number of parties to a specific transaction increases, it is expected that the associated transaction cost increases.

Asset specificity is a description of the relative specialisation of a firm's assets (such as a physical assets or knowledge (Watjatrakul, 2005)) or transactions (Aubert & Weber, 2001; Cheon, et al., 1995; Lacity & Willcocks, 1995). As specificity increases, the risk of loss for a firm with an interest in the asset or transaction increases (Aubert & Weber, 2001; Lacity & Willcocks, 1995). It has also been found that as asset specificity increases, the likelihood of vendor "lock-in" and the associated asset governance cost increase (Aubert, et al., 2004; Aubert & Weber, 2001; Watjatrakul, 2005; Williamson, 1981).

The final dimension suggested by Williamson (1981), transaction frequency, predicts that the cost of a transaction increases with the frequency with which the transaction is conducted (Cheon, et al., 1995; Watjatrakul, 2005; Williamson, 1981). Parties that contract infrequently have a higher transaction cost due to relationship-building activities required to build engagement stability (Cheon, et al., 1995).

As costs of a transaction increase due to opportunism, bounded rationality, uncertainty, asset specificity and transaction frequency, a firm will more likely insource (the *make* function of the *make vs. buy* dyad) (Lacity & Willcocks, 1995; Watjatrakul, 2005). High levels of opportunism contributes to information impactedness, where one party to a engagement has more information than the other (Lacity & Willcocks, 1995). It is predicted that as information impactedness decreases, the easier it becomes for a firm to determine and manage the actions of vendors in a sourcing arrangement, lowering transaction costs (Lacity & Willcocks, 1995; Speklé, 2001).

While TCE explains why a firm decides to make or buy (insource or outsource), there are gaps in the theory with respect to outsourcing. TCE does not address the questions of strategic importance of an asset and why strategically important assets are outsourced in practice (Arnold, 2000; Aubert & Weber, 2001), nor does TCE always completely explain sourcing decisions alone (Aubert & Weber, 2001; Lacity & Willcocks, 1995). Other theories are required to explain all aspects of outsourcing, including MVO. Further, the literature on TCE primarily focuses on basic one-to-one relationships between a firm and a vendor; TCE is not extensively explored in the MVO context.

2.2.2 – Resource Based Theory

Another theory commonly applied to outsourcing decision-making is Resource Based Theory (RBT) (Aubert & Weber, 2001; Cheon, et al., 1995; Watjatrakul, 2005). Under RBT, a firm has a number of assets and skills that are used to produce something for the firm (Aubert & Weber, 2001; Cheon, et al., 1995; Watjatrakul, 2005). These capabilities and resources form the foundation of a firm's competitive advantage and financial success (Grant, 1991).

Organisational assets are distributed unevenly between organisations (Watjatrakul, 2005) and provide value to an organisation through links to the uniqueness of an asset to the firm (Arnold, 2000). Uniqueness is a combination of: the rarity of the asset; the relative value of the asset; the ease of substitution (strategic assets have no easy substitutes); and, the imitability of the asset (Aubert & Weber, 2001; Watjatrakul, 2005).

The proposition of RBT is that firms will set their firm boundaries to retain strategic assets within the firm (Barney, 1999). Important assets and processes form core competencies, which provides the firm with competitive advantage (Arnold, 2000). RBT literature suggests that firms will tend to outsource non-strategic resources to focus on strategic resources and core capabilities (Aubert & Weber, 2001) and to fill gaps in resource availability (Cheon, et al., 1995).

Traditionally RBT competes with TCE as the theory that explains outsourcing (Aubert & Weber, 2001), but research in ITO has uncovered important links between TCE and RBT (Arnold, 2000). The literature suggests that firms may decide not to outsource a TCE low-specificity (highly-standardised) asset due to strategic importance (Arnold, 2000), fitting with RBT but not with TCE. It is also proposed that firms may outsource strategically critical components of their IT function (McIvor, 2009), which suits TCE and not RBT. Indeed, TCE is unable to predict and explain anomalies in successful outsourcing decisions (Aubert & Weber, 2001; Lacity & Willcocks, 1995). These implications suggest that only together may TCE and RBT explain outsourcing decisions (McIvor, 2009).

2.2.3 – Theory of Complementarity

RBT and TCE aim to explain why the client organisation chooses to engage in outsourcing, but these theories fail to explain the benefit that is provided to the vendors in such an engagement (Levina & Ross, 2003). Levina & Ross (2003) suggest that vendors gain benefit through the ability to develop their competencies within client projects under the Theory of Complementarity.

The Theory of Complementarity suggests that performing more of one activity will increase returns in a related area of business (Milgrom & Roberts, 1995). Within outsourcing, Complementarity suggests a vendor firm is able to build up skills as they are provided more projects, and more skill enables the firm to take on more projects, hence the two forces are complementary (Levina & Ross, 2003).

Complementarity relies upon a synergistic relationship between one resource and another (Kim, Shin, & Lee, 2010). As the outsourcing engagement progresses, the vendor increases maturity in the delivery of a product or service, enabling the vendor to deliver increased service levels with the resource (Levina & Ross, 2003). Complementarity predicts this causes the client firm to provide increasing numbers of projects and responsibilities to the vendor (Levina & Ross, 2003). This development relies on a firm initially engaging the vendor to instantiate the theory in practice.

Extant literature focuses on the Theory of Complementarity for the development of the theory itself or the theory's application to single vendor engagements. There is limited exploration of Complementarity in MVO configurations. By extension little has been said about possible "dis-synergies" and "anti-complementarities" caused by distribution of knowledge, skills and assets across multiple vendors in MVO. There is also little discussion of Complementarity with respect to other theories including TCE and RBT.

2.3 – Contingencies of MVO

A number of risks and complexities arise during the execution of a MVO engagement (linked to TCE, RBT and the Theory of Complementarity). To

usefully develop an *a priori* model of important MVO contingencies, a system for classifying prevailing issues and risks must first be developed.

One of the important aspects of outsourcing is that the entire outsourcing engagement is operated by *People* (De Looff, 1995) at the client and vendor firms. This introduces a number of issues with outsourcing, especially with cultural differences and communication issues (Legorreta & Goyal, 2010), plus the threat of opportunism that emanates from the self-interested behaviour of individuals acting on behalf of the client or vendor firm (Legorreta & Goyal, 2010).

Outsourcing is seen to have a definable lifecycle across a number of dimensions such as engagement lifecycles and maturity models (Bozarth, Handfield, & Das, 1998; Cullen, Seddon, & Wilcocks, 2006; Gottschalk & Solli-Saether, 2006). These models incorporate a number of different processes and tasks that must be considered and planned for in the outsourcing engagement (Cullen, et al., 2006). Further, integration between processes of a firm and its vendors is seen as a core capability in making IT work for the client firm (Bharadwaj, Sambamurthy, & Zmud, 1999). *Process* is therefore an important aspect of the MVO engagement.

Defining and ensuring vendor *Performance* is an important aspect of engaging in outsourcing. It must be efficient for the client firm to assess how vendors are performing in the delivery of an outsourced IT service (Gottschalk & Solli-Saether, 2005). This monitoring of performance aims to ensure the firm realises the full set of expected benefits from their MVO engagement (Willcocks & Lacity, 1998).

Governance is another important consideration in operating an outsourcing engagement (Cullen, et al., 2006). Incorporating decision making structures, responsibilities and control processes, governance is designed to maintain alignment between the parties to an engagement (Gewald & Helbig, 2006). Governance models aim to ensure the benefits of the client's outsourcing business case are realised (Gewald & Helbig, 2006; Willcocks, Feeny, & Olson, 2006).

These four dimensions are underpinned by one important factor: *Risk*. Outsourcing is a risk-based decision (Earl, 1996; Gewald & Helbig, 2006). Theories informing current understanding of outsourcing, including TCE and RBT, have been used to explain risks in outsourcing engagements (De Looff, 1995). Classification of risks applying to MVO will highlight risks-based considerations for the client firm.

Given the discussion above, a classification system for the important considerations and risks of MVO are: 1) *People*; 2) *Process*; 3) *Performance*; 4) *Governance*; and, 5) *Risk*.

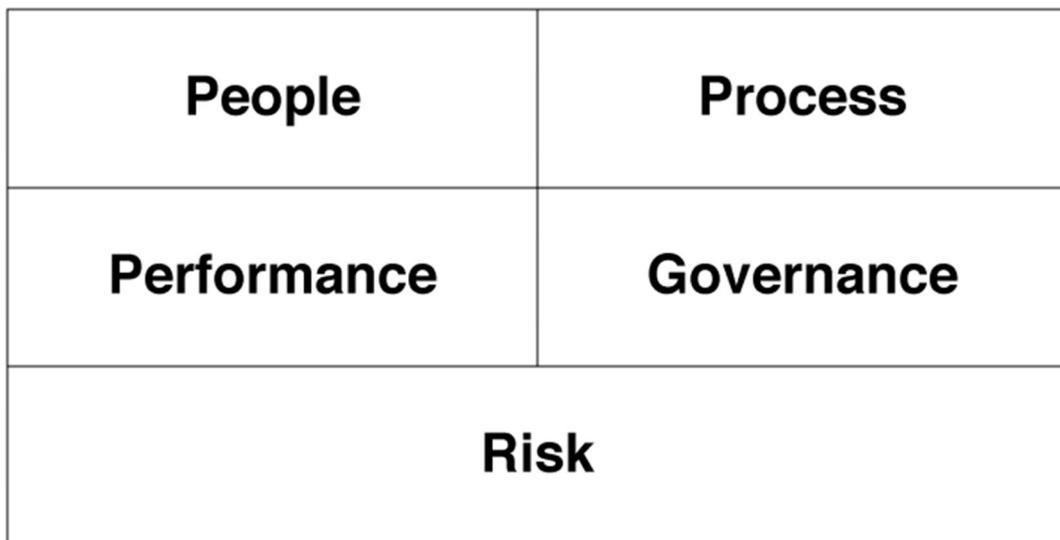


Figure 4: Proposed model of MVO issues and risk

2.3.1 – People

Important MVO planning consideration groups relating to the proposed people perspective are: 1) Decision Making; 2) Communication; 3) Commitment and Trust; and, 4) Transaction Costs.

2.3.1.1 – Decision Making

One of the major issues facing the firm outsourcing IT is that frequently client outsourcing decisions are based on current ideology or industry trends (De Looff, 1995). Further, outsourcing decisions are often made with the incorrect mix of people (De Looff, 1995), introducing influences which move the firm away from understanding its outsourcing actions. These two conditions create

an environment where the firm simply guesses at what and how they should be outsourcing. The result of this is firms fail to derive the expected value from the engagement. The key recommendation on this topic is involve the right mix of people (the CEO, COO, CIO, IT line managers etc.) (Weill, 2004; Willcocks & Lacity, 1998). Good relationships between providers and business line managers also results in superior IT sourcing results over engagements where no such relationship exists (Bharadwaj, et al., 1999). It is not clear how the firm outsourcing IT integrates these considerations to make the best decisions in a multivendor environment, where many more human actors are present compared to simpler outsourcing engagements.

2.3.1.2 – Communication

Another major factor of effective sourcing is that inter-firm relationships have much to do with the operation of a successful and beneficial contract (Gewald & Helbig, 2006). While governance defines decision roles, responsibilities and processes (Gewald & Helbig, 2006), much of the effective execution of the MVO contract relies upon inter-party cooperation (McLellan, et al., 1995) and effective stakeholder management (Gottschalk & Solli-Saether, 2005). Good stakeholder management and smooth cooperation is difficult in the multivendor environment where there may be onshore and offshore vendors delivering a specific IT service. Globally dispersed sourcing introduces issues of difference in language and communication styles between vendors and clients (Beulen, 2007).

2.3.1.3 – Commitment and Trust

Other potential barriers and risks include commitment issues, high levels of conflict, consensus/agreement and flexibility (Blumenberg, Beimborn, & Koenig, 2008). Further, the functions and capabilities to be delivered through a multivendor configuration may be socially complex, e.g. based on experience or history (Barney, 1999); any possible increases in social complexity due to MVO requires investigation. Control over these relationship issues coalesce to create smooth cooperation, which itself is an important factor in ensuring productivity and reducing opportunism (McLellan, et al., 1995).

Ultimately, outsourcing environments require trust (McLellan, et al., 1995); often the client firm must trust vendors to act with forbearance (Blumenberg, et al., 2008). Forbearance is the assumption that parties to a contract will not act in self-interest, i.e. opportunistically (Blumenberg, et al., 2008). Also, risks involved with any form of outsourcing are managed by people, not corporations (Roehrig, 2006). The level of complexity of people engaging in risk management within an MVO engagement is yet to be explored.

2.3.1.4 – Transaction Costs

All of the issues in the few previous sections link back to transaction cost economics; the aim is to avoid raising the cost of the transaction by anticipating and controlling the transaction (Aubert, et al., 2004; Barthelemy & Quelin, 2001; Cheon, et al., 1995; Lacity & Willcocks, 1995; Watjatrakul, 2005; Williamson, 1981). When the client firm can anticipate and control the transaction, the cost of the transaction is lowered significantly (Barthelemy & Quelin, 2001). Control over decision making, communication and commitment is predicted to lower transaction costs and complexity and increase MVO success.

2.3.2 - Process

The process aspect of the classification of MVO complexities considers the engagement lifecycle and the workflow structures required. Proposed groupings of MVO considerations and risks pertaining to the process dimension are: 1) Engagement Lifecycle; 2) Communication; 3) Process Standardisation; and, 4) Project Management.

2.3.2.1 – Engagement Lifecycle

Authors suggest the outsourcing engagement is cyclical (Cullen, et al., 2006). One of the first stages in this process is the selection of the right suppliers in a multi-objective environment (i.e. the client is seeking multiple benefits or outcomes) (Wadhwa & Ravindran, 2007) in the right supplier structure (Cullen, et al., 2006). Academic literature scarcely considers how the engagement lifecycle adapts to the MVO configuration (see the Governance dimension discussion below); further investigation is warranted on this basis.

2.3.2.2 – *Communication*

Communication and effective collaboration are noted as important aspects of the *People* dimension of MVO contingencies. These same concepts are also important to the process of executing the MVO engagement. Information exchange and communication *between* vendors is similarly important to the communication between client and vendor (Boynton, Zmud, & Jacobs, 1994), as in the *People* dimension. Such communication supports the knowledge sharing routines required to deliver a client product, service or process (Blumenberg, et al., 2008). Communication supports the collaborative and networked decision-making required to make MVO work (Agarwal & Sambamurthy, 2002).

These information exchange actions assist in building up knowledge of skills and processes required to execute the client contract (Boynton, et al., 1994), particularly under the Theory of Complementarity (Levina & Ross, 2003). The application of these communication and knowledge-sharing routines, their relation to development and implementation of required effective management control structures (Boynton, et al., 1994) and the Theory of Complementarity requires further testing to determine how firms enact communication in their outsourcing processes.

2.3.2.3 – *Process Standardisation*

One important facet to consider in MVO is that a single service or process is delivered by multiple vendors and the client is in charge of selection of the services they decide to outsource as part of selective sourcing (Lacity, et al., 1996). IT processes will be performed better by vendors if they are standardised (Wüllenweber, Beimborn, Weitzel, & König, 2008). As more organisations standardise, vendors build economies of scale which reduces cost and improves quality and efficiency of vendor activities for clients (Wüllenweber, et al., 2008). The consistency created through process standardisation enables easier monitoring of vendor service delivery (Wüllenweber, et al., 2008). The complexity in implementation and execution of process standardisation in the distributed MVO environment, where vendors are delivering only snippets of a process, requires exploration.

2.3.2.4 – Project Management

Closely related to the standardisation of outsourced processes is the operation of distributed project management processes (Beulen, 2007). It is also important for distributed project management to work, both to support the engagement and to enhance the eight value-adding processes described by Beulen (2007): IT governance; business system thinking; relationship building; design of technical architecture; making technology work; informed buying; contract facilitation; contract monitoring; and, vendor development. Many of the other aspects discussed in the five proposed dimensions of MVO complexity hinge on these eight processes. It will be important to investigate MVO project management and whether the eight processes are a top consideration for MVO project management.

Finally, the cyclical nature of sourcing cycle introduces changes to the outsourcing environment (Cullen, et al., 2006). Given the gaps identified in the literature surrounding MVO, testing of the changes and evolution of the complexities and risks identified here is important.

2.3.3 - Performance

The performance aspect of MVO is concerned with anticipating, controlling and measuring vendor performance during the engagement (Gottschalk & Solli-Saether, 2005). TCE and RBT suggest a number of considerations that a firm must plan for in an MVO engagement. Additional issues arise in extant literature. Proposed groupings for these important MVO considerations are: 1) Services Integration; 2) Transaction Costs; 3) Asset Control; 4) Economies of Scale; 5) Benefits Management; 6) Financial Model; and, 7) Vendor Management.

2.3.3.1 – Services Integration

A prominent issue in MVO success is the selection of the Services Integrator (SI) (Longwood, 2010). The SI is responsible for delivering seamless service to the client firm in a selectively sourced or multivendor engagement (Longwood, 2010). There are a number of SI designs available, including: the prime contractor approach (where there is a contract with one organisation that sub-contracts work to a number of vendors); the third party specialist

service integrator (an additional vendor in the MVO engagement); a vendor acting as the service integrator for both that firm and other vendors in the engagement; and, the client as the SI (Brooke, 2010). Implementing a suitable systems integrator design is a required core competency for successful MVO (Currie, 1998; McLellan, et al., 1995). In addition to delivering smooth, quality service, effective service integration enables efficient integration of future requirements and technologies (McLellan, et al., 1995). There is a gap in the literature on the effective design of the system integrator role and its impact on MVO.

2.3.3.2 – Transaction Costs

TCE suggests some potential effects on the performance of the MVO contract. The primary issue implied by TCE is the high coordination costs associated with MVO (Gallivan & Wonseok, 1999). Arising from the coordination of more than one vendor (Gallivan & Wonseok, 1999), the client firm must concern itself with transaction cost reduction for MVO to remain viable (Gottschalk & Solli-Saether, 2005). This links with a need for the client firm to also ensure production cost reduction to further control the higher coordination costs associated with MVO (Gottschalk & Solli-Saether, 2005).

TCE proposes bounded rationality and opportunism as major constructs that influence outsourcing. Researchers have extensively applied these aspects of TCE to vendor performance in outsourcing engagements (Aubert, et al., 2004). What is well understood in the literature is that ensuring performance of vendors, especially offshore, is difficult (Levina & Su, 2008). Vendor behaviour control and measurement must be inexpensive to permit efficient insight into vendor performance, which becomes costly as more coordination costs are encountered with more vendors (Gottschalk & Solli-Saether, 2005). How firms manage this issue in their MVO engagements remains to be assessed.

2.3.3.3 – Asset Control

In addition to the difficulty of measuring supplier performance where multiple vendors are concerned, ensuring the performance of assets outside of the direct control of the firm is difficult (McLellan, et al., 1995). Ensuring asset

performance is especially important for strategic assets that are outsourced (McLellan, et al., 1995).

Managing vendor and asset performance over distance (e.g. offshore sourcing) is difficult due to higher transaction costs (Beulen, 2007; Levina & Su, 2008). An investigation of effective asset control in MVO is required to understand the management of these complexities in practice.

Often vendor resources and assets are shared with other vendor customers (De Looff, 1995). This creates an issue of access to vendor resources that acts against the need for client access to resources used to deliver an MVO service (Bozarth, et al., 1998). Ensuring that resources that are shared across vendors in the delivery of an MVO service is therefore an important performance planning consideration for the client firm (De Looff, 1995).

2.3.3.4 – Economies of Scale

Closely linked to monitoring performance is ensuring economies of scale in the outsourcing environment (De Looff, 1995). How vendor firms achieve economies of scale where they only provide part of an overall client service in MVO is unclear. Part of monitoring this economy of scale and ensuring vendor performance is the creation of defined and measurable metrics (Ambrose, 2010). Tracking these metrics becomes difficult where multiple vendors are involved due to the transaction costs associated; it is up to the vendors to act with forbearance and provide clear measures of performance (Ambrose, 2010; Blumenberg, et al., 2008). Application of an effective system of MVO metrics can be challenging.

2.3.3.5 – Benefits Management

Clients engaging in outsourcing often have multiple goals or benefits sought. These benefits are not often balanced quantitatively, with decisions often hinging on ideology (Wadhwa & Ravindran, 2007). It is foreseeable that optimising benefits expected from a MVO engagement is more complex than simple outsourcing. Both the complexity of measurement and of benefits analysis and optimisation invite investigation.

2.3.3.6 – Financial Model

The selection of an appropriate pricing structure (De Looff, 1995; Lacity, et al., 1996) and the correct financial model (Cullen, Seddon, & Willcocks, 2005) are important considerations in the outsourcing engagement. There are a number of suggested pricing models (such as; time and materials, fixed fee; fixed fee plus variable; cost plus management; fee plus management; and, share of risk and reward (De Looff, 1995), or: lump-sum fixed; unit cost; and, cost based (Cullen, et al., 2005)). Effective application of any of these cost structures in an environment where individual vendors may each charge the client differently is unclear and untested.

2.3.3.7 – Vendor Management

The client firm must consider the arrangement and management of their MVO suppliers. First, clear codification of client firm knowledge, especially for information rich services, is critical in ensuring vendors deliver on their outsourcing contracts (Sharma & Loh, 2009). Also, focusing on building up skills or delivery capabilities of one vendor may cause risk of slower innovation as other vendors feel neglected (Blome & Henke, 2009). Finally, it is important that the client firm exploits their exchanges and relationships with vendors to achieve outsourcing goals (Gottschalk & Solli-Saether, 2005); how this is achieved in multivendor configuration is not yet clear.

2.3.4 - Governance

Governance permits defined structure of responsibilities, accountabilities, processes and performance metrics (Fairchild, 2004; Gewald & Helbig, 2006). Implementation of effective governance ensures measurability, manageability and accountability of the vendors (including the IT function within the client firm) delivering service to the client firm (Weill, 2004). Researchers focused on the area of IT governance have written mostly about governance in general, with little being investigated in the way of the complexities of contract development and enforcement in a multivendor environment.

The proposed complexity groupings for the governance dimension are:

1) Contract Style; 2) Contract Measurability and Completeness; 3) Services Integration; 4) Asset Control; 5) Risk Management; and, 6) Partnership.

2.3.4.1 – Contract Style

One of the core issues in any form of outsourcing is the selection of the correct contract type (De Looff, 1995). While in simple outsourcing the vendor may choose one contract option, vendors in an MVO engagement may charge or manage the client account in different ways, which indicates variance in the expected governance style of each vendor (De Looff, 1995), creating a complex management situation for the client. How alignment between contract styles is achieved in MVO is not explored by the literature to date.

2.3.4.2 – Contract Measurability and Completeness

The performance metrics expected of the vendors by the client firm is another area of traditional outsourcing complexity in outsourcing (Currie, 1998). Bounded rationality prevents the client firm from perceiving every measurement and control required within the contract (Currie, 1998; Willcocks & Lacity, 1998). This counteracts the client firm's need for a strong legal contract with vendors (Currie, 1998). While it is understood that contract completeness in this regard is a requirement for outsourcing success (Gottschalk & Solli-Saether, 2005), how this is achieved with the multiple contingencies of multivendoring and the bounded rationality of the client firm is yet to be thoroughly explored in MVO.

2.3.4.3 – Services Integration

As discussed in Section 2.3.3.2, a major issue in MVO is selection of the appropriate service integrator design (Brooke, 2010). One of the initial questions to answer in terms of governance is which entity serves as the integrator (Davies, et al., 2007), either being one of the vendors, the IT function of the client firm or an additional specialist vendor (Brooke, 2010; Longwood, 2010). Clarity in the role description of the service integrator is critical (Longwood, 2010), as is clear demarcation of labour in outsourcing and MVO (Gottschalk & Solli-Saether, 2005). Unfortunately little academic research exists on these topics, with Davies et al.'s (2007) work providing only a brief case study supporting their argument for the importance of the service

integrator role. Further research is required to understand effective service integration design and implementation in MVO literature.

2.3.4.4 – Asset Control

Effective use of vendor resources is predicated on governance structures that permit client control over assets (Cullen, et al., 2005; Gottschalk & Solli-Saether, 2005; McLellan, et al., 1995). How this is coordinated in a MVO engagement where assets are distributed is unclear. An additional factor that increases the complexity of this need for asset access is the management of offshore vendors (Bozarth, et al., 1998); as noted in the People dimension above, there may be cultural barriers that amplify issues and risks. In extension to assets, the client firm must maintain a finger on the pulse of the market (Lacity, et al., 1996) to remain up to date with changes in technology and best practice.

2.3.4.5 – Risk Management

Risk plays an important role in the governance dimension of outsourcing, as governance permits definition of risk transfer and responsibility (Earl, 1996). An important aspect of outsourcing governance is ensuring the risk is passed off to vendors effectively and transparently (McLellan, et al., 1995). With the risk of an incident occurring increasing with the complexity of MVO (Blome & Henke, 2009), clarity in who holds specific risks is critical. The management of the many risks inherent to outsourcing and MVO in this context requires reinforcement through further investigation.

2.3.4.6 – Partnership

Finally, while governance is an important aspect for creating a strong outsourcing engagement, governance in the form of agreements and contracts is often not enough on its own (Roehrig, 2006). The client firm must always be considering its core competencies (Gottschalk & Solli-Saether, 2005), its goals and needs (Currie, 1998) and whether the current outsourcing arrangement is providing the expected benefits (Roehrig, 2006).

Beyond this need, client firms must understand that creating a strong partnership with their vendors is in their best interest, assisting in controlling

the risks of outsourcing (Bozarth, et al., 1998). Creating a partnership or collaborative environment that supports the ability for the client and vendors firms to share risk and benefits contributes to improved performance (Blumenberg, et al., 2008). Effective maturity management is also an important relational aspect for IT outsourcing (Gottschalk & Solli-Saether, 2005). An exploration of these aspects in a complex MVO environment is required to understand how firms address these 'soft' issues in practice.

2.3.5 – Risk

There are a number of risks that exist in any form of outsourcing engagement (Currie, 1998; Earl, 1996). To avoid the threat of risk in IT sourcing, it is crucial that the firm understands these risks and controls them (most frequently through strong governance) to realise expected benefits (Legorreta & Goyal, 2010).

Possible risks in the outsourcing engagement (regardless of the configuration) are extensive. Interpreting the risks presented in the literature by a variety of researchers, MVO risks associated with TCE include:

- Changes to technology (McLellan, et al., 1995) which are not actionable due to vendor or technology lock-in (Legorreta & Goyal, 2010);
- Long contracts cause lock-in and vendor complacency (Lacity, et al., 1996);
- Escalating transaction costs (Gallivan & Wonseok, 1999);
- Vendor opportunism leads to increases in pricing (Roehrig, 2006);
- Changes in benefits sought (Cullen, Seddon, & Willcocks, 2008);
- Client requirements and needs change (Cullen, et al., 2008);
- Supply chain risks (capacity, technical, quality, service, financial, location, management, strategy, market, contract and environmental risks) (Blome & Henke, 2009);
- Dependency risk, where the client firm becomes reliant on vendor firms causing lock-in (Blome & Henke, 2009);
- Hidden costs in management cost and transaction costs (Earl, 1996);

- Client firm business and requirements uncertainty (Earl, 1996); and,
- Compliance with regulatory requirements across many jurisdictions (Roehrig, 2006).

TCE's complementary theory, RBT, also suggests a number of risks that fall within its domain and MVO, specifically:

- Requirement for new management skills to ensure successful selective and multivendor sourcing (Feeny & Wilcocks, 1999);
- Loss of competitive advantage through knowledge dissemination to vendor firms (Gallivan & Wonseok, 1999);
- Risk of weak management at one or more vendor firms (Earl, 1996);
- Currency of knowledge in a particular skill or technology across vendors (Earl, 1996);
- Inability for the client firm to unbundle capabilities (Barney, 1999);
- Indivisibility of a technology from services or processes (Earl, 1996);
- Loss of organisational learning capabilities where process and service delivery are distributed amongst vendors (Earl, 1996); and,
- Loss of client firm innovative capacity (Earl, 1996).

Finally, risks associated with the Theory of Complementarity exist for the vendors themselves. These risks are:

- Inexperience of the vendor in the industry, with specific technologies or with inexperienced people within the vendor firm (Earl, 1996); and,
- Fuzzy focus, where the firm may be serving multiple clients with a vast array of different solutions (i.e. the firm is a non-specialist) (Earl, 1996).

Understanding these risks in the context of MVO assists in understanding of the drivers for the complexities in the People, Process, Performance and Governance dimensions.

2.4 – Model of Multivendor Outsourcing Contingencies

The preceding sections investigated the important considerations, issues, complexities and risks of multivendor outsourcing present in extant sourcing literature. To ensure the identified contingencies are correct in the current

MVO industry, an *a priori* model of MVO will be tested. The model below contains all of the identified contingencies from the preceding sections.

| People | Process |
|--|---|
| <p>Ensuring decisions are based in fact and not in ideology</p> <p>Having the right people making the right decisions</p> <p>Ensuring good relationships between line managers and suppliers</p> <p>Ensuring effective inter-party cooperation</p> <p>Implementing strong stakeholder management</p> <p>Managing cultural and language barriers</p> <p>Socially complex systems creation</p> <p>Creating trust and forbearance</p> <p>Recognising people control risk</p> <p>Controlling transaction costs through controlling communication</p> | <p>Selecting the best MVO sourcing configuration or design</p> <p>Supporting effective information and knowledge exchange between vendors</p> <p>Process standardisation</p> <p>Effective project management</p> <p>Supporting the eight value-adding processes</p> <p>Managing change</p> |
| Performance | Governance |
| <p>Selecting and implementing the best system integrator design</p> <p>Lowering transaction, coordination, monitoring and production costs</p> <p>Management of impacts from bounded rationality and opportunism</p> <p>Implementing vendor behaviour control</p> <p>Creating performance measures</p> <p>Ensuring performance of vendor assets</p> <p>Access to shared vendor resources</p> <p>Ensuring economies of scale</p> <p>Effective benefits management</p> <p>Selection of financial model</p> <p>Knowledge codification for vendors</p> | <p>Contract type selection</p> <p>Ensuring contract alignment</p> <p>Bounded rationality</p> <p>Implementing effective metrics</p> <p>Contractual implementation of systems integrator role</p> <p>Effective demarcation of labour</p> <p>Designing and implementing asset control and ownership clauses</p> <p>Cultural barriers</p> <p>Keeping “a finger on the pulse” of technological changes</p> <p>Transferring risk to vendors</p> <p>Clarity in risk management</p> <p>Core competence management</p> |

| Loss of innovative capacity/risk of slow down Relationship and exchange exploitation | Creation of strong partnerships Maturity management | |
|---|--|--|
| Risk | | |
| Technology changes Vendor lock-in Escalating transaction costs Vendor opportunism and price increases Client requirement change Supply chain risks Dependency risk Hidden costs Business uncertainty Regulatory compliance | New management skills required Loss of competitive advantage Weak management Knowledge currency Inability to unbundle capabilities Technological and process indivisibility Lower learning capacity and capabilities Loss of innovation | Inexperience of vendor in industry Fuzzy vendor focus |

Table 1: MVO contingency model

This *a priori* model of MVO contingencies captures complexities, considerations, issues and risks proposed to affect MVO. The content of this model was derived from extant ITO literature. Therefore the model requires testing to understand if these contingencies apply in multivendor engagements and to determine if there are additional MVO contingencies not yet identified in current ITO research. A rigorous research methodology will enable the collection and analysis of data to develop a revised MVO contingency model.

3.0 – Research Methodology

This chapter describes the design of the research project by illustrating the selected data collection, analysis and interpretation approaches and considerations relevant to access to required data. The rigour of the research is considered in the succeeding sub-section. A project plan and schedule is included in the final section.

3.1 – Research Method

This section describes the approach used in the collection of data as part of the research project. The selected methodology guiding the project is discussed, including its suitability to the research and how it was tailored to the needs of the project. Methods used to collect, analyse and interpret the collected data are also discussed in detail.

3.1.1 – Selected Approach

The research project was designed to rely on qualitative research paradigms, specifically case study method. Academic research methodologies are regularly classified as either qualitative or quantitative (Long, White, Friedman, & Brazeal, 2000). The argument over the relevance of these two primary classifications of research methodologies is a frequent source of debate, as is the selection of the relevant methodology for academic research (Long, et al., 2000).

Case study method was selected due to its orientation towards qualitative research. This methodology was selected for its ability to deeply investigate highly social phenomena or experiences (Lubbe, 2003). Case study method is posited to reveal underlying attitudes and beliefs that explain the phenomenon under investigation (Lubbe, 2003). The method also enables deep insight into highly social phenomena that normally cannot be brought out by quantitative methods or qualitative methods not design to investigate specific experience or phenomena deeply (Long, et al., 2000). These factors made case study method a natural fit for methodology in this research, as Multivendor

Outsourcing (MVO) is a highly social and complex area of Information Technology Outsourcing (ITO) research.

Case study method is a research methodology that enables the researcher to gather answers for 'who', 'what' and 'why' questions related to a phenomenon from a number of cases (Lubbe, 2003). It also permits an insight into how different organisations perceive similar phenomena by uncovering variations in understanding and experience (Lubbe, 2003). Exploring understanding and differences in understanding is an integral part of the phenomenon or topic being studied in qualitative research (Lee & Hubona, 2009). These characteristics of case study methodology amplified the need to understand multiple perspectives of MVO to successfully create a strong and reliable model of MVO contingencies.

Quantitative and qualitative methods are proposed to provide equally valid results and findings in the field of Information Systems (IS) research given the nature of the field (Lee & Hubona, 2009). Widely used in IS research (Benbasat, Goldstein, & Mead, 1987), case study method strongly supports insight into organisation and business contexts through in-depth inquiry (Lubbe, 2003). Given the high rate of use of qualitative methods in IS research, case study method was a logical choice from both epistemological and methodological perspectives.

The design of case study method in this research focused on enquiry into MVO contingency management in three types of firms: client firms, vendor organisations and consulting firms. As the goal of case study methodology is to understand phenomena from multiple perspectives, this was the most natural design for the project. This research leveraged case study data through the conduct of semi-structured interviews. Documents and supporting evidence from individual participants firms were also collected and analysed as part of the research. By collecting two types of data from three types of firms or industry backgrounds, the research has the best opportunity to fully understand MVO contingencies.

3.1.1.1 – *Data Collection*

Interview was selected as the data collection method for this project. Interviewing is a data collection method that supports enquiry into a phenomenon communicated between an interviewer (the researcher) and the interviewee (one or more participants) (Clark, 2007; Given, 2008). The interview attempts to discover and understand the participants' world, experiences and perspectives (Clark, 2007; Given, 2008; Kvale, 1996). This approach to understanding a phenomenon from the perspective of a participant fits well with the goals of case study method and the fit between the two is seen as complementary (Gable, 1994).

There are several interview styles on a continuum ranging from wholly structured to wholly unstructured (Wengraf, 2011). The semi-structured interview sits between structured and unstructured interviews as a tool that serves the needs of the interviewer (i.e. to collect the data required) and balances this with the need for the interviewee to fully explain and explore their experiences (Given, 2008; Kvale, 1996). This orientation towards interviewer and interviewee made semi-structured interviews a natural choice for interviewing style in this research.

Open questions were used throughout the semi-structured interviews; this type of question allows the interviewee to build their response in a way that make sense to them based on their own understanding (Given, 2008). Open questions are complemented by other question types such as probing questions and structuring questions (Kvale, 1996). Understanding of types of questions allows the interviewer to gather as much relevant data as possible during the interviews. Question types proposed by Kvale (1996) are included in the table below:

| Question Type | Purpose of Question | Example |
|---------------|---|---|
| Introducing | Opens a new topic or theme of the interview. | “What happened when you...?” |
| Follow-up | Attempts to have the interviewee delve more deeply into a topic or idea they introduced in answering a previous question. | Use of direct questioning focused on a topic or idea just introduced by the interviewee |
| Probing | Attempts to have the interviewee expand on a previous statement. | “Can you tell me more about that?” |
| Specifying | Helps the interviewee express concretely what they felt or experienced in a situation they note when answering an earlier question. | “What did you actually do when that happened?” |
| Direct | Generally used to produce concrete yes or no answers. | “Have you ever...?” |
| Indirect | Helps explore what the interviewee thinks others understand. | “What do you believe you peers think about this?” |
| Structuring | Helps move the interview from one theme or area to another. | “I would now like to talk about ‘x’. What do you know about ‘x’?” |
| Interpreting | Assists the interviewer clarify their understanding of what the interviewee just said. | “So do you mean that...?” |
| Silence | Provides an opportunity for the interviewee to pause and structure their response. | N/A |

Table 2: Table of interview question types (Kvale, 1996)

Questions in the interview situation are organised thematically to assist in the flow of the interviews conducted (Kvale, 1996). In this project, the following themes were explored during each interview:

- Interviewee experience with ITO and MVO (MVO experience);
- Interviewee understanding of MVO (MVO understanding);
- Important planning contingencies in MVO (MVO contingencies);
- Selection of the systems integrator and financial model (MVO design);
and,
- Perceived risks of MVO (MVO risks).

The first two themes were used to set up the case environment for each participating firm. The third and fourth themes probe the important MVO planning and execution considerations and contingencies the interviewee recognises. Finally element five explores risk as a separate factor in the model of MVO considerations and contingencies. Elements three, four and five are the themes relevant to testing the *a priori* model.

Proposed questions for the research are included in the table below. Each question is linked back to the relevant theme and also the relevant theories that aid in analysis of responses (specifically Transaction Cost Economics (TCE), Resource Based Theory (RBT), and Complementarity). During the interview, follow-up, probing, specifying and interpreting questions will be used to delve into specific aspects raised by interviewees.

Table 3 displays the questions asked to client firms and Table 4 describes the questions asked of vendor and consulting firms.

| Question | Theme | Theory | Rationale |
|--|----------------|--------|---|
| How long have you been involved in IT and sourcing activities in industry? | MVO experience | N/A | Uncovers how much experience the participant has with MVO; this may be important in understanding the case. |

| | | | |
|--|-------------------------------------|-------------------------------|--|
| How long has the firm outsourced? What triggered the decision to outsource? | MVO experience | TCE RBT | Asking this question helps position each case relative to the other, and to understand a little of the overall experience. |
| What was the goal for outsourcing? Have these goals changed? | MVO experience | TCE RBT Complementarity | These questions explore how the firm's expectations of outsourcing have changed. Analysing this positions cases relative to one another. |
| As a percentage, how much does the firm outsource? | MVO experience | RBT | Answers indicate whether each firm is a total or selective outsourcer of IT using MVO. |
| What does the term multivendoring mean to you? | MVO understanding | N/A | This probes what each interviewee sees as multivendoring. Responses here will be useful in comparing cases and definitions. |
| Has the firm always engaged in MVO, or is this a new experience for the firm? | MVO experience MVO understanding | N/A | This question determines if the firm has evolved in its use of ITO. Responses will be useful for positioning and comparing cases. |

| | | | |
|--|-------------------|-------------------------------|---|
| What people are involved in MVO decision-making? | MVO contingencies | TCE | This question uncovers the number of people involved in the MVO engagement and whether this is cause for complexity. |
| What issues does your firm having managing people, in both client and vendor firms, during the MVO engagement? | MVO contingencies | TCE | This question and the related responses reached by probing indicate the complexities and issues the client faces in the <i>People</i> dimension of MVO. |
| Does the firm have specialised processes or process structures in place that are unique to the MVO engagement? | MVO contingencies | TCE RBT | This question delves into the issues the client firm faces in the outsourcing <i>Process</i> . It also investigates any ways in which the client firm attempts to control such contingencies. |
| What issues does your firm face when measuring MVO performance? | MVO contingencies | TCE RBT | This question investigates the issues the client firm has in the <i>Performance</i> dimension. |
| What actions and controls does the firm put in place to control MVO? | MVO contingencies | TCE RBT Complementarity | Explores the firm's experience of <i>Governance</i> , contracts and other controls in the MVO engagement. |

| | | | |
|--|-------------------|-------------------------------|---|
| Are there any other issues that have or could affect your MVO planning and engagements? | MVO contingencies | TCE RBT Complementarity | Permits interviewees to explain any other issues they have not yet had the opportunity to address. |
| How does your firm ensure individual components of services delivered by distinct vendors are integrated into a smooth service for the end user? Do you use a service integrator or some other approach? | MVO design | TCE RBT Complementarity | These questions will investigate contingencies specific to services integration. |
| How does the firm integrate each of the charges from each vendor to determine the cost of an IT service both to the firm and also to the individual user? | MVO design | TCE RBT | This question explores the issue of the MVO financial model, which is proposed to be more complex in MVO than in traditional ITO. |
| What are the risks you see in multivendor outsourcing? | MVO risks | TCE RBT Complementarity | This question explores all risks the interviewee sees in MVO. |
| How does your firm manage multivendor outsourcing risk? | MVO risk | TCE RBT Complementarity | Used to explore the controls the firm has in place for managing risk, which may uncover further contingencies. |

Table 3: Proposed client interview questions

| Question | Theme | Theory | Rationale |
|---|-------------------|------------|---|
| How long have you been involved in IT and sourcing activities in industry? | MVO experience | N/A | This question will uncover how much experience the participant has; this may be important in data analysis. |
| How long has the firm engaged in the provision of outsourcing services? | MVO experience | N/A | Explores the overall level of experience and expertise of the firm. |
| How many firms do you provide MVO services to? | MVO experience | N/A | Discovers the number of engagements the firm has as an experience indicator. |
| What does the term multivendoring mean to you? | MVO understanding | N/A | This probes what each interviewee sees as multivendoring. Responses here will be useful in comparing cases and definitions. |
| Why do you think client firms choose to engage in MVO? | MVO understanding | TCE RBT | This question explores the reasons supplier firms think clients seek their services and how this affects the engagement. |
| What people from your firm and partner supplier firms are involved where a client chooses to engage in MVO? | MVO contingencies | TCE | Explores the <i>People</i> dimension of the <i>a priori</i> model by first understanding the people involved and how this affects the engagement. |

| | | | |
|---|-------------------|-------------------------------|---|
| What issues does your firm have in managing people within the MVO engagement? | MVO contingencies | TCE RBT | This question and the related responses reached by probing indicate the complexities and issues the supplier faces in the <i>People</i> dimension of MVO contingency model. |
| Does the firm have specialised processes or process structure in place to manage MVO engagements, as compared to other ITO contracts? | MVO contingencies | TCE RBT Complementarity | Probing the <i>Process</i> dimension of the <i>a priori</i> model, this question uncovers relevant risks and issues in MVO process management. |
| What issues does your firm face when managing performance in client MVO contracts? | MVO contingencies | TCE RBT Complementarity | This question is designed to discover issues and risks in the <i>Performance</i> dimension of the <i>a priori</i> model. |
| What actions and controls does the firm put in place to control MVO? What controls do clients place on your firm? | MVO contingencies | TCE RBT Complementarity | Issues and risks arising in the <i>Governance</i> dimension of the <i>a priori</i> model are uncovered by this question. |
| Are there any other issues that have or could affect your MVO engagements? | MVO contingencies | TCE RBT Complementarity | This question provides an opportunity for the participant to discuss any other issues that have not been discussed in the preceding questions. |

| | | | |
|--|------------|-------------------------------|---|
| Where you are engaged in MVO contracts with a service integrator, how does the firm ensure that performance of your products and services are ensured? | MVO design | TCE RBT Complementarity | This question attempts to understand the impact of the services integrator on MVO management from the supplier perspective. |
| Are there any expectations from industry or from clients that dictates how you charge service fees? | MVO design | TCE RBT | This question explores issues in charging clients from the perspective of the vendors. |
| What are the risks you see in multivendor outsourcing? | MVO risks | TCE RBT Complementarity | This question explores the <i>Risks</i> that supplier and partner firms see in the MVO engagement outside of the known risks of ITO in general. |
| How does your firm manage multivendor outsourcing risk during the client engagement? | MVO risks | TCE RBT Complementarity | This question is designed to understand how suppliers and partners control <i>Risk</i> in MVO. |

Table 4: Proposed vendor and consultant interview questions

In addition to the collection of interview data, participants were asked to provide any supporting documentation possible to aid in understanding the plans, controls and processes the participant has in place to manage MVO.

3.1.1.2 – Data Analysis

The data analysis stage of the research enable insights and linkage between findings and theory (van den Hoonaard, van den Hoonaard, & Will, 2008).

Data analysis is an iterative processes within the overall research project and has many possible configurations (van den Hoonaard, et al., 2008).

In this project, data analysis was conducted through the application of the coding method. Coding data is a standard process in the analysis of qualitative research data and is applied in one of two ways: through *in vivo* coding, or coding constructed from a social sciences perspective (i.e. codes dependent on the research at hand) (Benaquisto, 2008). *In vivo* coding presents an opportunity to speak in the terms of the participants (King, 2008) while more constructed forms of coding follow from influencing literature (Benaquisto, 2008). Comparability between *in vivo* codes is more difficult through data analysis iterations (King, 2008), but constructed codes may abstract too far from the ideas and concepts expressed by participants (Benaquisto, 2008).

A two-stage coding method was applied to this research. In the first stage, *in vivo* coding was used to code important statements and sections of interview transcripts and case study data. In the second stage, the codes were compared to the individual items in the *a priori* model (each model element became a code). Highly related *in vivo* codes were aligned to the codes arising from the *a priori* model. *In vivo* codes not directly linked to codes from the model were grouped together (where similar) and then included as new codes for the model.

All codes captured from the second-stage coding were grouped under the five dimensions of the MVO contingency model and analysed in the findings and analysis chapters of this dissertation. Each code collected corresponds to an individual item in the tested model of MVO contingencies.

3.2 – Access to Data and Participants

3.2.1 – Access to Research Participants

Access to participants for the research was afforded by existing relationships of an international consulting firm with an interest in the research and also through contacts of the research team. The research team primarily leveraged clients and vendors engaged with the consulting firm during the project.

Firms were first approached by a member of the consulting firm or by the principal supervisor. At this stage, willingness to participate was determined;

this also acted as a risk management control for many of the participating consulting firm. Individual participants were then approached by the primary researcher who provided research ethics information; arranged interview times; and, requested any other documentation the participants could share.

The participating consulting firm conducted a risk assessment for their involvement on the project. This analysis indicated that it was a requirement that the researcher clearly state independence from the firm. Research ethics documentation was used to communicate this assessment while also fulfilling university requirements.

3.2.2 – Access to Case Study Data

Interviews were not the only form of data collection used in the project. Participants were asked to provide documentation regarding MVO planning and engagement. Requests for documentation were made to each participant upon initial contact; at this point participants were advised that these documents would only be analysed and not included in the final report.

3.2.3 – Sampling Strategy

To ensure that the fullest possible view of the MVO contingency landscape could be drawn, a clear sampling strategy was designed and implemented. The sampling method centred on selecting a mix of participants to gather data from as broad a base as possible. A mix of client firms, vendors/suppliers and consulting firms was selected to get the fullest picture of the MVO contingency phenomenon as possible.

A purposive sampling method was applied to the research. Purposive sampling methods recognise that qualitative researchers have some goals or objectives to achieve from their research (Palys, 2008). Palys (2008) states there are an unlimited number of designs for purposive research, including selecting a group of typical cases, or selection of a number of cases representing viewpoints of many stakeholders. Given the complexity of the phenomenon under investigation, a combination of Palys' (2008) stakeholder sampling and maximum variation sampling methods were used. In this design, stakeholder sampling allowed the selection of clients, vendors and

consultants as the three primary stakeholders; maximum variation method provided a strategy to access data capturing the widest set of MVO experiences possible. This approach was designed to provide as much coverage of the MVO contingency domain as possible.

The criteria for selecting participants for the research were: participants must have been actively involved in multivendor outsourcing decision making or engagement management in the past year; participants must be a manager or director at the participant organisation; participants must have different levels of experience with outsourcing and multivendoring; and, individual firms must be from a variety of industries. In addition to these basic requirements, vendor firms were required to have a diverse client base and consulting firms needed to have active multivendor management engagements.

3.2.4 – Sample Size

Selection of the correct number of participants in the research was critical given the goals of the project contrasted against the time available to conduct the project within. Many participants would provide more data to develop the tested MVO contingency model with, but would require significant time and resources to collect and analyse the data. Fewer participants would require fewer resources but would also result in less testable data. Balance was an important part of the research.

For the purposes of the research, two client firms, two vendors and one consulting firms were selected for participation, with six human participants partaking in the research. This mix of clients, vendor and consulting firms provide the best option for data collection sources given the constraints on the project.

The advantages of this mix of participants centred on the constraints of the research project. Selection of five of cases and six participants enabled the data collection processes to fit within the time available for data collection, while providing enough information for the research. This number of participants also provides a good ratio of clients to vendors to consultants and enabled data analysis and reporting to represent the best picture of MVO

contingency management in the current environment. Inclusion of only a small number more participants may not have delivered more significant data than had already been collected as these extra firms would likely report experiences overlapping with the firms interviewed in the study.

While the advantages of this selection of participants outweighed disadvantages for this project, it is worth understanding the limitations of the sample size. The relatively small sample base may not be representative of MVO contingency management on the global stage or in industries not participating in the research. While the results gathered from participants in the sample were designed to be representative of all firms leveraging MVO, it is possible a greater number of participants may have provided more unique data to test resulting in a greater number of inclusions in the revised MVO contingency model.

3.2.5 – Research Ethics

As this research involved human participants, research ethics clearance was sought from the Queensland University of Technology (QUT), the host university for the research project. Ethical approval for the research was provided under a low risk application. The ethics approval number for the research is 110001408.

3.3 – Research Rigour

Research rigour is an important aspect of ensuring that results from academic research projects are reliable and reproducible (Saumure & Given, 2008). While the advantages and disadvantages of quantitative and qualitative research methodologies are argued frequently, the application of defined methods and certain logical principles to qualitative research methods places qualitative-oriented methods in a position where results may be considered as valid as from a comparative quantitative study (Lee & Hubona, 2009). This is especially true in the IS research field (Lee & Hubona, 2009).

There are a number of factors influencing quality of research rigour in qualitative studies (Saumure & Given, 2008). These factors include: transparency; validity; dependability; comparativeness; and, reflexivity

(Saumure & Given, 2008). The overall validity of results relies on controlling these factors by successfully planning for rigour (Saumure & Given, 2008). Liamputtong & Ezzy (2005) suggest five perspectives for evaluating rigour: theoretical rigour; methodological rigour; interpretive rigour; evaluative rigour; and, rigorous reflexivity.

3.3.1 – Theoretical rigour

Theoretical rigour refers to the consistency of the application of theory in research (Liamputtong & Ezzy, 2005). Research investigations that exploit theories consistent with the research goals are best positioned to be rigorous (Liamputtong & Ezzy, 2005). This form of rigour relies on selecting theories relevant to the research, constructing sound analysis and argument and also by ensuring cohesive links between ideas and findings supported by evidence from the literature (Liamputtong & Ezzy, 2005).

The research addressed the requirements of theoretical rigour primarily through selection of theories appropriate to ITO. Resource Based Theory (RBT) and Transaction Cost Economics (TCE) are well-recognised theories in understanding outsourcing in IS research and assisted in understanding many MVO contingencies. The Theory of Complementarity, while not as widely applied as TCE and RBT, was important because it helped understand the contingencies not explained by TCE and RBT and also to understand MVO contingencies from a supplier perspective.

Selected theories were also used to support the evaluation, analysis and reporting of the research's findings. All findings were analysed in the light of the propositions of theories from literature.

3.3.2 – Methodological rigour

Research projects with high methodological rigour clearly define how the research was conducted, including maintaining an audit trail of methodological and analytical decisions (Liamputtong & Ezzy, 2005). This audit trail assists other researchers to determine the reliability of results (Liamputtong & Ezzy, 2005), an important factor proposed by Saumure & Given (2008).

This chapter of the thesis addresses the need for communication of how the research was conducted. By fully disclosing the selected methodology, methods and research processes, the methodological rigour of the research is made clear.

3.3.3 – Interpretative rigour

A study has strong interpretive rigour if it accurately represents understanding inside of the worldview of the people involved (Liamputtong & Ezzy, 2005). Important strategies in ensuring interpretive rigour include: clearly displaying how interpretation was achieved; inclusion of raw collected data in reports; and, by recognising bias in the research (Liamputtong & Ezzy, 2005).

The research was designed to consider MVO from the perspective of multiple parties (clients, vendors, consultants and researchers through extant literature), i.e., understanding the phenomenon through the worldview of the different parties involved. By asking neutral questions and using a semi-structured interview style that did not force responses, the research positioned itself to avoid biases and collect data that would allow the most accurate picture of MVO contingencies to be drawn. The inclusion of direct quotes in the findings and analysis chapters of the thesis also supports interpretive rigour as set out in Liamputtong & Ezzy's (2005) model.

Liamputtong & Douglas (2005) emphasise triangulation as a strategy for ensuring research rigour. Triangulation is the practice of using multiple sources of data (such as theories, methods and research data sources) to: develop a better understanding of the phenomenon under consideration; overcome the intrinsic biases of qualitative research; and, strengthen the findings of the research (Liamputtong & Ezzy, 2005).

Four suggested types of triangulation are possible in qualitative research: data source triangulation, or using many sources of data for the research; method triangulation, the use of multiple methods to understand the phenomenon; researcher triangulation, where multiple researchers are concerned with the research; and, theory triangulation, the use of many methods to understand the phenomenon (Liamputtong & Ezzy, 2005).

In this research, data source triangulation was implemented by collecting evidence from extant literature, the analysis of interview transcripts and also the analysis of documents made available by participants. The research also implemented triangulation of this form by not relying on outsourcing client firms alone, but also considering the impacts of vendor and consulting firms of the MVO phenomenon. As both case study method and interviews were used to support data source triangulation, methods triangulation was also present in the research.

Theory triangulation was achieved through the use of TCE, RBT and Complementarity as theories for understanding MVO contingencies.

As the primary researcher is comparatively inexperienced, experienced academics served as research supervisors. The knowledge and insight of these academics served to provide alternative perspectives on data collected. This in turn supports the need for researcher triangulation.

To further support researcher triangulation, an inter-rater reliability test was undertaken. Another research student with no involvement in the project was asked to perform initial stage coding on a selected passage of collected data. This test determined the validity of the codes selected for data in the *in vivo* stage of coding. The results of this test indicated that codes selected by the primary research were comparable to another rater's analysis, supporting the research's interpretive rigour. The table below shows examples of researcher and external rater codes as a comparison.

| Data text | Researcher code | Inter-rater tester code | Comparability |
|---|--|---|----------------------|
| “You can put in place what are called operating level agreements between providers. These are non-legal documents between providers that explain, you know, what they are actually supposed to be doing if something happens. While each provider will contract with the client, there are still operating levels ensure vendors work and cooperate on together to ensure the best outcome for the client.” | Operating levels agreements between vendors support the contract and ensures the best outcome for the client | Cooperation between operating levels ensures best outcomes | High |
| “Yeah, look I think that key thing that always comes up for me is that the client thinks multivendoring sounds good in principle, but they really haven’t thought through the implications of that, and how services are going to be stitched together.” | Issue of clients not thinking through MVO before committing | Clients don’t understand the implications of multivendoring | High |
| “So I think that...the key things that always come up are around being really clear on how the process is going to work with multiple vendors. So if something breaks and a user calls the service desk, how does that gets fixed when you don’t know where the problem is.” | Processes must be very clear | Creating a clear process increases efficiency | High |

Table 5: Inter-rater reliability test examples

3.3.4 – Evaluative rigour

Ethical and political aspects are the concern of evaluative rigour (Liamputtong & Ezzy, 2005). From an ethical viewpoint, evaluative rigour is concerned with ensuring that the research is performed ethically and considers the needs of participants in the research (Liamputtong & Ezzy, 2005). Ethical research

clearance, informed consent, respecting participant's rights and confidentiality are important considerations (Liamputtong & Ezzy, 2005).

Research clearance was sought from QUT in alignment with the National Statement of Ethical Conduct in Human Research. Informed consent was sought from each participant in accordance with QUT requirements; participants were also reminded that they were able to withdraw from the research at any time without comment or penalty during the research process. All participant responses were kept confidential in this research in alignment with the need for participants to feel secure and protected in their participation.

Recognising political issues in the research is also important (Liamputtong & Ezzy, 2005). The primary political influence was the consulting firm with an interest in the project. Issues related to this party's interest were controlled by ensuring that the firm did not have access to participant data and only had access to the final report.

3.3.5 – Reflexivity

Reflexivity in qualitative research relates to the recognition of the involvement of the researcher in the research and the understanding constructed from the research (Dowling, 2008; Holland, 1999; Liamputtong & Ezzy, 2005). This recognition process is achieved through this chapter; research decisions from epistemological, ontological and methodological standpoints are fully discussed here. By fully disclosing selected methodologies, approaches and other influences in the research, these factors are brought under control.

3.4 – Research Relevance

Rigour is an important part of academic research as it provides the foundations for ensuring reliability and validity of the propositions made through the research process (Saumure & Given, 2008). The concept of rigour is valuable from the perspective of the academic community, but rigour must be balanced with research relevance (Palmer, Dick, & Freiburger, 2009; Pearson, Pearson, & Shim, 2005).

It is important that rigour and relevance are balanced to meet the needs of both the academic community and practitioners. Without acknowledging the importance of relevance in research, the applicability of research for practitioners is artificially limited (Palmer, et al., 2009). Ignoring relevance and solely focusing on rigour places IS research in a situation where findings are devoid of meaning in the real world (Robey & Markus, 1998). Recognising that practitioners are the consumers of the findings produced by academic research is an important components in ensuring research conducted is useful to these consumers (Palmer, et al., 2009).

By selecting case study method, relevance is built through the use of current data and evidence in organisations experiencing the MVO phenomenon. This permits the reader of the research's findings to draw parallels between their experiences and the propositions of the research. Relevance is also increased through the method's preference for current data; this promotes temporal relevance of the findings to the current MVO environment.

From the perspective of data collection and analysis, relevance of the research is improved by looking beyond the client experience in MVO and into how vendors and consultants understand and experience the phenomenon concerned. By understanding these three different viewpoints, a clearer picture of multivendoring may be drawn. This more holistic understanding of MVO enables each of the three parties to better manage their engagements by understanding the experience of the complementary organisations.

Inquiry into IS research relevance suggests that many IS articles and findings do not orientate themselves towards informing the practitioner (Pearson, et al., 2005). Many of the papers used in the development of the *a priori* model of MVO contingencies report hypotheses and findings in their own right, limiting their connection to other research. To date, there has been a paucity of research that investigates how the relevant complexities, issues and risks (collectively 'contingencies') of multivendoring combine for the practitioner. By investigating the integration of these contingencies, the relevance of this research is increased.

Finally, relevance in this research is built by the selection of a framework as a presentation tool for the research findings. Practitioners are interested in simple access to research findings (Pearson, et al., 2005). A tool such as the selected framework approach in this research meets this need.

Balancing rigour and relevance in the research project is never a simple matter. This research, being in the information systems research domain, attempts to strike a balance between the stringent need of rigour and the scientific method while satisfying the need of relevance from a practical and applied standpoint.

3.5 – Research Schedule

The research was designed as a four-stage project. Stages included in the project were: 1) Initiation; 2) Research Design; 3) Data Collection and Analysis; 4) Finalisation. A flow chart detailing the tasks to be completed is included in Figure 5. The timeline for the project is included in Figure 6.

3.5.1 – Initiation

This first phase of the research included setting up the project environment. The initial task was to determine and finalise the project topic; this included deciding on the research question, relevant sub-questions and research goals. After this relevant literature was identified; this stage included the selection of appropriate theories and themes to classify and group the literature pertinent to the research. This process enabled the development of a literature review. Finally, the research plan was developed to guide the remainder of the research.

3.5.2 – Research Design

In this stage the research methodology and methods best suited to the research needs were selected. The selected methods were then tailored to meet the needs of the research question and related goals. Interview questions were then developed; this stage included identifying data collection questions and how to align questions with the relevant theories used in the research. Participants for the research were sought for and selected as the final step in this phase.

3.5.3 – Data Collection and Analysis

The next stage of the research process centred on engaging with participants, collecting data and analysing results. Potential client, vendor and consultant firms were identified through a selection process. Next, participant interviews were conducted to collect the required data. Interview transcripts were prepared from recorded interviews and notes from non-recorded interviews were written up for analysis. Coding of the data was then conducted on the collected data and these results compared to the *a priori* model through the lens of the relevant theories identified. Final analysis and synthesis of the data gave way to the final model of MVO contingencies.

3.5.4 – Finalisation

This final stage of the research included completion of the thesis. A seminar on the research topic was then held after planning and preparation for this event. Finally, the thesis was submitted for external review and assessment.

3.5.5 – Research Process Model

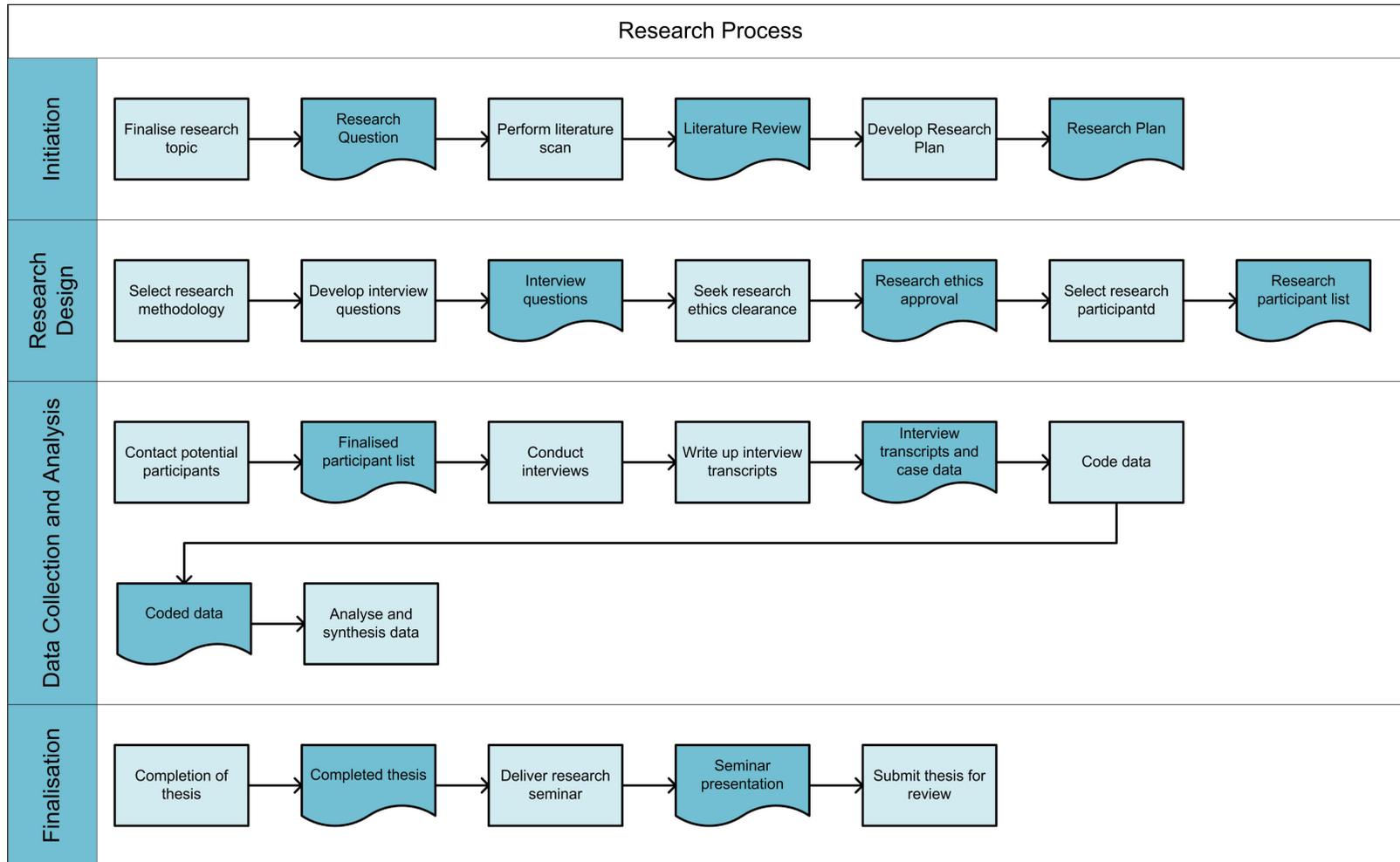


Figure 5: Research process diagram

3.2.6 – Project Timeline

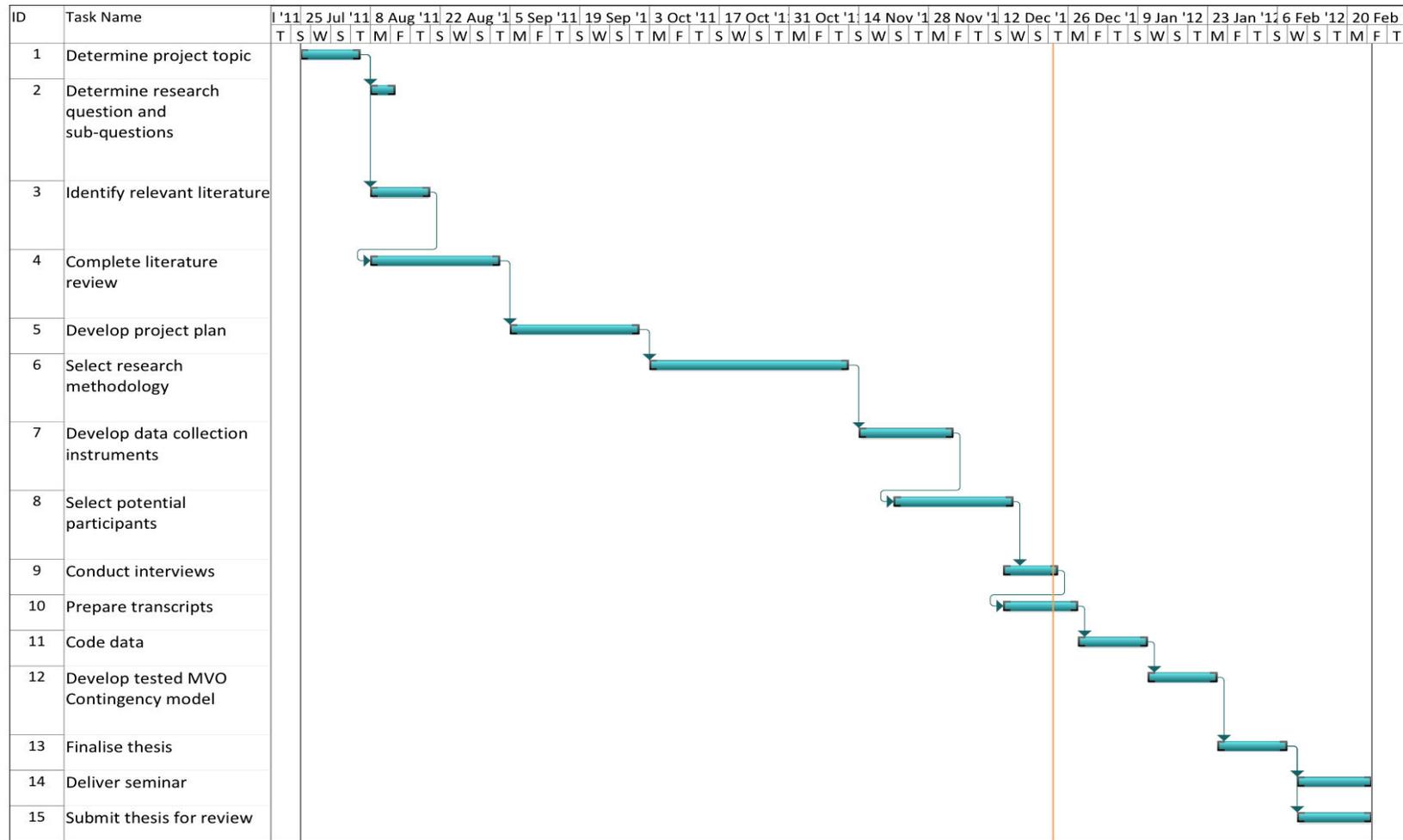


Figure 6: Research timeline

The research methodology described above creates a platform for data collection and analysis. Selected methods and approaches to the research are designed to capitalise on case study methodology and its ability to understand a phenomenon through the worldview of a vast variety of participants.

4.0 – Case Studies

The previous chapters explored the need and motivation for academic research in Multivendor Outsourcing (MVO), and also the design of this research project. This chapter details the data collected on a case-by-case basis. Data collected from each participating firm is explored in the same thematic structure as the proposed interview questions: MVO experience; MVO understanding; MVO contingencies; MVO design; and, MVO risk.

This chapter explores five different case studies (a total of six different interviews were conducted as part of these cases): two client cases; two vendor cases; and, one consultant case. Each case is explored using the interview themes identified in Chapter Three (as reiterated above). Finally, a set of tables summarising the key similarities and differences between each case and between client and supplier (vendor and consultant) firms are provided as a summary.

A requirement of conducting this research was the ethical protection of participants. All references to the firm and participant names are fully anonymous. Each participating firm is provided a generic name and number, starting with the prefixes of CLIENT, VENDOR and CONSULTANT to distinguish the types of participating firms.

4.1 – CLIENT1

CLIENT1 is a statutory authority belonging to a state government in Australia. The participating interviewee is the manager of the business systems division responsible for delivering information systems to the organisation. At the time the research was conducted, CLIENT1 was in the early planning stages of outsourcing. The organisation was looking to outsource transactional components of the business systems division, allowing the firm to focus on projects of strategic value while controlling cost and headcount.

4.1.1 – CLIENT1 MVO Experience

As CLIENT1's outsourcing project was in its third month, much of the work performed by the organisation focused heavily on planning. Much of the

decision to outsource was driven by the board of the organisation. Approximately 70% of Information Technology (IT) was planned for delivery by multivendor arrangements, with the retained 30% of the IT function focused on strategic projects. The reported goal of this arrangement was to create business value through a focus on strategic processes. CLIENT1 noted that planning had been a complex process for the firm, as different stakeholder groups were expecting different outcomes from outsourcing engagements.

4.1.2 – CLIENT1 MVO Understanding

The participant's experiences lent themselves to a definition of MVO that suggested that there are multiple paths to success. When asked "*What does the term multi-vendoring mean to you?*", the participant indicated that MVO is an outsourcing design allowing the firm to approach outsourcing using a number of different contract types. The interviewee indicated that the design of MVO permitted the client firm to either approach a number of vendors individually and manage contracts with each; use a prime contractor approach (use multiple vendors by contracting with one vendor who then sub-contracts work); or, use a hybrid approach of both of strategies mentioned.

4.1.3 – CLIENT1 MVO Contingencies

4.1.3.1 – People

When asked about contingencies focused on *People* in MVO, the primary concern of the participant was socialising decisions relevant to the outsourcing project in the broader organisation. The participant said some stakeholders had a "*What is in it for me?*" mentality. Change management in the multivendor environment was important to CLIENT1 in this light. *People* change management strategies suggested by CLIENT1 included the use of workshops to manage stakeholder perception and refocusing internal roles under the premise of improving the strategic impact of the business systems division.

The interviewee also spoke of the importance of partnership in their design for MVO. CLIENT1 placed high importance on relationships in their planning to ensure the client and vendors would work harmoniously, ensuring end-user

experience remained at the current level. The participant made it clear that they wanted to avoid a “reality gap” between the KPIs of MVO contracts and what end-users really want and experience when using services delivered through MVO arrangements. Relevant considerations exposed by the participant were: actively seeking lessons from external bodies to improve CLIENT1’s own plans and engagements; convincing suppliers to actively share information with the client and other vendors; and, ensuring that resources and actions are developed and implemented to nurture supplier relationships.

4.1.3.2 – Performance

During the discussion on *Performance* the interviewee indicated that it was important to the firm that CLIENT1 measured performance using standard IT management processes, while also implementing measures focused on relationships. These measures were proposed by the participant to both monitor service delivery and ensure the organisation derives full value from their MVO engagements. As the client was at the beginning of their planning phase, the interviewee indicated it was difficult for them to fully perceive all the measures they would require.

Supplier management was another important topic identified by the participant. There were a number of issues that were reported by the interviewee, specifically: ensuring effective document and knowledge exchange; avoiding vendor lock-in; implementing strong resource planning; implementing transition and succession planning; ensuring vendors care for the organisation; ensuring and measuring vendor agility and flexibility; ensuring information security; ensuring high levels of customer service; and, implementing strong relationship management, including developing qualitative and quantitative metrics to measure performance.

4.1.3.3 – Process

Questions surrounding *Processes* relevant to the MVO engagement revealed that CLIENT1 did not have existing processes for supplier management that would directly support the MVO engagement. The participant indicated that this aspect had been considered and that new processes were being

developed. The interviewee revealed that an overarching process was to be implemented to control the engagement, and that an additional process layer was to be applied when services are broken down into service towers for delivery by different vendors.

Monitoring of service towers was revealed to be a concern of the interviewee. The interviewee believed that monitoring of any MVO designs would be more complex than using one vendor. When asked what actions were being put into place to control the issues of service monitoring, the interviewee stated that process standardisation was central to ensuring monitoring was simplified. Another strategy identified by the interviewee was the use of multiple monitoring perspectives as a way to manage the engagement process. By having one perspective monitoring all “service towers” (service groups and their vendors) and a monitoring level to manage individual “service towers” on a lower level, CLIENT1 believed they have the best chance of successfully managing MVO work.

4.1.3.4 – Governance

The exploration of the fourth dimension of the proposed model revisited the client firm’s intention to use a two layer management mechanism: one level controlling the engagement as a whole, with the secondary layer focused on managing individual service towers. Regular meetings and assessments were proposed by CLIENT1 as a way for the organisation to both perform service measurement and build relationships with suppliers. The client also indicated that, seeing they are implementing learning from research firms such as Gartner, it would be important to include general principle clauses in contracts that allow agreements to be modified to meet current best-practice.

Issues and planning points reported by the participant relevant to CLIENT1’s current understanding of MVO relevant to *Governance* included: inconsistency between vendor tools and processes, and the related issue of aligning vendor tools; selecting the right people to be involved in contractual management; controlling each vendor’s own agendas (opportunistic behaviours); implementing process integration; implementing process compliance practices; ensuring maturity and clarity of implemented

processes; managing impacts from regulatory changes; managing the maturity of contract management and quality assurance processes; and, managing impacts from the changes brought about by the MVO engagement lifecycle.

4.1.4 – CLIENT1 MVO Design

When asked about Services Integration (SI), the interviewee indicated there was limited clarity around how integration would work for CLIENT1, and that the organisation had more than one integration design option. The participant indicated that CLIENT1 was preparing to face issues with how services were integrated, specifically with how measurement was to occur. Unbiased measurement of the organisation's internal business systems division was another concern for the participant. The interviewee also expressed concern over the difficulty in comparing different SI approaches.

CLIENT1 was prepared to manage all financial aspects of the engagement. The interviewee indicated that the main concern in the financial management of the engagement was the fact that vendor margins would increase as service are stacked. Additional management costs would also be added, increasing prices rapidly. The process of planning to control these costs was a process of trade-offs according to the interviewee.

4.1.5 – CLIENT1 MVO Risk

CLIENT1 planned to adapt their current corporate risk management model for the MVO engagement. This was seen as an issue by the interviewee, who commented some work would be required to adjust the model to meet the needs of MVO.

The MVO Risks reported by the interviewee were: losing flexibility and agility; lower time-to-market performance for IT projects; gaining access to additional supplier resources (from selected vendors); contract gets in the way of engagement execution; cost escalation risk; environmental dynamism; partnership formation issues; poor risk sharing with vendors/vendors failing to take on risk; failure of vendors to meet SLAs and KPIs; poor customer

experience; contract “honeymoon period”; and, liquidation or withdraw of vendors from the engagement.

4.2 – CLIENT2

The second client firm is a year-old organisation operating under a well-established global business group focused on mining, resources and engineering. CLIENT2’s representative was the organisation’s Financial Controller who was charged with management of the firm’s IT operations. The organisation formed via acquisition and has used multivendor outsourcing since its foundation.

4.2.1 – CLIENT2 MVO Experience

After the formation of the organisation via acquisition of an existing company and mining assets, CLIENT2 inherited a number of vendors supporting the IT of the acquired firm. The headcount of the organisation like CLIENT1 was limited. The interviewee for CLIENT2 indicated that outsourcing made sense for the organisation because “*there was no long-term career development*” for an internal staff member and the work of IT was “*just maintaining what we’ve got*”. Three vendors are used: one for IT end-user, infrastructure and hardware services; one for enterprise system applications; and, a vendor for telephony and network services.

4.2.2 – CLIENT2 MVO Understanding

The client’s participant saw multivendor outsourcing simply as:

“A number of different suppliers.”

From the interviewee’s perspective, multivendoring provides the opportunity to ensure service levels are met as each vendor selected can specialise in a specific set of services.

4.2.3 – CLIENT2 MVO Contingencies

4.2.3.1 – People

People was the first dimension explored in CLIENT2’s interview. Much of the work CLIENT2 performs within the MVO engagement management is people-centric. According to the interviewee

“It [MVO] is all about personal relationships.”

Strong working relationships was a factor that frequently surfaced during the interview. After the formation of the business and selection of the IT structure, CLIENT2 ensured that all of the vendors had face-to-face meetings with each other to start building strong working relationships. According to the interviewee it was also useful that some of the client staff had existing relationships with some vendors.

“We built these relationships even before we had signed an agreement.”

Building relationships before signing the contract and ensuring relationships are maintained during the engagement was critical to CLIENT2 in supporting quality of service.

The aforementioned relationships were important to the client because each vendor had important knowledge and skill pertaining directly to the client. As some vendors were bought across from the older organisation, they already understood the business needs of CLIENT2. This made the implementation of new systems simple for the client, due to the client-specific knowledge.

Communication was another important aspect for CLIENT2. The interviewee reported that:

“All of it [MVO] has been about good communication, open and honest communication, building and developing that relationship.”

This was critical to having CLIENT2’s vendors address issues quickly when they occur. Defining these points of contact was critical to CLIENT2 in enabling efficient communication. The interviewee also stated that vendors need a problem solving mentality to address issues, and the client must trust the vendor completes work to standard.

The interviewee tied these actions back to having open and honest communication not just between client and each vendor, but also between vendors. Clients should expect to hear back from vendors where an issue has

been fixed as a way of knowing work is completed. In CLIENT2's case, the intranet support helpdesk allowed the Financial Controller to compare reports from vendors and what end-users experience.

All of these issues of communication, relationships and interaction were underpinned by roles and responsibilities. The participant indicated that definition of roles and responsibilities were critical in ensuring vendors worked together efficiently.

Implementing User Acceptance Testing (UAT) for systems and management of their needs was important to the interviewee. UAT assisted CLIENT2 in ensuring that systems implemented by suppliers met the needs of users in practice. This controlled the number of issues that CLIENT2's remote site experienced.

4.2.3.2 – Performance

Personal relationships and relationship management measures were the primary themes identified by the interviewee as relevant to *Performance*. Part of the work CLIENT2 performs is oriented towards creating and supporting strong working relationships. The Financial Controller held training days where representatives from each vendor and the client met *“to be able to understand our system”*. This built on the interviewee's idea that vendors perform better when they understand the organisation. An example of this understanding is the fact that vendors performed well due to the previous knowledge the vendors had of the organisation from the previous organisation:

“They had the knowledge; they knew how it all worked.”

Roles, responsibilities and clear expectations were raised as important considerations by CLIENT2. The Financial Controller indicated that these roles and responsibilities make it clear to vendors the work required of them, causing the engagement to run smoothly in general. Where roles and responsibilities are unclear, the interviewee indicated manual intervention is required on the client's part. Having the correct and detailed documents available and shared between vendors is another important consideration that

CLIENT2 thinks about when supporting vendors. This in turn supported another important consideration the Financial Controller had: ensuring quick turnover in the MVO environment.

The Financial Controller indicated that an intranet helpdesk was the primary monitoring tool outside of meetings. High visibility of the helpdesk ensures that both vendors and client know precisely what work needs to be conducted within the contract. CLIENT2 stated that this helpdesk allows them to “*view any active issues at any particular time*”, assisting with service and vendor monitoring. Regular meetings between the client and hardware vendors allowed CLIENT2 to check work completed in the time between the previous and current meeting. The convenience of the helpdesk permits CLIENT2 to easily crosscheck meeting reports with work logged in the helpdesk, streamlining performance management processes.

Accurately defining scope was another important issue for CLIENT2. The interviewee noted that scoping acted as a strong cost control and made engagements run efficiently, but scoping is a difficult process where the organisation must learn from experience. In one instance, the client didn't include an item in scope of one project causing issues to take longer to amend. The client participant also indicated that being able to get information and control over systems back from vendors is an important issue. CLIENT2 at one stage attempted to bring hardware operations back in house, but the hardware vendor resisted by making system access difficult.

A number of other performance-related contingencies were focused on people. One concern for CLIENT2 was having the right type of people in the organisation; this includes not only people who have the skills to get the work done, but also people who can communicate and cooperate effectively. One staff member at a supplier had proved difficult for CLIENT2 due lack of communication skill; for the client this:

“...became frustrating because we would ask for something to be done and you would never hear back”.

The interviewee labelled the action avoiding this situation:

“Having the right type of people in the engagement.”

4.2.3.3 – Process

An important part of the MVO engagement for CLIENT2 is having system implementations and changes clearly defined and reviewing changes after they are made. The interviewee indicated that all of their systems implementations were very well defined and discussed with suppliers, with this leading to good implementation performance. A presentation shared by the client showcased how the client reviews implementations and determined further actions the supplier must take and where the organisation was headed.

Effective project management was another important consideration for CLIENT2 as it has made existing engagements run smoothly. *“It [systems implementation] was really well project managed “* according to the participant, and this led to success with the system. Having a project manager at both the supplier and client ends improved success. Project management permitted the client to implement accountability for system success at CLIENT2.

Vendor staff training was another issue raised by the interviewee. The Financial Controller stated:

“We are a training ground for some people because we have a complex environment.”

In CLIENT2’s view this creates a good training ground for new supplier staff; the interviewee found these opportunities advantageous as it builds the vendors’ ability to deliver service.

Having clear procedures for IT was an important action for the client; CLIENT2 thinks about how documents are exchanged, how authority to proceed occurs, escalation procedures, access permissions and how the suppliers fit together.

4.2.3.4 – Governance

When asked about the controls and procedures in place at CLIENT2 for MVO, the interviewee indicated that roles, responsibilities and expectations were the most important form of governance. In many instances the client found that ensuring suppliers knew their responsibilities made the engagement process run smoothly. In one case where responsibility could not be easily assigned, a critical hardware-software issue took several months to fix. In this instance CLIENT2 was forced to intervene:

“We pulled them in together and said ‘You’re both IT, just figure it out’”.

Again on the note of client-vendor engagement, the interviewee indicated that scope was another consideration for CLIENT2. The organisation discovered that having clear scope benefits the engagement. In one case scope was not defined well, causing issues addressing a problem with the stationery in the financial system used by CLIENT2. Improvements to scoping practices and provisions for out-of-scope work (by purchasing pre-paid consultant hours) were implemented by the organisation after this issue.

Other important considerations and actions raised by the Financial Controller were: clearly defining systems permissions and roles; system changes and upgrades are risky and costly; issues must be surfaced for discussion between clients and vendors; regular meetings; setting up the right documents for system works; having a clear procedure for IT; and, taking advantage of opportunities where a supplier may have improved technology that would benefit the organisation.

4.2.3 – CLIENT2 MVO Design

Services integration at CLIENT2 is the responsibility of the Financial Controller. CLIENT2 uses a design whereby the Financial Controller is responsible for ensuring services are working for end-users but the primary hardware and infrastructure vendor is responsible for implementing solutions to most technical issues.

The interviewee noted that this integration design works well as they do not have the technical expertise to implement solutions. Since the vendors have positive working relationships, the interviewee indicated that issues were addressed rapidly.

CLIENT2 noted that an important component of this integration design is the fact that the client organisation must “*trust that they [the vendors] have done the job*”. A major contributor to this issue is that vendors tend to talk in technical terms that non-technical client staff cannot understand.

On the topic of financial models for the MVO engagement, CLIENT2 has two types of contracts with vendors: fixed-price and flexible arrangements. The interviewee indicated that the telephony supplier is a fixed-price contract; the invoices are broken down into sections, which the participant indicated was good but was difficult to understand because of the level of jargon used. The other two suppliers have more flexible arrangements. In these cases the vendors have fixed-charges for core items and more variable prices for extra consultancy and services. In this case estimation of yearly fees is less clear and involves more forecasting. CLIENT2 said, “*It is not as easy to forecast*”.

The interviewee indicated that these IT costs were simply an overhead of doing business. While the Financial Controller performs cost-benefit and other financial analyses, the skills provided by the current set of suppliers is more important than cost for CLIENT2.

4.2.4 – CLIENT2 MVO Risk

Risk mitigation for CLIENT2 is based on the corporate model. This model prescribes how *Risk* is controlled and has allowed the organisation to implement outsourcing risk mitigation strategies. Specific controls are built into contracts with each vendor and also technologically into systems and services provided by CLIENT2’s suppliers.

The specific risks that the interviewee saw with the firm’s MVO engagement were: risk that business requirements may change; forced system upgrades; cost and time resources add up due to the cyclical nature of outsourcing; failure to exploit the relationship to the client’s advantage; vendors may be

difficult when switching vendors; vendors may not be responsive to client needs or issues; vendors have other clients and that can degrade service quality; vendor reputation and reliability; price fluctuations and cost overruns; difficult for non-IT professionals to manage outsourcing; vendor upselling; can only estimate or forecast costs in flexible contracts; not having a supplier available when required; vendor priority queue; relying on third parties; vendor resource allocation to the client may not be sufficient; disasters and disaster recovery; intellectual property rights; theft; honesty; trust; ensuring effective communication; having supplier staff with the right skills; having supplier staff willing to travel to site; and, security issues.

4.3 – VENDOR1

VENDOR1 is an international IT services supplier with around 150 major clients in the Australia-New Zealand region. The firm provides a great variety of products and services for companies seeking to outsource all or part of their organisational IT infrastructure. VENDOR1 has experience with both end-to-end sourcing (total outsourcing under the model proposed in Figure 1) and multivendoring engagements. The interviewee representing VENDOR1 was the General Manager for managed systems sales.

4.3.1 – VENDOR1 MVO Experience

The participant in the interview had been in the IT industry for 19 years and specifically in the Information Technology Outsourcing (ITO) industry for 10 years. They had experience in both traditional ITO and MVO forms of outsourcing. The firm has offered services and solutions for both forms of outsourcing for a considerable amount of time.

4.3.2 – VENDOR1 MVO Understanding

When asked for a definition of multivendoring, the interviewee indicated MVO

“Is about breaking up each service tower separately.”

VENDOR1 stated that the selection to use MVO is a conscious decision that a client firm (or their consultant) makes. Access to “best-of-breed” service and practicality of multivendor outsourcing were the motivators the interviewee saw for MVO over simpler forms of ITO. The interview indicated practicality

came down to a combination of: being able to control what services are outsourced; leveraging existing suppliers; and, tactical reasons.

Unlike the client participants, VENDOR1 sees MVO as the selection of service bundles that may be sourced internally or externally with a great number of individual parties. Both VENDOR1 and all client firms saw MVO as a tactical action rather than a transactional one.

4.3.3 – VENDOR1 MVO Contingencies

4.3.3.1 – People

Contingencies surrounding the *People* dimension for VENDOR1 were an important aspect for the interviewee who said, “...*outsourcing is a people business*”. The interviewee discussed many contingencies centred on creating smooth relationships that aided in managing many other MVO contingencies.

VENDOR1 was highly focused on having people at the client and vendor firms in an engagement work closely together from design to implementation. In the interviewee’s own words:

“You shouldn’t be bidding on a contract unless you have (or can build) a relationship with the client.”

Close working relationships was indicated as an important consideration for client and vendor firms during the operation of governance. The interviewee also indicated that it is up to vendors to be proactive in their relationships by finding ways the client could improve the MVO engagement, generating mutual benefit for client and vendors.

Another factor related to building close working relationships in the MVO engagement was having effective relationship management. VENDOR1 expects that all parties to an MVO engagement (including the client) have people with strong skills managing the engagement. Defining these clear points of contact is important for VENDOR1; this action helps give a face to each organisation, in turn building stronger relationships.

Culture was another important topic for VENDOR1. The interviewee noted that it is extremely important that the client and vendors have good culture fit and show professionalism in their engagements.

“I think it is in our interest to always behave in a professional way.”

VENDOR1 stated good culture should mean a vendor’s staff always act professionally and in the interests of the client. On the same note, clients should *“not want to beat up on service providers”*. Having the wrong people in charge makes management difficult according to the interviewee.

A final consideration offered by VENDOR1 is that vendors must be transparent in their work. One prominent example of this transparency cited was that transparency in metrics improves supplier accountability.

4.3.3.2 – Performance

Clear roles and responsibilities were a central *Performance* focus of the interviewee. These well-defined roles and responsibilities were proposed by VENDOR1 to make the engagement process run smoothly. The participant indicated that there must be no gaps in roles and responsibilities. In addition to this the interviewee indicated that measures and processes must be in place to catch *“any responsibility issues that fall through the cracks”*. These roles and responsibilities must be leveraged by the client firm when required according to the participant; this includes clients *“pulling misbehaving vendors into line”*.

Metrics were another important consideration for VENDOR1. SLAs were recognised as a good core measure by the interviewee, but measurement of both operational performance and the relationship are important. In the participant’s own words:

“...plus metrics of the relationship... These are really important because we may think we may be doing great service, but there is some disconnect between the business and IT then you have a problem.”

Relationship measurement was important to VENDOR1 as it ensures that vendors know if the client is happy.

The metrics selected for the MVO engagement must be highly visible, especially to the client who should have access to metrics at any time. This action ensures transparency in performance reporting for each vendor in the MVO engagement according to VENDOR1. The interviewee indicated that all metrics must be clear and well-defined otherwise the client puts their MVO services at risk.

Client participation in metrics work was important to the interviewee. Given the number of different metric perspectives and number of parties involved, implementing effective metric data collection, especially where end-user input or feedback is required, is difficult:

“So we actually have to ask executives to sponsor that [end-user feedback] otherwise people won’t do it [feedback surveys]”.

Metric measurements of this type also allows vendors to explore possible disconnects between the service delivered under the SLAs and the service expected by end-users. If there is a gap between the defined SLAs and user experience, all vendors and the client must come back together to renegotiate SLAs to improve experience in the MVO environment.

Finally, VENDOR1 noted that clients must cross-reference metric and SLA reporting from each vendor to the MVO engagement. This is important to ensure vendors do not deceive the client as to service levels actually provided.

4.3.3.3 – Process

Having clear procedures in place for all parts of the engagement was a consideration VENDOR1 suggests to clients in the MVO engagement. An example offered by the interviewee was having processes in place to allow vendors to notify the client when another vendor fails to perform.

Vendors must be prepared to change and adapt according to VENDOR1. This means vendors must be ready for commercial and contract change. Important

actions the interviewee identified to ensure change was managed effectively were: having a formal change management process; ensuring clients and vendors all engage when change is required; changes must be acceptable by all parties in the MVO environment; change must be clearly communicated; and, having contractual provisions in place to manage changes

4.3.3.4 – Governance

Services integration was an important issue for VENDOR1, with much attention paid to the issue during the interview. Many of these same issues arose during the discussion of the MVO Design theme (see Section 4.3.4) but the interviewee often referred to *Governance* during that discussion. The issue of most concern to VENDOR1 is the correct selection of service bundles, also called service towers. If these towers are not selected correctly (either by the client or their consultant) then the arrangement “*incurs greater governance cost*”.

Inefficiency also increases in an environment where poorly linked services are bundled together. This is a frustrating experience for vendors who are locked into the design the client selects. The interviewee posited that this poor selection of service bundles creates a situation where “*the customer and service provider do not get the mutual benefit [of working together]*”.

VENDOR1 stressed that service tower design must be correct for the engagement to run smoothly, and the client and vendors must all understand what each other party wants to gain from the engagement to access the engagement’s mutual benefits. Creating a win-win contract supports benefits creation for parties to the contract. In the words of the interviewee:

“Solutions must work for the client and the vendor.”

Much of VENDOR1’s discussion on *Governance* was concerned with clarity in the engagement. Clear roles and responsibilities were critical to VENDOR1, as they ensured that parties performed the right work and ensure that “*vendors cannot finger-point*”. The interviewee indicated that these roles and responsibilities must be absolutely clear in the MVO engagement, as more gaps in definition of roles and responsibilities are common in MVO. Processes

and controls to catch issues that fall through the gaps in roles and responsibilities are important actions for VENDOR1 in avoiding this issue. The interviewee extended this by stating accountability needs to be built into the culture of the vendors and clients in the MVO engagement.

Engagement governance must be similarly clear and well defined to avoid issues in the MVO environment. Deliverables must be clearly defined in contracts and other control documents in the view of VENDOR1. This extends to clarity in SLAs and guides for how vendors should interact. Finally, VENDOR1 believed touch-points must be clearly identified to control the relationships and engagement internally within the MVO engagement.

VENDOR1 also saw managing governance on an ongoing basis as a similarly important issue. The interviewee indicated that governance must be a shared process for all clients and vendors to an MVO contract; governance cannot be performed alone. VENDOR1's participant indicated that generally governance works well due to vendor maturity. End-to-end ownership over the contract was then indicated as important by the interviewee. This ownership ensures that issues that arise between clients and vendors are captured effectively, rather than allowing problems to "*fall through the gaps*".

Risk was another area of concern linked to governance for VENDOR1. VENDOR1 has concerned with ensuring vendors acted to reduce risk for the client. Clarity was again important to VENDOR1, with the interviewee stating that all parties to the contract must be clear on how risk is to be managed. The interviewee also stressed that the parties to the MVO engagement should participate in the engagement in such a way where risk and reward is shared. All of these actions serve to "*keep clients happy*".

The two final considerations for the client engaging in MVO suggested by VENDOR1 focused on vendor tool selection and culture. Each vendor to an MVO engagement may present tools or models for managing the engagement. The interviewee suggested that assisting the client choose the right tools and models to manage the engagement assisted with the smooth operation of MVO engagements. Finally, culture was an important aspect for

the interviewee. Measurement of the relationship in the same way was an important consideration for the interviewee. VENDOR1's participant stated that, "culture should really be a selection criteria". Without this culture fit, much value is lost according to VENDOR1.

4.3.4 – VENDOR1 MVO Design

Services integration was an important issue for VENDOR1, as issues in integration design and execution can have far-reaching impacts on the MVO engagement. When asked about successful integration design and execution, the interviewee indicated that vendor experience tends to lend itself to good integration performance. VENDOR1 said that clients who act as the SI, or vendors who both perform the SI role and deliver service as a part of the engagement "*often fail miserably*". Having a dedicated vendor acting in the SI role reduces "finger-pointing" in the engagement according to the interviewee.

Another factor influencing SI performance in MVO is the selection and implementation of service towers. If too many towers are used the engagement becomes very costly and difficult to manage. The interviewee briefly shared knowledge of an engagement external to VENDOR1 where too many service towers were used. Roles and responsibilities were difficult to implement because of the number and complexity of selected service towers:

"No-one has clear ownership and there is no service leadership...there is finger-pointing galore and service levels have dropped through the floor".

Implementation of contract clauses stating how clients deal with misbehaving vendors in MVO was one action identified by the interviewee that would have better controlled this scenario.

Issues indicative of poor integration performance cited by the interviewee were: lack of SI skills; lack of communication, lack of or poor strategy; lack of people to do SI work; and, limited awareness of the risks of performing SI poorly.

With respect to costing models in the MVO engagement, VENDOR1 indicated that clients generally have a lot of trouble developing their internal cost models and generally have a poor understanding of cost. This causes a great deal of “double-work” and difficulties for vendors who have their own standard cost models. In addition to inconsistency in how cost models are developed by each client, clients often fail in identifying hidden costs.

A reason VENDOR1 saw for clients’ inability to develop cost models were internal politics. The interviewee had experienced many instances where people and departments inside client business had shifted cost to another department to avoid taking on the costs of IT. VENDOR1 said clients must control these political issues to become successful in their cost modelling.

Some improvements to costing suggested by the interviewee included: removing political barriers; clearly defining the scope of the project and the work for each vendor or service tower; and, ensuring roles and responsibilities are clear. VENDOR1 attempts to address these issues in pre-sales to avoid issues later in the engagement.

4.3.5 – VENDOR1 MVO Risk

When asked specifically about *Risk*, the interviewee stated that MVO has all the same risks as MVO. Understanding of risk in the MVO engagement was more of an issue for the interviewee.

“I [VENDOR1] think the secret for us is to actually understand what those risks are.”

VENDOR1 found that the greater the number of parties to the contract, the higher the threat to performing risk management poorly.

Understanding risk was the focus of the interviewee. In the interviewee’s own words:

“...you can’t do anything until you understand the risks”.

In poorly defined or high-risk situations, associated costs increase. These increases and costs must be tied back to the contracts and commercial model for outsourcing at the client firm in VENDOR1's view.

Clear roles and responsibilities were another important consideration VENDOR1 had for MVO engagements, as this helps clients allocate risk and for vendors to remove risks. Ownership of risk and the relationship were important supporting factors cited by the interviewee. Strong leadership must be displayed by the client firm in terms of risk management as an extension to roles and responsibilities. The interviewee also stated that risk management must be a shared activity between clients and vendors to implement successful management in the MVO environment.

Specific MVO risks identified during the interview were: vendor immaturity can cause service delivery issues; people get wrapped up in contracts creating issues for engagement execution; and, vendors must be in a position where they can react to change.

4.4 – VENDOR2

VENDOR2 is a public-sector organisation providing infrastructure services to numerous government agencies. Two separate interviews were conducted for this vendor, one being with the Director of Strategy and Policy (interviewee A, participant A or VENDOR2a) and the second with the Director of Client Services (interviewee B, participant B or VENDOR2b). These two interviews were required to allow each interviewee to focus on their own area of knowledge within VENDOR2.

4.4.1 – VENDOR2 MVO Experience

Both interviewee A and B had been with VENDOR2 for a considerable amount of time. Each participant has been involved with outsourcing in some respect while serving in a position at VENDOR2.

The business context of VENDOR2 was quite different from other cases in this study. VENDOR2 is directly responsible for service planning and management across many government agencies. The organisation is in a different position to VENDOR1 in that VENDOR2 is acting as a supplier of IT

service to these agencies, but is, in a sense, acting on behalf of these customer agencies.

4.4.2 – VENDOR2 MVO Understanding

VENDOR2a's understanding of MVO was different to other organisations included in the study given their involvement with government agencies at a strategic planning level. Prime contracting is the only method of outsourcing VENDOR2a was directly involved in their position. VENDOR2b, while seeing prime contracting as the primary model used by VENDOR2 for service delivery, also saw the outsourcing design where a client engages directly with many individual vendors as multivendoring.

4.4.3 – VENDOR2 MVO Contingencies

4.4.3.1 – People

Strong relationships were the key focus for both interviewee A and B in the *People* dimension. They discussed that while actions and measures such as governance and business requirements can be implemented, the engagement is underpinned by strong relationships. Both participants indicated that poor relationships lead to a greater level of vendor "*finger-pointing*". Interviewee A may have put it best in the following statement focused on governance:

"Governance is great, but relationships are key".

Relationships, from interviewee A's viewpoint, allow the engagement to be managed more effectively than with just governance and contracts alone. Interviewee B built upon this concept by indicating that relationships must be built

"...vertically up the supply chain [from client to vendors] and across the supply chain [between vendors]".

Without horizontal relationships and cooperation, interviewee B stated that vendors may "*get in the clients ear*" and "*try to push each other out*" by pitching their own services as better. Participant B noted that overcoming relationship issues creates synergism that drives client value creation in MVO.

An important consideration from interviewee A's perspective is that some government agencies may have existing third-party vendors and internal IT departments to contend with. This has impacts for the structure of the MVO engagement and the way services are delivered. It was also important to participant A that: trust and transparency are created between the customer and all vendors; the right people make the right decisions; communication takes place when needed; and, the vendor can steer customer requirements to more standardised offerings using relationships and by leveraging decision makers at client agencies.

Interviewee B was particularly concerned with ensuring that clients and their people focused on their business requirements and generating user value as vendor selection criteria over price. This participant indicated that client firms are often too driven by price, causing them to select vendors that cannot fully deliver the capability required to meet the client's stated requirements. Looking at MVO from a value perspective changes the ability for the client to more easily realise expected benefits and value according to participant B.

VENDOR2b extended on their relationship focus by identifying shared values as an important consideration in the MVO engagement. Shared values allow all of the vendors to act and work together consistently; in this way, participant B believed that cultural fit cannot be pushed away by price. Interviewee B identified that where there are no shared values, vendors tend to act opportunistically by attempting to encourage the client to remove one other vendor and have the first vendor deliver the removed vendor's services.

4.4.3.2 – Performance

Roles and responsibilities were the main *Performance* focus for interviewee A and B. From both directors' perspective, an inability or failure to implement strong roles and responsibilities leads to vendor "*finger-pointing*" and lowered performance. Within VENDOR2's role as a prime contractor for client agencies, the organisation pays significant attention to ensuring roles and responsibilities are designed, implemented, communicated and monitored.

Metrics and service level measurements were also important to interviewee A. Without these metrics, it is difficult for VENDOR2 to know if client expectations are being met.

An important measure for VENDOR2a was service forecasting. Agency supply and demand factors have significant impacts for VENDOR2, who requires time to acquire additional resources to meet the emergent demands of customer agencies. In the view of participant A, customers need reliable resource forecasting to minimise VENDOR2's implementation lead-time. Unfortunately in interviewee A's experience, lead time

"...is not built into the thinking of the people [agencies]"

Flexibility and the capability to scale demand from a third-party vendor in a panel contract were other important considerations for participant A.

Interviewee B was first concerned with the organisation of the engagement to ensure economies of scale. Ensuring that clear processes are in place and visible to delivery staff was important to this participant, as it allows for similar services to be delivered to different engagements at the correct levels of performance and ensures high availability.

VENDOR2b also found that ensuring vendors work together to build client value is often an important issue. Where vendors behave opportunistically "*it starts to dilute a unified picture [of the engagement]*" which reduces the value realised by the customer. This was a particular difficulty for interviewee B as these behaviours can only be minimised and controlled and not fully removed.

Performance measurement and management was the other major area concerning participant B. VENDOR2b found that performance management "*must be a holistic activity*"; measures must be linked across vendors for performance management to be effective. Service gaps increase exponentially with the number of vendors if left unmanaged. Measurement is an important part of this, but interviewee B found that it is difficult to know every measurement area required to assess the engagement.

4.4.3.3 – Process

Linked to the detail included in Section 4.5.3.2, interviewee A again expressed the importance of the client agencies' ability to provide forecast demand data to VENDOR2. This data feeds into a process VENDOR2 operates to meet demand over time, in turn ensuring client needs are met. This relies upon the ability for information to flow between VENDOR2 and the client agencies along the engagement process.

Change was another important theme for the *Process* dimension discussion. Changes to the competitive environment and market, changes to technology and especially changes to the business requirements of client agencies were areas of planning and consideration interviewee A identified.

Participant B was heavily focused on management considerations. The increased management overheads of the MVO engagement are often not visible within clients in VENDOR2b's experience. Overheads associated with management "*are an exponential challenge*" according to interviewee B; clients often fail to consider these escalating management costs, focusing simply on contract price. VENDOR2b also indicated that clients must be prepared to perform benefits management to ensure they are realising anticipated value. Without this assessment the client cannot know if the arrangement is meeting their requirements. Ensuring internal staff are knowledgeable about service processes work in an economy of scale environment was also important for interviewee B.

4.4.3.4 – Governance

Clear business requirements were the primary *Governance* concern for participant A. As VENDOR2 is not under a contract with customers in a traditional sense, service delivery is controlled by business requirements and service level agreements with agencies. Interviewee A discussed the importance of agencies approaching VENDOR2 with a clear definition of a business requirement. Participant A cited occasions where agencies had approached VENDOR2 with specific configurations rather than business requirements. The interviewee indicated that it would be impossible for VENDOR2 to offer such specific solutions to every agency. Standardising

solutions and shifting client requirements to suit what is offered by VENDOR2 was therefore important to participant A.

Implementation of governance included some other important considerations for participant A. Understanding how business requirements fit into governance aspects such as service levels in the multivendor environment is a factor VENDOR2 focuses on to ensure business outcomes. Resource availability and definition of roles and responsibilities in the engagements VENDOR2 operates were other important governance considerations for interviewee A.

The commercial model was the final major consideration for interviewee A. Considering how the engagement is structured; how charge-back to agencies occurs; understanding baseline performance; and, designing risk management were important factors reported by VENDOR2a.

Roles and responsibilities; relationships on internal and external levels; trust; transparency; and, supporting governance and partnerships were other points of thought identified as important to MVO by participant A.

Relationships and communication were important *Governance* themes for interviewee B. Communication touch points were an important issue for VENDOR2b. As vendors stack up in a delivery hierarchy, it becomes harder for vendors lower in the supply chain to demonstrate value to the client without touch points. Touch points allow for communication to occur more freely, although it is still more difficult to communicate the further a vendor is down the supply chain according to participant B.

VENDOR2b found that it is important for clients to ensure vendors are competent before engaging them. This participant provided some anecdotes where vendors were not competent; these vendors tended to act more opportunistically. Further, failing to value competency over price creates a service quality gap. Finally, interviewee B stated that it is important that vendors understand how to organise their internal resource to meet client demands.

4.4.4 – VENDOR2 MVO Design

Interviewee A's perspectives on service integration was driven by the prime contractor approach VENDOR2 takes towards multivendor sourcing for their client agencies. Given that VENDOR2 is directly responsible for all services delivered to their client agencies, participant A noted all problems of service delivery fall to the VENDOR2. Defining roles and responsibilities in this light is important to participant A. Understanding how a service is to be "*segmented across vendors*" before engaging is another important planning consideration for interviewee A and VENDOR2.

VENDOR2b discussed services integration in more general terms in relation to performance management. Interviewee B stated that successful engagements exist when the client does not assume things will "*automagically*" work together. The client must clearly define and communicate how vendors and services fit together to ensure quality of service. Finally, participant B indicated that the services integration role must be monitored for opportunistic behaviour (as with the rest of the engagement) to ensure any services integrator does not try to force out other vendors and take over their work.

The financial model controlling the panel contract approach employed by VENDOR2 wasn't a difficulty in interviewee A's view; methodically working through the options to arrive at the solution was more important to this participant. There are many design options and considerations to be made, and participant A discussed that the process of determining the financial model is improved when VENDOR2 has the opportunity to work with the client agencies and where VENDOR2 can assess the market for planning indicators. The level of third-party engagement (i.e. the number of other vendors in the engagement); overall contract/engagement costs; resource requirements; and, level of staff involvement were the major factors identified by participant A as relevant to determining how to perform cost on-charging to client agencies.

4.4.5 – VENDOR2 MVO Risk

Interviewee A expressed that “*there will always be risks*” and risk may only be managed and not totally removed. The interviewee A saw risk as more related to the work of interviewee B, but highlighted some of the core risks VENDOR2 faces. Failure to develop strong relationships and implement roles and responsibilities were risks raised in the earlier parts of the interview.

Additionally, participant A highlighted the fact that governments exist in a highly dynamic environment, and this makes implementing some features of MVO (especially forecasting) difficult.

Poor third-party vendor focus; information security, lack of communication; rapidly changing technology; vendor dependency; client requirement and need change; and, supply chain risks were also highlighted by interviewee A as risks relevant to multivendor engagements.

Risks identified by VENDOR2b were: hidden management overheads; vendor opportunism (both with vendors competing with each other and trying to upsell to the client); and, the risk of service not meeting user expectations (due to deciding on price). Interviewee B also saw the risk of the engagement disintegrating due to conflicts and opportunism as noteworthy. Finally, VENDOR2b indicated that risk varies with the client’s orientation to service expectations, especially around if the client engages around vendor price or vendor ability to deliver on business requirements

4.5 – CONSULTANT1

CONSULTANT1 was the only participant in the consultant firm group of selected participants. The firm is an international consulting firm that offers a myriad of services including sourcing advice. CONSULTANT1’s participating staff member was a partner of the technology consulting division who had direct experience in the sourcing practice. The experience of the firm extends back to around five years, with the total sourcing experience of the participant totalling approximately 11 years.

4.5.1 – CONSULTANT1 MVO Experience

The participant in the research was in a high-level management position. Their participation in the firm started when CONSULTANT1 began offering sourcing consultancy. CONSULTANT1's client base is very diverse, with the firm offering sourcing services to around ten clients at any one point in time. The participant has also worked in other advisory and research positions for the 11 years they have focused on outsourcing.

4.5.2 – CONSULTANT1 MVO Definition

When asked for a definition of multivendor outsourcing, the interviewee stated:

“It means there would be more than one service provider engaged to deliver services to a client organisation.”

The participant did not see the “prime contractor” design (one supplier subcontracting work to a number of other suppliers) as one of the multivendoring designs. The reason provided by the participant was that MVO is:

“...direct engagement by the client with providers”.

CONSULTANT1 additionally sees an organisations internal IT department as a supplier in the multivendor IT engagement.

CONSULTANT1 provided a number of reasons a firm may select MVO as a sourcing design, focused around the fact that:

“One provider may not be good at everything.”

MVO also provides the ability to select suppliers based on delivery capability; builds flexibility into sourcing; and, generally enables improved quality of service in CONSULTANT1's view.

4.5.3 – CONSULTANT1 MVO Contingencies

4.5.3.1 – People

One of the initial items identified by CONSULTANT1 was that there are many people involved. This mix includes people from the client (HR, legal,

procurement, risk, financial staff and subject experts), consultants as supporters of the client and the vendors. MVO increases the complexity of this mix beyond traditional ITO due to the even greater number of parties involved. Understanding the stakeholders to the engagement and knowing when to involve them is a critical consideration for CONSULTANT1.

CONSULTANT1 went on to say

“The key thing that always comes up for me is that the client thinks multivendoring sounds good in principle, but they really haven’t thought through the implications of that [MVO].”

This leads to issues around having a poor understanding of why this type of sourcing is being used and the business outcomes anticipated. It also creates a gap between what was anticipated and what is delivered by vendors in reality. CONSULTANT1 stressed that firms should fully design their MVO engagements *before* going to the market. This approach was proposed to leave nothing to chance during the MVO engagement.

Another consideration raised by CONSULTANT1 was that the client must negotiate with all vendors to land on a common ground. Vendors, while contracted with separately, need to share the same understanding of, and goals for the MVO engagement to be successful. Communication through the engagement was also important to CONSULTANT1, as it permits the exchange of information that supports the operation of the contract. Finally, good vendors will care for their client and become highly involved in supporting the design and implementation of MVO. CONSULTANT1 provided an example:

“I think they are experienced quite a bit now with the range of clients we work with but also with the kinds of issues that occur. So during the negotiations, they will be putting forward ways to make things work more effectively and most providers these days will go to the service integration function and pitch on behalf of the client.”

4.5.3.2 – Performance

Metrics were the key focus of MVO *Performance* considerations for CONSULTANT1. As MVO represents a segmented approach to outsourcing, CONSULTANT1 sees it as important that the client ensures “*that metrics and SLAs cut across vendors*”. Contracts are still managed on a one-to-one basis in MVO, so the client and consultant must design the engagement in such a way that metrics and performance measure are correctly implemented and aligned *across* many vendors. Once designed, SLAs and metrics must be discussed with each vendor for them to be enforceable. Communication is a critical factor here for CONSULTANT1, as directly interacting with each vendor to confirm the application of metrics in practice.

Poorly defined metrics and SLAs were a concern for CONSULTANT1 in MVO engagements. SLAs must be well defined, easily measurable and closely monitored for success in MVO. As CONSULTANT1 said, if the client has

“...ill-defined SLAs at the outset you’ll [the client] run into problems”.

At the same time, too many SLAs in one MVO engagement dramatically increases the associated monitoring costs, sometimes outweighing the benefits of opting for an MVO approach to sourcing.

Finally, CONSULTANT1 found that performance metrics and SLA issues are seasonal and not static. The interviewee noted that no engagement is like another, placing importance on advance planning and a clear understanding of how the MVO engagement is designed.

4.5.3.3 – Process

Clarity and documentation of multivendor processes was an important planning consideration raised by CONSULTANT1. In the interviewee’s experience, it is critical to the performance of the engagement that processes are very clear on what needs to happen when and who performs specific tasks. Without this clarity and shared understanding, performance of the MVO engagement decreases.

As with aspects identified during the performance theme discussion, planning before implementing is important to MVO processes for CONSULTANT1. It is difficult to retroactively make changes to processes once they are implemented based on the interviewee's involvement in MVO engagements. Changes required during the engagement must be well thought-out before they are implemented in the same light. Change management becomes an important, interlinked, consideration. CONSULTANT1 was very clear that the client, vendors and consultants to an MVO engagement must understand the changes required and the optimal change approach before changes take place in the MVO engagement.

Finally, CONSULTANT1 noted that every client has different processes and process needs. The increased number of parties to the engagement changes the structure of the engagement and the processes required. MVO therefore creates the need for new processes or updates to existing processes for these processes to work under the new conditions introduced by MVO.

4.5.3.4 – Governance

Definition of the MVO engagement's "operating model" was the largest concern for CONSULTANT1; this is an important tool for this organisation, as it helps communicate the MVO design. The operating model "*sets out how the engagement looks and works*", defining considerations such as vendor and service links. The issue for CONSULTANT1 and their clients is that there are many operating model considerations.

It is important in CONSULTANT1's view that this operating model is designed and implemented upfront, rather than halfway through the engagement. In the interviewee's experience, having this defined model from the outset makes vendor negotiation easier. Change management becomes an important issue when the operating model requires updates to meet new client requirements, another consideration for CONSULTANT1. The ultimate goal of implementing this model is to meet end-user experience expectations.

Another action CONSULTANT1 takes with their clients is the development of operating level agreements between vendors. While the client generally

develops SLAs for each vendor, the operating level agreements support the engagement by creating performance expectations *between* vendors. Operating level agreements define how the interaction between one vendor and another takes place as a way of supporting service delivery. These agreements “*ensure the best outcome for the client*”.

CONSULTANT1 also stressed that client firms often do not understand what governance is in the MVO environment, often believing “*a few meetings is all it takes*” for successful governance implementation. These client firms may not have the right skills in place to manage MVO contracts and governance, which causes issues for the organisation during the engagement.

CONSULTANT1 believes that MVO maturity controls these issues, and the experience bought by consultants is a strategy for building maturity. The interviewee stated that meetings were important in maintaining alignment and monitoring performance in MVO, but indicated clients need to be thinking beyond meetings to fully manage and control MVO engagements.

Roles and responsibilities were another major concern for CONSULTANT1. The participant indicated during the interview that roles and responsibilities must be implemented and then closely monitored to ensure that roles and responsibilities are adhered to. It is important that the client implements roles and responsibilities early in the engagement to avoid issues further along the engagement timeline. CONSULTANT1 also stated that vendors must be held accountable for performance; the implementation of an agreed benchmarking formula for the engagement was a suggested strategy for implementing this in practice.

Consistency was an important theme identified by CONSULTANT1. Oftentimes CONSULTANT1 found that vendors do not design their agreements to work with other vendors. This is an issue that the client and consultant must work through to achieve consistency between all parties to the contract. CONSULTANT1 extended beyond this by stating that SLAs and other agreements will be disjoint unless they are designed to be “*end-to-end*”. Agreements and SLAs must be designed to fit together from the outset, and must be prepared upfront before implementation of the MVO engagement.

In addition to incompatible agreements, vendors frequently have their own tools, methods and processes they would use during the engagement. The challenge noted by CONSULTANT1 here is that the client and consultant must spend time and resources to develop a consistent set of tools and processes for each MVO engagement.

Other issues and considerations used by CONSULTANT1 were: MVO has large management overheads for the client that the said client must be prepared to accept; ensuring that touch-points between clients and vendors are clearly defined; ensuring that the client has access to shared vendor resources (for audit purposes); and, the client should always be learning from experience because:

...*“there is always room for improvement”*.

4.5.4 – CONSULTANT1 MVO Design

The most critical concern for CONSULTANT1 for the SI function was that clients do not often understand the importance of SI. The interviewee stated that clients generally understand the concept of SI, but fail to spend the time to get it right. CONSULTANT1 found that up to 40% of the MVO engagement’s value may be lost if the client fails to design and implement a strong service integration role.

One of the potential ways to avoid these issues is to design and prepare for the SI role from the outset of the engagement. The interviewee indicated that experience tends to lend itself to improved SI design and operation, and suggests that consultants generally help clients achieve the best outcomes due to their understanding and experience. Vendors also tend to perform better in the SI role and environment where they have experience according to CONSULTANT1. Unfortunately vendors are often locked into the client’s design for SI, which may make delivery of service or amendment of engagement issues more difficult, reducing the client’s realised level of service.

The interviewee went on to state that:

“Services integration really needs to be a core competency of organisations who are multisourcing [multivendors]”.

Implementing integration as a core competency assists the organisation in managing SI and deriving full value from their engagement. The core competency concept extends to maturity management of the competency; CONSULTANT1 would expend much effort on ensuring clients could develop their capability to manage the SI role to improve benefits realisation.

A final consideration around services integration for CONSULTANT1 is that vendors must be educated on how services fit together and are delivered under each MVO engagement. The client must communicate the MVO design selected with the vendors, detailing how processes and other features of the engagement function. It is important to the interviewee that the client then works with vendors to the adjustments so that the engagement works for everyone.

CONSULTANT1 was less concerned about the financial design of the MVO engagement when compared to SI design. While the interviewee identified that there were multiple financial models, selection of the model is generally clear given the needs of the client and the structure of the engagement. The interviewee instead stated:

“I think the big issue is in verifying that those charges are correct.”

As invoices for the engagement generally come from multiple suppliers and are distributed to different client departments, it can become difficult for the client to check that balances and invoices are correct. CONSULTANT1 indicated that this issue could be controlled if the client is trained on how the invoices fit together and how the financial process for the engagement is structured.

One final consideration related to invoicing is that all billing happens in cycles:

“There is the whole invoicing and payment cycle, so when you receive the invoice, have they actually delivered those services, you’ll perform checks around that.”

4.5.5 – CONSULTANT1 MVO Risk

One of the core risks that CONSULTANT1 saw with MVO is that multivendoring is a new experience for clients. Having many vendors (and hence greater management overheads) was identified as a related risk. The inexperience coupled with the sheer management overheads leads to the risk that arrangements organised by the client may be sub-optimal, causing the client to miss out on the value of the engagement.

CONSULTANT1 expanded on the risks of having multiple vendors in the engagement by indicating offshore vendors in the MVO engagement introduces more risk. In addition to the increase management overhead of offshore sourcing, there are issues of regulatory compliance, connectivity between all vendors and the client, additional security risks and human resource management issues. While present in traditional ITO, CONSULTANT1 highlighted that MVO amplifies these offshore risks.

Services integration raises a number of risks in CONSULTANT1’s view. Poor services integration design and execution is the single biggest MVO risk for this interviewee. Without good services integration, end-users do not experience the service they expect and the client loses out on the value of the engagement. Early investment in services integration was highlighted as a mitigation strategy by CONSULTANT1:

“We get clients to think about it [services integration] from the outset”.

In extension to services integration, while vendors may have their own tools and processes for approaching outsourcing engagements, it is critical to MVO success that all vendors use one consistent set of tools and processes for any

one MVO engagement. Without this consistency, the client risks service delivery clashes between suppliers.

CONSULTANT1 stated that MVO introduces many more management overheads to traditional ITO. Without planning and an understanding of the requirements for the MVO engagement, the client may find that internal management costs outweigh the benefits of MVO. CONSULTANT1 noted that

“With multiple parties the risk is that you cannot assign responsibility to any one provider because you don’t know where it sits”.

CONSULTANT1 stated this stems from the fact that

“More points of risk means more points of failure”.

Risk management was an important focus for CONSULTANT1. Risks are not static and the client organisation’s ability to plan and mitigate MVO risks has impacts on the performance of the MVO engagement from CONSULTANT1’s experience. The interviewee had spent significant amounts of time discussing the operating model as a tool for managing MVO; this model also helps plan for risks. As CONSULTANT1 believes that operational decisions at the governance level cannot be left to vendors, the operating model codifies how the engagement processes work and identifies the risks associated with the engagement. The interviewee stated that these activities “do not have a cookie-cutter” approach and “there is no one-size-fits-all solution”.

Other risks touched on by CONSULTANT1 were financial risks (oriented towards changes to pricing) and that a client may fail to actually understand what governance is by assuming simple meetings are enough.

4.6 – Case Comparisons

The previous sections presented data from the case study materials collected. This section provides an overview of the similarities and differences between all of the cases presented above as a summary. The first table compares similarities and differences between individual cases, with the second table

considering the similarities and differences between clients and suppliers (vendors and consultants together).

4.6.1 – Inter-case summary

| Dimension | | CLIENT1 | CLIENT2 | VENDOR1 | VENDOR2 | CONSULTANT1 |
|---|--------------|--|--|---|--|--|
| People Considerations such as cooperation, partnership and communication. | Similarities | <ul style="list-style-type: none"> All parties were interested in ensuring effective inter-party relationships and cooperation | | | | |
| | Differences | <ul style="list-style-type: none"> CLIENT1 was not as concerned with the <i>People</i> dimension as other cases. This organisation identified <i>socialising sourcing decisions</i>. This was not considered by other firms. | <ul style="list-style-type: none"> CLIENT2 was very reliant on partnerships compared to other cases where a more equal mix of partnership and governance was considered the best management approach. | <ul style="list-style-type: none"> VENDOR1 was one of only two cases to talk directly about transparency between parties and people. | <ul style="list-style-type: none"> VENDOR2 was uniquely interested in having the right people involved in the engagement and decision making processes. | <ul style="list-style-type: none"> CONSULTANT1 was the only case to identify offshoring as an additional <i>People</i> based risk. CONSULTANT1 was focused on more operational people aspects, compared to relational aspects (as in CLIENT2 and VENDOR2). |

| Dimension | | CLIENT1 | CLIENT2 | VENDOR1 | VENDOR2 | CONSULTANT1 |
|---|--------------|--|---|--|---|---|
| Process Contingencies focused on how the engagement links together, how vendors work together and how the client manages MVO. | Similarities | <ul style="list-style-type: none"> All participating organisations found that having the right processes (including project management, change management information sharing etc.) is critical to MVO success. | | | | |
| | Differences | <ul style="list-style-type: none"> CLIENT1 was much more concerned with <i>Process</i> aspects than any other case considered, being only one of two cases considering process standardisation as important. | <ul style="list-style-type: none"> CLIENT2 was only one of three cases to address process education or communication and process clarity as important contingencies. | <ul style="list-style-type: none"> VENDOR1 was one of only two cases concerned with process codification. This case was the only case concerned with notifying clients when a vendor underperforms. | <ul style="list-style-type: none"> VENDOR2 was relatively unconcerned with developing new processes, as they use standard engagement processes across all engagements. | <ul style="list-style-type: none"> This case contained less supporting evidence for process than other cases. CONSULTANT1 cited planning/designing before implementation as a contingency much more than any other case. |

| Dimension | | CLIENT1 | CLIENT2 | VENDOR1 | VENDOR2 | CONSULTANT1 |
|---|--------------|---|---|---|--|--|
| Performance Considerations relevant to measuring the level of service delivery and monitoring the engagement's execution. | Similarities | <ul style="list-style-type: none"> Concerned with the implementation of effective metrics. Interested in ensuring roles and responsibilities are defined. | | | | |
| | Differences | <ul style="list-style-type: none"> Financial aspects were not a major focus for CLIENT1. | <ul style="list-style-type: none"> CLIENT2 was not concerned with the financial model SI contingencies were not cited in this case. | <ul style="list-style-type: none"> VENDOR1 saw the financial model as much more of a challenge than other cases. Vendor management contingencies were not identified. | <ul style="list-style-type: none"> The financial model was not highly cited by VENDOR2 Ensuring economies of scale was a major consideration in this case. | <ul style="list-style-type: none"> CONSULTANT1 did not report considerations linked to highly theoretical performance contingencies (such as the impacts of bounded rationality). |

| Dimension | | CLIENT1 | CLIENT2 | VENDOR1 | VENDOR2 | CONSULTANT1 |
|---|--------------|--|---|---|--|---|
| Governance Focuses on aspects of controlling the engagement, including contracts, agreements and management controls. | Similarities | <ul style="list-style-type: none"> • Definition of roles and responsibilities was a key consideration for all organisations. • Relationships in governance and engagement management were an important contingency for all participants. | | | | |
| | Differences | <ul style="list-style-type: none"> • CLIENT1 was more heavily focused on contracts and SLAs as the form of governance • Relationships were not as much a concern here as in other cases | <ul style="list-style-type: none"> • CLIENT2 was heavily focused on relationships and meetings as governance. • This case was the only study to directly mentioned scope. | <ul style="list-style-type: none"> • VENDOR1 was focused on ensuring that they could stipulate what they would be responsible for in MVO. • This case was also the only one to directly discuss gaps as an issue. | <ul style="list-style-type: none"> • Governance structures for VENDOR2 are standardised by the relevant state government authority and are standard across all engagements. | <ul style="list-style-type: none"> • CONSULTANT1 was more concerned than any other party on both having all governance defined before implementation and on having governance clearly communicated with vendors. |

| Dimension | | CLIENT1 | CLIENT2 | VENDOR1 | VENDOR2 | CONSULTANT1 |
|--|--------------|---|--|---|---|--|
| Risk Focuses on the risks recognised by participants in their MVO experiences. | Similarities | <ul style="list-style-type: none"> All participants expect MVO engagements to be a higher risk activity than traditional outsourcing or insourcing. | | | | |
| | Differences | <ul style="list-style-type: none"> CLIENT1 was more concerned with fuzzy vendor focus risks than other cases. This client was planning to take on more risk than CLIENT2. | <ul style="list-style-type: none"> CLIENT2 placed heavy stress on resource availability and disaster management. This participant also tried to move nearly all risk onto vendors. | <ul style="list-style-type: none"> VENDOR1 was the only case to outright state that MVO contained all ITO risks by inheritance. This case cited partnership creation risks more extensively than other cases. | <ul style="list-style-type: none"> VENDOR2 placed much heavier emphasis on managing escalating costs and vendor opportunism risks than any other case. | <ul style="list-style-type: none"> CONSULTANT1 placed much heavier stress on inexperience, management skill and environmental dynamism risks than any other case. |

Table 6: Inter-case similarities and differences

4.6.2 – Inter-case type summary

| Dimension | | Clients | Vendors and Consultants |
|---|--------------|--|--|
| People Considerations such as cooperation, partnership and communication. | Similarities | <ul style="list-style-type: none"> Placed paramount importance on the relationship. Highly focused on effective communication. | |
| | Differences | <ul style="list-style-type: none"> Heavily concerned with trust in the engagement. | <ul style="list-style-type: none"> More concerned that the client makes their decisions based on the facts not just on intuition or guessing. Very concerned with cultural or value fit between vendors. |
| Process Contingencies focused on how the engagement links together, how vendors work together and how the client manages MVO. | Similarities | <ul style="list-style-type: none"> Strong project management on both the client and supplier side was a commonly cited issue. Resource planning and forecasting was important for both firm types. Supporting value-adding processes was widely supported by clients and suppliers. | |
| | Differences | <ul style="list-style-type: none"> Effective supplier management was a client-only concern. Designing before implementation, although noted by CONSULTANT1, is a very client-oriented contingency. | <ul style="list-style-type: none"> Very concerned with process clarity and standardisation factors. More supporting of change management activities. |

| Dimension | | Clients | Vendors and Consultants |
|---|--------------|---|--|
| Performance Considerations relevant to measuring the level of service delivery and monitoring the engagement's execution. | Similarities | <ul style="list-style-type: none"> • Definition and implementation of roles and responsibilities was widely cited. • Selection of the correct financial model was a complexity for both types. • Definition and segmentation of metrics and performance indicators was a widely cited contingency. • Correctly scoping MVO activities was reported by both clients and suppliers. | |
| | Differences | <ul style="list-style-type: none"> • Effective service monitoring was only reported as a contingency by client firms. • Roles and responsibilities had a efficiency focus for clients. • Security was a more important concern for clients than suppliers. | <ul style="list-style-type: none"> • End-to-end metrics was much more of a concern for suppliers than clients. • Implementation of roles and responsibilities for suppliers tends to prevent opportunism and reduce "finger-pointing". |
| Governance Focuses on aspects of controlling the engagement, including contracts, agreements and management controls. | Similarities | <ul style="list-style-type: none"> • Creation of strong relationships to manage MVO governance a key consideration for all cases. • Complexity of MVO makes selecting the correct governance model difficult. • Effective labour demarcation and services integration important. | |
| | Differences | <ul style="list-style-type: none"> • Asset ownership and access contingencies were more a concern for clients than suppliers. | <ul style="list-style-type: none"> • Suppliers were often more concerned with transparency in management than clients. |

| Dimension | | Clients | Vendors and Consultants |
|--|--------------|--|---|
| Risk Focuses on the risks recognised by participants in their MVO experiences. | Similarities | <ul style="list-style-type: none"> • Risk was always present in the cases. • All cases noted TCE risks more frequently than any other risk link. | |
| | Differences | <ul style="list-style-type: none"> • Clients were concerned with risks between client and suppliers as well as between suppliers. • Clients were more likely to identify TCE-aligned risks than suppliers. | <ul style="list-style-type: none"> • Suppliers were more concerned with risks between vendors. • Suppliers were more likely to identify RBT-aligned risks than clients. • Suppliers were more likely to identify Complementarity-aligned risks than clients. |

Table 7: Inter-firm type similarities and differences

5.0 – Discussion and Analysis

The previous chapter detailed the case studies considered by the research. These case studies provide the data required to test the *a priori* model of Multivendor Outsourcing (MVO) contingencies. This analysis permits the proposition of the final tested model of MVO contingencies that is one of the core goals of the research.

Chapter Five considers the data collected and reported in Chapter Four through the theories selected during the earlier literature review (Chapter Two). The major dimensions and sub-dimensions of the *a priori* model are assessed for their applicability in the light of the research's findings. The contingencies for the tested MVO contingency model are then considered in the following sub-sections. Significant findings and theoretical implications are discussed during these sub-sections. The revised MVO contingency model is set out in the final section.

5.1 – Structure of the MVO contingency model

The *a priori* model developed via the literature review and detailed in Section 2.4 used five proposed dimensions to classify and group the contingencies predicted to affect MVO. *People, Process, Performance, Governance* and *Risk* were selected as the dimensions best representing the contingencies identified. These dimensions were organised into a framework diagram where the *People, Process, Performance* and *Governance* dimensions were provided the same priority (positioning) in the diagram. *Risk* was placed at the bottom to represent that this type of contingency appeared to underpin the other dimensions. After data collection, this structure was revisited to ensure that the selected dimensions correctly captured the identified contingencies and successfully represented the structure of the dimensions relative to one another.

Relationship contingencies and people-based contingencies were a frequent concern, an example being that CLIENT2 operates their MVO engagement by heavily leveraging relationships. All participants saw relationships as one of

the most critical MVO planning considerations. The *People* dimension appears to be important in enabling the categorisation of relationship-oriented contingencies.

Process was the dimension proposed to capture contingencies relevant to the process of operating an MVO engagement. Contingencies in the *a priori* model centred on issues such as effective project management, managing change and process standardisation to support economics of scale. *Process* was a highly cited topic for CLIENT1 and VENDOR2. All other participants noted process-related contingencies throughout the data collected. The *Process* dimension appears valid on this basis. Ensuring processes were defined and communicated in governance-related aspects suggests a link to the *Governance* dimension.

Performance was the third suggested dimension, focused on ensuring and monitoring vendor and engagement performance. This was an important dimension for all organisations participating, but was especially important from the perspective of the vendor and consultant firms. This can be linked back to the fact that these organisations wish to avoid the situation where “finger-pointing” or the inability to assign responsibility for an issue occurs (reported by VENDOR1, VENDOR2 and CONSULTANT1, as well as the client firms). Both client firms reported the need for performance measurement to be sure they were receiving the services requested. What was notable is that *Performance* appears to be supported by *People* (who perform the measurement, make decisions based on performance and perform MVO work) and *Process* (measurement processes and the engagement management implications for this). It is suggested that *Performance* sits above the *People* and *Process* dimensions in the model as a representation of how *People* and *Process* support *Performance*.

Finally, the *Governance* dimension was designed to capture issues relevant to controlling the MVO engagement, including contract-orientated contingencies. *Governance* was the largest category both in the *a priori* model and in terms of the number of contingencies raised by participating organisations. The wide variety of items cited as part of governance planning and operation suggests

that *Governance* is an important dimension. As discussed in the preceding paragraphs, participants often linked *People*, *Performance* and *Process* contingencies back to governance-related issues.

Governance was included as a stand-alone dimension of the MVO contingency model in the *a priori* framework. Given the emphasis on *Governance* and linkages between *Governance* and other dimensions, it is more sensible to make *Governance* an enabler or underlying supporter of *People*, *Performance* and *Process*, much as *Risk* is an underlying factor in the *a priori* model.

Risk was included as its own dimension in the original model to separate this form of contingency from managerial issues and risks present in the other dimension. The risks present in the *a priori* model were based on ITO risk as no specific work had been conducted on MVO risk.

Based on the data collection phase of the research, it is very clear that all participating organisations were concerned with *Risk*. Every participant cited *Risk* well before the *MVO risk* theme was discussed during interviews.

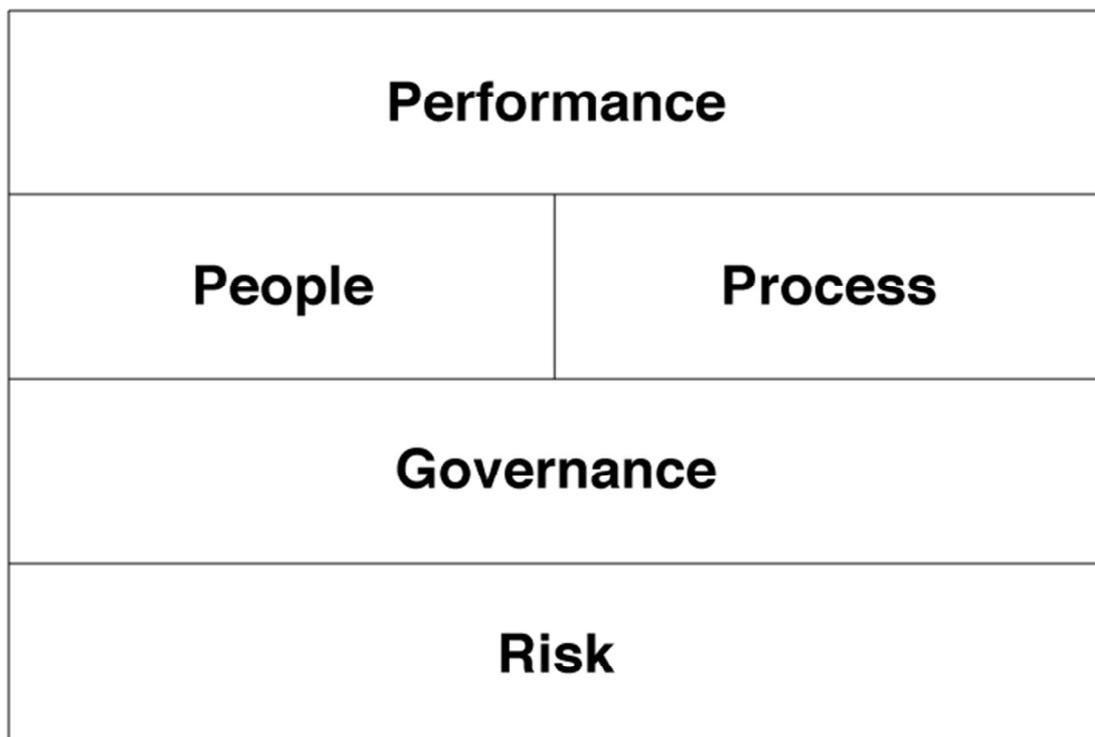


Figure 7: A posteriori MVO contingency model structure

This suggests that while the issue and complexity contingency types exist, the reasons these issues and considerations exist is a cause of *Risk*. Identification of issue and complexity, and implementation of mitigation strategies appears to always link back to one or more risks. *Risk* appears to be the foundation contingency as suggested by the *a priori* model.

Figure 7 shows the new organisation of the MVO contingency model after considering the linkages between contingencies.

5.3 – MVO contingencies

The *a priori* model presented in Section 2.4 included MVO contingencies from ITO literature. The data collection process provided enough detailed information to test if these contingencies were supported in the MVO environment and if there were additional contingencies not yet identified by the literature. This section details the proposed contingencies, supported contingencies and contingencies identified by the cases but not yet known to MVO literature. Contingencies are addressed in the same order as in the literature review. Each contingency is examined individually, from the client firms' perspective, the suppliers' (vendors and consultants combined) perspective and from a theoretical perspective. A table listing all contingencies and the supporting cases is included in Appendix A.

5.3.1 – People

The *People* dimension is concerned with managing the people at the client and vendor firms, and the issues and planning points surrounding these considerations.

5.3.1.1 – Decision Making

Contingencies proposed within the *Decision Making* sub-dimension were:

- Ensuring decisions are based in fact and not ideology; and,
- Having the right people making the right decisions.

Both contingencies were supported. One additional contingency was found to fit within this sub-dimension:

- Problem solving mentality.

These contingencies are explored in the table below.

| Contingency | Clients | Suppliers |
|--|---|---|
| Ensuring decisions are based in fact and not in ideology | <p>Both clients reported this contingency as it links to having the information they need to make the right sourcing decisions. Comparing different sourcing alternatives (e.g. design) was another reported reason.</p> <p>“There are complexities around weighing up the different options for sourcing...” [CLIENT1]</p> | <p>Suppliers reported this contingency as they see it as important to ensure their clients have the right people to make the right decisions for the engagement.</p> <p>“Some cases there may be a steering committee at a very senior level.” [VENDOR2a]</p> |
| | <p>If a client fails to make the right decisions, the organisation fails to exploit their MVO resources as predicted by RBT.</p> | |
| Having the right people making the right decisions | <p>No client reported this contingency.</p> | <p>Suppliers see this contingency as important as there are both many people involved in MVO, and these people may not focus on the right aspects (e.g. VENDOR2b wanted to ensure clients focused on business value and not solely on price).</p> <p>“The consultant firm would normally try and play in that space, and I think there is a huge gap there, because people talk this [about service requirements], and then choose on dollars, and there is a vacuum in the middle.” [VENDOR2b]</p> |
| | <p>Linked to <i>Ensuring decisions are based on fact and not in ideology</i>, if the wrong people make decisions, the client risks being unable to exploit their resources (suggested by RBT).</p> | |
| Problem solving mentality | CLIENT2 was interested in this dimension, especially in ensuring vendors could problem solve with each | VENDOR1 was heavily concerned with ensuring problem solving between client and all vendors. |

| | | |
|-------|--|---|
| [NEW] | <p>other.</p> <p>“So there is a lot of problem solving that goes into that? Yes.” [CLIENT2]</p> | <p>“...you have to work together to work it out.” [VENDOR1]</p> |
| | <p>From an RBT perspective, planning for this contingency and developing problem-solving capability creates an engagement asset. Where vendors can automatically amend issues without requiring management from the client, TCE posits costs would decrease.</p> | |

Table 8: Supported Decision Making contingencies

Theoretical considerations – TCE and RBT were used to explain all of the contingencies in this sub-dimension without extension. RBT was important as it explains that clients will act to build and exploit their resources; in MVO, clients with good decision making ability will choose the best resources and the optimal way to exploit them.

Additional findings – These three contingencies appear to link back to having the right people in the engagement, with the right information and attitude to operate the engagement correctly. One additional new contingency was found through the research.

Finding 1 – Problem solving mentality is a new MVO contingency not already identified by MVO literature.

5.3.1.2 – Communication

Proposed contingencies for this section were:

- Ensuring effective inter-party communication;
- Implementing strong stakeholder management; and,
- Managing cultural and language barriers.

All three contingencies were supported, but *Managing cultural and language barriers* did not capture all issues brought to MVO by offshoring. This contingency was renamed as *Managing differences with offshore vendors*.

Three new contingencies were found during the research:

- Socialising sourcing decisions;
- Knowing what stakeholders exist; and,
- Transparency.

| Contingency | Clients | Suppliers |
|--|--|--|
| Ensuring effective inter-party communication | <p>Clients were interested in this contingency as service delivery depends on vendors communicating with each other and exchanging information. Breakdowns in the engagement force clients to involve themselves to have issues resolved.</p> <p>“Knowledge sharing and document exchange and management are very important to make sure vendors are on the same page and can effectively coordinate.” [CLIENT1]</p> | <p>Communication allows the participating suppliers to ensure that all suppliers can integrate to deliver service to the client’s quality expectations. Without communication vendors cannot coordinate, making vendors appear poor service partners to the client.</p> <p>“...communication is important, and when something does go wrong it is communicating to all the people to work on the problem until it is fixed.” [CONSULTANT1]</p> |
| | <p>TCE would predict that communication between vendors reduces the management transactions costs for the client, as the client does not have to manage vendors at that level. Further, where vendors communicate with each other, barriers to interaction are decreased, lowering costs predicted by TCE.</p> | |
| Implementing strong stakeholder management | <p>Clients reported this contingency as they needed to control the behaviours of their own people within the context of the engagement.</p> <p>“People tend to have a <i>“What is in it for me?”</i> mentality that can interfere with implementing the outsourcing engagement.” [CLIENT1]</p> | <p>Suppliers were concerned with this contingency as there are many people to the engagement, and vendors wish to know precisely what their involvement is.</p> <p>“I think outsourcing is really a people business.” [VENDOR1]</p> |
| | <p>Where there is confusion over involvement in the engagement or people behave erratically, TCE predicts an</p> | |

| | | |
|--|---|--|
| | increase in transaction costs due to uncertainty. | |
| Managing differences with offshore vendors | No client reported this contingency (no client had offshore vendors). | CONSULTANT1 raised the point that offshore vendors increase offshoring risk beyond traditional ITO within the MVO engagement. “...the whole offshore elements comes into play as well...” [CONSULTANT1] |
| | Offshoring increases uncertainty and the number of overheads in the consultant’s observations. These factors would increase the transactional costs predicted by TCE. | |
| Socialising sourcing decisions [NEW] | In CLIENT1’s case, it was important the decision to use MVO was communicated to ensure internal staff did not disrupt the outsourcing move. “Part of our challenge at present is socialising the decisions with the broader organisation.” [CLIENT1] | No supplier reported this contingency. |
| | If the client organisation can control internal perception of the MVO decision, TCE would suggest management overheads might be lowered. | |
| Knowing what stakeholders exist [NEW] | No client reported this contingency. | Suppliers were focused on stakeholders as a way of managing communication and structuring the engagement. “So we go to a client and help them get various stakeholders together and what their involvement is...” [CONSULTANT1] |
| | By understanding the groups involved in MVO, communication and coordination become more efficient, potentially reducing a transaction cost overhead predicted by TCE. | |
| Transparency [NEW] | No client reported this contingency. | Vendors were concerned with transparency in metrics measurement and in inter-party communication. This |

| | | |
|--|---|--|
| | | was to ensure the client could easily assess each vendor's performance. "You have to be transparent..." [VENDOR1] |
| | TCE proposes that the harder it is for one party to judge the actions of another, the more transaction cost increases (this is TCE's uncertainty dimension). Ensuring transparency appears to combat uncertainty as a transaction cost. | |

Table 9: Supported Communication contingencies

Theoretical considerations – TCE explained all of the contingencies in this dimension. Many of these contingencies were linked to controlling the interaction overheads within TCE. *Transparency* identified an interesting finding: if the client has transparency of vendor activities in the engagement, it is easier for the client to understand the behaviours and actions of vendors. Uncertainty, as described by TCE, is reduced with greater transparency of vendor activities

Finding 2 – Transparency reduces uncertainty and makes vendor behaviour and performance clear in the MVO engagement.

Additional findings – Three new contingencies were found through the data.

Finding 3 – Socialising sourcing decisions, Knowing what stakeholder exist and Transparency are contingencies not earlier identified by MVO literature.

5.3.1.3 – Partnership, Commitment and Trust

Originally named *Commitment and Trust* (see Section 2.3.1.3), *Partnership* was included to capture related contingencies after data analysis. Proposed contingencies were:

- Socially complex systems creation;
- Creating trust and forbearance;
- Ensuring good relationships between line managers and suppliers;
and,
- People control risk (i.e people impact on how risk is managed).

The first two contingencies were well supported by the cases. *People control risk* was too specific, but was supported under the broader contingency *Involving the right people and skills*. Similarly *Ensuring good relationships between line managers and suppliers* was too specific, but was more broadly supported under the phrasing *Ensuring good relationships between the client and all vendors*.

An additional three contingencies were identified during the research:

- Having the right people in the engagement;
- Cultural fit between all parties; and,
- Controlling opportunism.

| Contingency | Clients | Suppliers |
|-----------------------------------|--|---|
| Socially complex systems creation | <p>CLIENT2 was in the situation where vendors were bought over by acquisition. Their knowledge of the client’s systems was important in CLIENT2’s new IT configuration.</p> <p>“...one of the main drivers was getting the skills necessary to support our systems.” [CLIENT2]</p> | <p>VENDOR2a had experience where older contracts had to be taken into consideration. Planning for these existing engagements was important in delivering to client expectations.</p> <p>“The challenge is that a number of the agencies have a number of legacy arrangements with partners, for whatever reason they may choose to continue it.” [VENDOR2a]</p> |
| | <p>The historical perspective of a client’s systems influences the MVO engagement’s resources. From an RBT perspective, new vendors must work with existing assets that a client’s previous decisions have developed.</p> | |
| Creating trust and forbearance | <p>For CLIENT2 trust is a critical component of their engagement. As there is no in-house IT or extensive IT knowledge, CLIENT2 must trust that their vendors are delivering services in the best interests of the client.</p> <p>“Trust that they have done</p> | <p>Suppliers noted trust as important because clients must have a level of trust in these vendors. It is important to suppliers that vendors can act in the interests of the client and not act opportunistically between each other.</p> |

| | | |
|---|--|---|
| | <p>the job is important.” [CLIENT2]</p> | <p>“...people have a level of trust in what you are doing...” [VENDOR2a]</p> |
| | <p>Trust and forbearance are important TCE constructs; if the client can trust vendors and vendors act with forbearance, TCE predicts that management transaction costs associated with the engagement are lowered.</p> | |
| <p>Involving the right people and skills</p> | <p>CLIENT2 was concerned with ensuring the people in the relationship could work together harmoniously and perform their work to a high standard.</p> <p>“It is also making sure you are choosing the right people and ensuring they can do the job.” [CLIENT2]</p> | <p>Suppliers raised this contingency as they were concerned with ensuring that the client has the skills required to manage and coordinate MVO.</p> <p>“...you have some strong people managing the relationship with a good business focus it minimises the problems.” [VENDOR2a]</p> |
| | <p>If organisations can work together without difficulty, the costs of persistent transactions decrease under TCE’s predictions.</p> | |
| <p>Ensuring good relationships between client and all suppliers</p> | <p>CLIENT2 was extremely concerned about developing relationships. This client leveraged relationships to ensure they get the service and support they require from suppliers. These relationships ensure the entire engagement is controlled, works smoothly and suits the client’s needs.</p> <p>“It is all about personal relationships.” [CLIENT2]</p> | <p>Suppliers reported relationships as a critical contingency as it supports interaction between vendors, reduces opportunism between vendors and helps coordinate the engagement reducing the load on the client.</p> <p>“What we are introducing here is a breadth in the chain that says, not only do we have relationship management this way [vertically in supply chain] but we have to manage ourselves here [across the supply chain] in real-time.” [VENDOR2b]</p> |
| | <p>From a TCE perspective, good relationships could potentially reduce the management overhead for clients</p> | |

| | | |
|--|--|--|
| | as vendors have a platform to collaborate on. Good relationships enable vendors to deliver better service, in turn allowing the client to derive more value from assets under RBT. | |
| Having the right people in the engagement [NEW] | CLIENT2 was interested in having the right people to ensure relationships were functional. “It is also making sure you are choosing the right people and ensuring they can do the job.” [CLIENT2] | Vendors were interested in having the right people from a company representation and professionalism viewpoint. “Reputation is very important.” [VENDOR1] |
| | People with the right mindset and commitment to the engagement could be seen as a resource from an RBT perspective. The client firm could leverage these resources to their strategic advantage (as suggested they may by RBT). | |
| Cultural fit between all parties [NEW] | No client reported this contingency. | Vendors saw culture as a way of building strong relationships with all other parties to the engagement. “I think outsourcing is really a people business and it is also important you have a culture bond.” [VENDOR1] |
| | Where cultural fit is poor, management costs increase due to conflict (TCE predicts difficulty engaging increases costs). RBT suggests that the value of any assets (extending to relationship and cultural assets) would decrease when ability to exploit them is diminished. | |
| Controlling opportunism [NEW] | CLIENT1 was concerned with maintaining a level of competition to avoid vendors taking advantage of the firm, or locking them in. “More competition will enable us to ensure we can get the best price and to avoid vendors taking advantage of us.” [CLIENT1] | VENDOR2b found that vendors in the MVO engagement are often opportunistic to each other. If unmanaged and inter-vendor relationships are poor, vendors will approach the client offering better service than the vendor currently delivering service to the client firm. VENDOR2b posited that less competent vendors tend to engage in this opportunistic behaviour |

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| | | <p>than more competent firms. Where good inter-vendor orchestration occurs, the client can expect opportunism between vendors to decrease.</p> <p>“You have to have some discipline that says all of these people in a multi-vendor arrangement have to first work together before they can work for the customer and in a capitalistic, commercialised world, what you find is each [vendor] is interest in their own survival first and some of them see a quicker outcome by going directly to a customer rather than working as a consortium or orchestrated whole...” [VENDOR2b]</p> |
| | <p>Opportunism is a TCE construct that predicts transaction costs increase where parties to the contract act in their own self-interest. In the case of clients, vendors may act opportunistically against them, as individuals or as a group. In the vendor’s case, opportunism causes vendors to attempt taking over service at the expense of the client and other vendors.</p> | |

Table 10: Supported Partnership, Commitment and Trust contingencies

Theoretical considerations – Many of the contingencies reported above, when planned for or overcome, lower the predicted transaction costs for the client firm. Strong working relationships can be linked to RBT’s discussion of human resources as an asset.

One interesting finding sits within VENDOR2b’s discussion of inter-vendor opportunistic behaviours. TCE suggests vendors act opportunistically towards the client only. If a vendor acts in their own self-interest by attempting to push other vendors out of the MVO engagement as seen by VENDOR2, then the client does not experience that opportunism. In this way, opportunism and the associated transaction costs shift from the client to the vendors. VENDOR2b stopped short of saying that autonomously orchestrated vendors would not

form an alliance and act opportunistically as a whole towards the client. Other data collected found that relationships help vendors work together as one. This may suggest that as “relationship” contingencies including communication, coordination and information sharing improve, the client may experience opportunism as vendors coordinate to lock the client in to the vendors and engagement design selected. CLIENT1 said that the larger pool of vendors promotes competition and VENDOR2b noted that inter-vendor tension is unavoidable. In this light, a balance between ensuring vendors work well together and inter-vendor competition balances these two forces of opportunism to the client’s advantage.

Finding 4 – MVO changes the nature of opportunism. Unmanaged vendors will act opportunistically between each other, moving opportunism costs from client to vendors. Coordinated vendors may act together in an opportunistic fashion towards the client. A tension between inter-vendor competition and positive inter-vendor relationships balances inter-vendor and client-directed opportunistic forces.

Findings – Relationships was one of the most highly cited contingencies amongst all participants and all participants placed high value of these relationships. For clients relationships build trust between the client and their vendors; improves communication; enables the client to receive a high level of service; and, moves coordination transaction costs to the vendors. From the vendor perspective, relationships enable vendors to work together with reduced opportunism, improve inter-vendor coordination and have a positive partnership with the client.

Finding 5 – Strong relationships lower transaction costs, build trust, reduce opportunism, improve service quality, enable communication and create platforms for cooperation.

Additionally, three new contingencies were found through the research’s data.

Finding 6 – Cultural fit between all parties, Having the right people in the engagement and Controlling opportunism are two new contingencies that have not yet been identified by MVO literature.

5.3.1.4 – Transaction Cost

The single contingency for this sub-dimension was:

- Controlling transaction cost through controlling communication.

This contingency was supported by VENDOR2a.

| Contingency | Clients | Suppliers |
|---|---|--|
| Controlling transaction costs through controlling communication | No client reported this contingency. | VENDOR2a stated that controlled communication to customers was in the interest of their continued business. “It is about, if you like, making sure that VENDOR2 talks to the other agencies as best we can.” [VENDOR2a] |
| | For vendors, controlling communication allows for a consistent message to be sent. TCE would predict that a consistent message may reduce the costs of ongoing contracting. | |

Table 11: Supported Transaction Cost contingencies

Theoretical considerations – TCE successfully explained this dimension, as the single contingency in this dimension was directly linked to a proposition of TCE.

5.3.2 – Process

The process aspect of the classification of MVO complexities considers the engagement lifecycle and the workflow structures required.

5.3.2.1 – Engagement Lifecycle

The sole proposed contingency for *Engagement Lifecycle* was:

- Selecting the MVO sourcing configuration or design.

This was well supported by CLIENT1 and VENDOR2. Several additional *Engagement Lifecycle* contingencies were identified by participants, specifically:

- Developing new processes;
- Effective supplier management;
- Strong resource and succession planning; and,
- Design before implementation.

| Contingency | Clients | Suppliers |
|--|--|---|
| Selecting the MVO sourcing configuration or design | <p>CLIENT1 saw complexity in choosing the right MVO design because there were many options open to them. It was also a concern to this client that this part of MVO was performed well from the outset.</p> <p>“There are complexities around weighing up the different options for sourcing.” [CLIENT1]</p> | <p>Suppliers reported this contingency as it is important clients can communicate exactly how each vendor fits in with each other and how the engagement and services are structured within MVO.</p> <p>“Effective behaviour here is to create a framework and a model that allows people to make a contribution but also has some kind of control that allows them to prevent vendors from wrecking things for everybody else.” [VENDOR2b]</p> |
| | <p>If a client fails to select the correct outsourcing design, they will have difficulty both exploiting their outsourced assets (an RBT issue) and potentially encounter increased management overheads (a TCE consideration).</p> | |
| Developing new processes [NEW] | <p>As both clients were new to MVO, developing new processes was an important planning point.</p> <p>“We are looking at three different process perspectives (process, reporting and measurement) as a way to also closely monitor</p> | <p>New processes were important to VENDOR2a as no MVO engagement is like another.</p> <p>“It is a case-by-case decision.” [VENDOR2a]</p> |

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| | performance.” [CLIENT1] | |
| | New processes developed to operate the MVO engagement successfully may become effective resources for the client to exploit (as suggested the client may under RBT). TCE would also predict that management overheads would be lowered if these new processes improve efficiency. | |
| Effective supplier management [NEW] | <p>Clients use supplier management as a way to ensure vendors receive a consistent message about the MVO engagement.</p> <p>“Having supplier management be on the same page is one of the biggest hurdles.” [CLIENT1]</p> | <p>Suppliers were concerned with supplier management to ensure the other vendors in the engagement were held accountable for their actions.</p> <p>“...it is the client who has to pull such a [misbehaving] supplier into line.” [VEDOR1]</p> |
| | If suppliers are not managed well, their ability to work together to deliver resources under RBT is diminished, and management costs under TCE escalate. | |
| Strong resource and succession planning [NEW] | <p>Clients were interested in strong resource planning to ensure they were not locked-in or taken advantage of.</p> <p>“Here we need to limit our risk exposure and ensure both the organisation and our vendors have good resource planning and succession planning.” [CLIENT1]</p> | <p>Vendors believed strong resource planning is important to ensure they could forecast requirements to continue meeting client demands.</p> <p>“It is difficult for them [the customer] to get a full view in some cases.” [VENDOR2a]</p> |
| | If clients do not plan for services required in the future or for changes to resources or vendors, the client cannot fully exploit resources as suggested by RBT. | |
| Design before implementation [NEW] | <p>CLIENT2 created relationships before committing to the engagement. This ensured their vendors were fully suitable for the engagement.</p> <p>“We built these</p> | <p>CONSULTANT1 was concerned with this contingency as a way of ensuring clients considered the engagement before committing.</p> <p>“So a lot of times they just</p> |

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| | relationships even before we had signed an agreement.” [CLIENT2] | want to go to the market and pick providers, but then they have to figure out how to bring it together. I would argue that it would be a lot better to do that the other way around.” [CONSULTANT1] |
| | Planning before engaging in MVO ensures the client has time to consider the engagement more fully. TCE predicts that reducing uncertainty and bounded rationality reduces transaction costs. | |

Table 12: Supported Engagement Lifecycle contingencies

Theoretical considerations – The contingencies in this sub-dimension were well explained by RBT and TCE. Management processes discussed in this sub-dimension were especially well described through links to RBT that predicts that organisations will attempt to find better ways to exploit their resources.

Findings – Four new contingencies were identified for this sub-dimension; these contingencies had not yet been identified by MVO literature.

Finding 7 – Developing new processes, Effective supplier management, Strong resource and succession planning and Design before implementation are relevant MVO contingencies not yet present in MVO literature.

5.3.2.2 – Communication

This sub-dimension considers how communication supports the MVO engagement. The single contingency derived from the literature was:

- Supporting effective information and knowledge exchange between vendors.

During case study analysis, it became clear that while this contingency was supported, it was too specific to vendors. CONSULTANT1 indicated there were many people involved from client, vendor and consultant firms during the MVO engagement. All of these organisations require some information or knowledge each other has, so information and knowledge exchange is

important for the whole engagement. Therefore, this contingency would be better phrased as *Supporting effective information and knowledge exchange*.

Two additional contingencies were identified through the literature:

- Educating vendors; and,
- Clients must be informed when a vendor fails to deliver.

| Contingency | Clients | Suppliers |
|---|--|--|
| Supporting effective information and knowledge exchange | <p>Both clients reported this contingency as it was important that vendors had access to the right information and documents as a way of coordinating within the engagement.</p> <p>“Knowledge sharing and document exchange and management are very important to make sure vendors are on the same page...” [CLIENT1]</p> | <p>Suppliers spoke of this contingency as a way to understand the client’s needs.</p> <p>“Often if we are speaking with a customer, we are working out what best is for them, because they may have existing contracts involved or they may not have emphasises their business systems enough, we’ve just got to work it out.” [VENDOR1]</p> |
| | <p>Information sharing enables vendors to coordinate effectively, reducing the load on the client to manage the engagement. TCE would suggest this reduces transaction costs.</p> | |
| Educating vendors [NEW] | <p>CLIENT2 experienced this contingency through hosting training days between different vendors to ensure they understood each other’s systems. This ensured that vendors could deliver on client needs.</p> <p>“I have done some basic training with [supplier name] in [other supplier’s product] which is what we use to be able to understand our system.” [CLIENT2]</p> | <p>CONSULTANT1 was concerned with ensuring vendors understood the design, agreements and metrics of the engagement to ensure there was good inter-vendor fit.</p> <p>“There is an education component, so upfront in the contract, I’d recommend you’d bring all the service providers together and explain the nature of the services...” [CONSULTANT1]</p> |

| | | |
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| | From a TCE perspective, where vendors understand the nature of the engagement they will be able to perform their work more efficiently, and TCE predicts this would reduce management cost. | |
| Clients must be informed when a vendor fails to deliver [NEW] | No client reported this contingency. | VENDOR1 said that vendors must report to the client when another vendor fails in their duty. “Through clear reporting and roles and responsibilities, it [performance responsibility] should be very clear.” [VENDOR1] |
| | If a vendor can monitor engagement performance on behalf of the client, the client’s transaction costs decrease. | |

Table 13: Supported Communication contingencies

Theoretical considerations – TCE explained all of these contingencies as they are linked to controlling the transactions and contracting processes between the client and all vendors.

Findings – Two new contingencies were found during the research; neither of these contingencies were found in the literature.

Finding 8 – Educating vendors and Clients must be informed when a vendor fails to deliver are MVO contingencies not known to extant literature.

5.3.2.3 – Process Standardisation

Process standardisation is concerned with the definition of processes inside the engagement. The single proposed contingency from the literature in this dimension was:

- Process standardisation.

This contingency was supported by CLIENT1 and CONSULTANT1; CLIENT1 said, “*Process standardisation is critical*”. Two additional contingencies were found during the research:

- Having clear, transparent processes; and,
- Codifying processes.

Contingencies uncovered by the data collection are detailed below:

| Contingency | Clients | Suppliers |
|--|---|---|
| Process standardisation | <p>CLIENT1 found process standardisation as important to help coordinate all their different service towers in the same way.</p> <p>“Process standardisation is key.” [CLIENT1]</p> | <p>CONSULTANT1 reported this contingency as common processes may make the engagement more efficient.</p> <p>“There may be some common processes that are operating, such as the management process, that might be fixed to make things more effective.” [CONSULTANT1]</p> |
| <p>When processes are standardised, it is easier for vendors to build economies of scale. This reduces transaction costs for the client, as TCE suggests it is less difficult to contract or transact with a client. If vendors can support standard processes, they can take on more work for clients, and clients may assign more work, as suggested by the Theory of Complementarity.</p> | | |
| Having clear, transparent processes [NEW] | <p>CLIENT2 was interested in this contingency as it ensures that vendors understand how to work together to deliver on the client’s service requirements. Transparency makes it easier for clients to know how vendors are executing work assigned to them.</p> <p>“Having a clear procedure for IT is critical.” [CLIENT2]</p> | <p>Suppliers were highly concerned with process clarity as a way to ensure each other supplier understands what is required of them. This in turn supports service quality when systems fail.</p> <p>“So making that really clear. It is having it documented so it is clear, so everybody knows what is happening” [VENDOR1]</p> |
| <p>If processes are unclear or not transparent, the client must manually intervene, increasing management overhead costs predicted by TCE. From an RBT perspective, clear processes might become an asset to the engagement, improving the client’s ability to exploit their resources.</p> | | |

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| Codifying processes [NEW] | No client reported this contingency. | Where processes are codified, clients are more easily able to communicate these processes to suppliers. “So making that really clear. It is having it documented so it is clear, so everybody knows what is happening.” [VENDOR1] |
| | If processes are not codified, it is difficult for them to be communicated. This difficulty would increase transaction costs predicted by TCE. | |

Table 14: Supported Process Standardisation contingencies

Theoretical considerations – TCE explained all of these contingencies as common processes reduce the barriers to repeat transacting and contracting. The Theory of Complementarity was used to explain how process standardisation might improve efficiency for vendors. If the vendor can execute multiple areas of business more efficiently, they grow their ability to accept more client contracts and work.

Finding 9 – Process standardisation practice in MVO engagements assists vendors to build capability in accordance with the Theory of Complementarity.

Findings – Process efficiency was an important contingency for clients and suppliers alike (as shown above). Where processes are standardised so all suppliers execute them in a common way, are codified to make process communication simpler and are clear and transparent, monitoring costs fall significantly for the client. These same processes become an asset for the client as they develop, enabling vendors to deliver assets (products and services) more efficiently, lowering barriers to use for the client.

Finding 10 – Codified, standardised and transparent processes lower client management and monitoring costs and allow increased client asset value realisation.

Finally, *Having clear, transparent processes* and *Codifying processes* were found to be new contingencies unknown to MVO research to date.

Finding 11 – *Having clear, transparent processes* and *Codifying processes* are new contingencies not known to MVO literature.

5.3.2.4 – Project Management

The project management sub-dimension focuses on managing the engagement at a managerial level. The contingencies proposed for this dimension were:

- Project management;
- Supporting eight core processes; and,
- Managing change.

All of these contingencies were supported. Although *Supporting eight core processes* was supported, it’s support was split amongst dimensions and contingencies due to the size of this single contingency. For this reason, the contingency was removed. Additionally, two contingencies were moved from the *Governance* dimension as they appeared more closely aligned to *Performance*. These contingencies are:

- Core competence management; and,
- Maturity management.

No new contingencies were identified for this sub-dimension.

| Contingency | Clients | Suppliers |
|--------------------|--|---|
| Project management | <p>Clients saw project management as important as a way to ensure the engagement was coordinated correctly by both the client internally and by vendors in the engagement.</p> <p>“It [a systems implementation] was really well project managed. We</p> | <p>As with clients, suppliers were interested in project management as a guide for the overall engagement.</p> <p>“Without that sort of coordination, a project around the whole thing, people can get very confused.”</p> <p>[CONSULTANT1]</p> |

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| | had a project manager, we had a timeline, we had daily updates..." [CLIENT2] | |
| | Strong project management can ensure effective coordination, lowering the transaction costs (predicted by TCE) involved with the client and vendors trying to manage issues when they arise. Monitoring costs could also be reduced under TCE's predictions, as all parties to the contract understand their position and can mostly manage themselves. | |
| Managing change | <p>CLIENT1 reported this contingency as change management was important to control the structure of their internal resources after the MVO decision was made.</p> <p>"Within this, we are having internal workshops to manage the change and are attempting to refocus [internal] roles to adapt to the change..." [CLIENT1]</p> | <p>Suppliers were concerned with change management to ensure that vendors can change to meet the client's needs on an ongoing basis and to ensure there is a process in place to manage change.</p> <p>"One is change management; you have to look at both commercial and contract change. There needs to be a formal process otherwise things fall through gaps, and you don't want that to happen." [VENDOR1]</p> |
| | A change management process allows clients to better leverage their resources to strategic effect within MVO (as RBT predicts the client firm would behave). | |
| Core competence management [MOVED] | No client raised this contingency. | <p>VENDOR2b raised the point that from their experience, vendors with less competence tended to act more opportunistically during the engagement.</p> <p>"The interesting thing is the less competent people are, the more inclined they are to do those take-overs and stuff to represent their capability way beyond what their capability is." [VENDOR2b]</p> |

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| | If vendors misrepresent their competence, they act opportunistically against the client and vendors. TCE proposes that this opportunistic behaviour would raise transaction costs. | |
| Maturity management [MOVED] | CLIENT1 mentioned this contingency as it was important that they could manage the quality and maturity of policies and procedures on an ongoing basis. “Ensuring maturity of policies and procedures upfront is the first thing that comes to mind. You need clear policies for direction in the engagement.” [CLIENT1] | Suppliers discussed this contingency as vendors and consultants often have the experience needed to support clients in ensuring their engagement is successful. “So our value proposition is that we go in and understand what all those issues and we are able to help the client work through that.” [CONSULTANT1] |
| | As the engagement matures in its ability to manage itself, the ability for the client to exploit resources under RBT improves. | |

Table 15: Supported Project Management contingencies

Theoretical considerations – Again TCE and RBT explain these contingencies. If MVO engagements are well managed, the management overhead required would be lowered. This is a form of transaction control under TCE. Additionally, some project management activities are important to ensure the client can access their assets and build their assets to enable further exploitation. These actions are direct propositions of RBT.

Findings – It was found that maturity management and core competency management were more aligned with the *Process* dimension rather than the *Governance* dimension.

Finding 12 – Maturity management and Core competence management are important Process and Project Management contingencies.

5.3.3 – Performance

The performance aspect of MVO is concerned with anticipating, controlling and measuring vendor performance during the engagement.

5.3.3.1 – Services Integration

Services integration is concerned with how clients design the engagement to ensure service components are integrated into a smooth user experience.

The only proposed contingency was:

- Selecting and implementing the best systems integrator design.

This contingency was supported by the data; five additional contingencies surfaced during the study. The supported contingencies are explored below.

| Contingency | Clients | Suppliers |
|---|--|---|
| Selecting and implementing the best systems integrator design | CLIENT1 was concerned with SI design as selecting the correct design was an unclear process. “This is mostly unclear to us at this stage.” [CLIENT1] | All supplier firms were concerned with effective systems integration design as it defines exactly what each vendor is responsible for delivering and who is responsible for delivering unified service. “Effective behaviour here is to create a framework and a model that allows people to make a contribution but also has some kind of control that allows them to prevent vendors from wrecking things for everybody else.” [VENDOR2b] |
| | Unless disparate service components can be correctly combined and delivered to the client’s requirements, the client cannot access resources to exploit them as RBT predicts clients would do. | |
| Ensuring quality of service [NEW] | Clients were concerned with service quality to ensure users received the experience required. “We are really only concerned with the service being delivered to us at the service levels we define.” [CLIENT1] | Suppliers were concerned with quality of service as it is in their interest to meet end-user requirements and because service gaps grow with number of vendors. “...it is more of an exponential challenge to manage all of those potential [service quality] |

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| | | gaps in a multivendor arrangement.” [VENDOR2b] |
| | If the quality of service delivery does not meet client expectations, the client firm fails to exploit these resources to strategic effect. Under RBT good service quality would build value in the client’s assets. | |
| Disconnects between SLAs and user experience [NEW] | <p>CLIENT1 reported this contingency as it is important to the firm that MVO does not change the level of support users currently receive from the internal IT division.</p> <p>“In this respect, there is a “reality gap” between KPIs and service delivery.” [CLIENT1]</p> | <p>Suppliers were concerned with SLA-experience disconnects as it is in the supplier’s interest that they can deliver service to SLAs and satisfy users to retain the client’s business.</p> <p>“So how do you hang all of that together from the end user perspective? That is all they care about, actually having things working.” [CONSULTANT1]</p> |
| | Where there are disconnects between what the client states as their requirement and what their users require, the company’s assets cannot be exploited as predicted by RBT. From a TCE uncertainty perspective, if there are conflicting messages from the client, TCE predicts it will be more costly for the vendors to manage service delivery due to uncertainty. | |
| Implementing effective metrics [NEW] | <p>The client firms reported this contingency as they wanted to measure many different aspects of performance, spanning both service delivery and the relationship.</p> <p>“We have a two-pronged approach. We will be using more traditional methods of measurement, centring on ITIL. As I said earlier, we want our engagement to be relationship focused, so we also want to measure business value.” [CLIENT1]</p> | <p>Suppliers were interested in this contingency as services are segmented across vendors; if vendors cannot have well-defined, focused metrics it becomes difficult for clients to assign responsibility for performance. They also believe metrics need to link well between suppliers in the interests of the client’s overall service.</p> <p>“You have to try to ensure SLAs cut through end-to-end service delivery and that is very, very difficult.” [CONSULTANT1]</p> |

| | | |
|---|--|---|
| | TCE posits that uncertainty and difficulty in managing transactions increase cost. If metrics are unclear or difficult for the client to use, monitoring costs increase. | |
| Services integration maturity management [NEW] | No client reported this contingency. | CONSULTANT1 and VENDOR1 were interested in services integration to ensure that the engagement can support services integration on an ongoing basis. “So one of the things we generally do is a maturity assessment around where their current [SI] processes are, where their tools are and so on to work in a multisource environment.” [CONSULTANT1] |
| | If the engagement can build capability to exploit resources within the MVO engagement, the value of the resources builds for the client. RBT predicts client firms will attempt to exploit their assets, and building assets supports this prediction. | |
| Connectivity issues [NEW] | No client reported this contingency. | Suppliers reported this contingency as an inability for a vendor to supply service components means that one or more services cannot be delivered to the client as agreed under relevant agreements and contracts. “Then there is another dimension there that is about the design of the service for high availability, those kinds of things.” [VENDOR2b] |
| | If a supplier has trouble delivering a component of an overall service for integration, the client does not have access to the full resource and therefore cannot exploit the asset to their advantage under RBT. | |

Table 16: Supported Services Integration contingencies

Theoretical considerations – RBT was the primary theory explaining the contingencies in this sub-dimension. As SI focuses on delivering seamless service (assets under RBT) to the client for use, RBT explains why clients would act to implement SI strategies to ensure service quality. TCE was useful for considering the cost influences these contingencies had in the client's need to ensure resources are available for use.

Findings – Given the limited academic investigation into SI, it is unsurprising that five additional contingencies were identified for this dimension.

Finding 13 – Ensuring quality of service, Disconnect between SLAs and user experience, Implementing effective metrics, Services integration maturity management and Connectivity issues are contingencies affecting services integration in an MVO engagement.

5.3.3.2 – Transaction Costs

The transaction cost dimension is focused on the client controlling the costs required to management the MVO engagement. Proposed contingencies for this dimension were:

- Lowering transaction, coordination, monitoring and production costs;
- Management of impacts from bounded rationality; and,
- Implementing vendor behaviour control.

All three contingencies were supported. An additional three contingencies were supported:

- Implementing roles and responsibilities;
- Service monitoring; and,
- Clearly defining and communicating scope.

| Contingency | Clients | Suppliers |
|---|--|---|
| Lowering transaction, coordination, monitoring and production costs | <p>CLIENT1 mentioned that different approaches to MVO management incurred different costs and balancing these costs with requirements was a challenge. CLIENT2 discussed how different strategies (especially an internal helpdesk) reduce monitoring costs.</p> <p>“...each possible design we look at has different overheads.” [CLIENT1]</p> | <p>Suppliers experienced this contingency in two different ways. First, suppliers found clients do not always account for monitoring costs and do not realise performance management involves significant cost. Secondly, suppliers require forecasting measures to control their resource availability and unit costs.</p> <p>“So there is overhead that is involved there that needs to be explicitly accounted for...” [VENDOR2b]</p> |
| | <p>Where a client fails to see the costs associated with possible engagement transactions, the client will discover transaction costs predicted by TCE that mount quickly.</p> | |
| Managing impacts from bounded rationality | <p>CLIENT1 reported this contingency from a requirements perspective. If the client cannot know their requirements, change costs will add up quickly.</p> <p>“If we do not accurately define the specification for the outsourcing engagements well, we risk having any changes we need realised as many change requests that cost us more in the long run.” [CLIENT1]</p> | <p>Suppliers also saw this contingency from a requirements perspective. If the client changes their requirements (or fails to think them over), this causes additional internal costs for vendors that are passed back to the client, increasing engagement costs.</p> <p>“I think that key thing that always comes up for me is that the client thinks multivendoring sounds good in principle, but they really haven’t thought through the implications of that...” [CONSULTANT1]</p> |
| | <p>Where a client fails to fully think through their sourcing decisions or business requirements, they may fail to include critical resources, increasing costs derived from contract or engagement changes under TCE’s predicted bounded rationality costs.</p> | |

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| <p>Implementing vendor behaviour control</p> | <p>CLIENT1 saw controlling “finger-pointing” as an issue of poor vendor behaviour. Implementing measures to suppress “finger-pointing” was a consideration for CLIENT1. “Setting things up in a way that things work well in regard to controlling this “finger pointing” [is important].” [CLIENT1]</p> | <p>VENDOR1 said that clients need to step in and control poorly behaving vendors in the interests of the engagement. “...it out but it is the client who has to pull such a [misbehaving] supplier into line.” [VENDOR1]</p> |
| <p>If the client can implement controls to reduce poor vendor behaviour, TCE’s predicted management costs may be reduced.</p> | | |
| <p>Implementing roles and responsibilities [NEW]</p> | <p>In terms of <i>Performance</i>, Roles and responsibilities were a critical consideration for clients as these roles control which vendor is responsible for an activity, process or service. This ensures “finger-pointing” is minimised and builds service quality for users. “Setting things up in a way that things work well in regard to controlling this “finger pointing” [is important].“ [CLIENT1]</p> | <p>In <i>Performance</i>, suppliers saw roles and responsibilities as one of the most significant contingencies in MVO. For vendors, roles and responsibilities ensures that each other vendor to the contract knows their area of responsibility. With this contingency addressed, vendors cannot attempt to pass responsibility for an issue to another vendor. “The most important thing is that you have clear roles and responsibilities for both the customer and the external third-parties.” [VENDOR1]</p> |
| <p>When executed well, roles and responsibilities controls vendor opportunism (i.e. “finger-pointing”) and reduce the TCE monitoring costs for the client.</p> | | |
| <p>Service monitoring [NEW]</p> | <p>Service monitoring was important for both clients; CLIENT2 cited this contingency frequently. Service monitoring allows clients to determine if their</p> | <p>VENDOR1 found metrics important; monitoring these metrics allows the vendor know if they are delivering to client expectations. This in turn helps keep the client</p> |

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| | <p>user's requirements are met and that vendors perform to the standard they are bound to under SLAs. The challenge is making service monitoring simple; CLIENT2's firm-internal helpdesk makes this monitoring transparent and easy for the client.</p> <p>"...there is also the development of the internal helpdesk. They monitor that on our intranet site." [CLIENT2]</p> | <p>a customer for the vendor.</p> <p>"We want to meet the SLA and make our customers happy because that is how they will be longer term customers..." [VENDOR1]</p> |
| | <p>TCE suggests that the easier it is for the client to measure and monitor performance, the lower the associated transaction costs. It also allows the client to determine if they are exploiting their resources fully (a RBT consideration).</p> | |
| <p>Clearly defining and communicating scope [NEW]</p> | <p>CLIENT2 was concerned with this contingency as scope is a cost control for the client. Where the client fails to accurately scope the engagement, important work is either left out or the engagement grows beyond what the client needs or will pay for.</p> <p>"...when you needed something done it was understanding whether or not it was included or excluded. It was a major cost saving." [CLIENT1]</p> | <p>All vendors identified this contingency. Vendors were concerned with ensuring that they understood their service boundaries and responsibilities during the engagement. They were also concerned with ensuring other vendors knew their scope of responsibility to ensure smooth running of the engagement.</p> <p>"...define clear boundaries and areas of responsibility because one thing that can happen is that people get good at a certain capability, so they will get confident then they will try and take on some more capability in terms of the competency and build that out, and that may be in conflict with other people in the engagement." [VENDOR2b]</p> |

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| | <p>Understanding the scope of the engagement ensures vendors perform the work required by the client without uncertainty around responsibility. TCE predicts that this would reduce the management transaction cost overheads associated.</p> |
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Table 17: Supported Transaction Cost contingencies

Theoretical considerations – Many of the contingencies in this section may be explained with TCE as this theory explains management overhead cost. TCE fully explained the contingencies and there were no extensions identified. RBT was useful in extending the predictions of TCE, explaining why a client may act on a TCE cost to improve asset use predicted by RBT.

Findings – Management of service monitoring was an important aspect reported extensively by many of the participating organisations. The challenge for the client is to make service monitoring and management as simple and low-cost as possible. CLIENT2’s case was a good example of lowering transaction costs by making the helpdesk accessible and completely visible inside of the organisation. The easier it is for the client to assess performance, the easier it is for them to determine if the engagement is working for them (or needs to change because of some impact from bounded rationality) or if a vendor is not performing to the same standard as the other’s (the *Implementing vendor behaviour control* contingency is linked to this aspect). Additionally, if more information on performance becomes available to the client, TCE’s information impactedness propositions are reduced.

Finding 14 – A client-side helpdesk decreases management overhead costs, reduces vendor responsibility “finger-pointing” and lowers costs associated with opportunism.

Roles and responsibilities was one of the most cited issues in the research. Every organisation referenced the issue several times, indicating roles and responsibilities as a very important planning point. Where roles and responsibilities are in place, clients and vendors experience lower “finger-pointing” (a form of opportunism and uncertainty). When well defined, roles and responsibilities can be used by vendors to automatically manage the

engagement on behalf of the client. This reduces management overheads, another TCE-predicted cost.

Finding 15 – Roles and responsibilities reduces transaction costs by reducing vendor opportunism, uncertainty and management overheads.

In addition, three new contingencies were found to be relevant to MVO within this sub-dimension.

Finding 16 – *Implementing roles and responsibilities, Service monitoring and Clearly defining and communicating scope* are important contingencies newly identified as relevant to MVO.

5.3.3.3 – Asset Control

This dimension includes contingencies relevant to ensuring clients can capitalise on vendor resources. The *Economies of Scale* sub-dimension from the literature was merged with the *Asset Control* sub-dimension due to better alignment between identified contingencies. Contingencies proposed by the *a priori* were:

- Access to shared vendors resources; and,
- Economies of scale

Both contingencies were supported, but as with other contingencies, their meaning was expanded up. In light of the data, *Access to shared vendor resources* should become *Access to vendor resources*. *Economies of scale* was renamed to *Ensuring economies of scale*. No additional contingencies were found.

| Contingency | Clients | Suppliers |
|----------------------------|---|--|
| Access to vendor resources | Both clients were concerned with this contingency. As vendors have many clients, both CLIENT1 and CLIENT2 had concerns over ensuring that each vendor cared for them, their engagements and their | VENDOR2a was concerned with this contingency for two reasons. First, being able to access the right people at other vendors to support service delivery. Secondly, VENDOR2a was concerned with service |

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| | <p>resources.</p> <p>“We want to avoid the situation where the vendor does not take care of us because the vendor has larger and more lucrative clients.” [CLIENT1]</p> | <p>forecasting to ensure resources were available to clients in the future. CONSULTANT1 stated clients must include vendor audit clauses to contracts.</p> <p>“You’ve got all your rights in the contract where you can go and audit the service provider facilities.” [CONSULTANT1]</p> |
| | <p>Vendors must ensure that they care for clients; keeping clients satisfied reduces transaction costs of attempting to attract new customers and for resigning existing contracts (VENDOR1 suggested work is hard to come by, and keeping existing customers happy keeps them as customers). Clients must ensure that vendors can access resources common to their engagements across vendors to support resource availability (an RBT-linked consideration).</p> | |
| <p>Ensuring economies of scale</p> | <p>CLIENT1 was concerned with ensuring vendors were agile with the growing and changing needs of the organisation.</p> <p>“Flexibility and agility are things we want to ensure from the process and performance perspectives.” [CLIENT1]</p> | <p>VENDOR2a and VENDOR2b were concerned with ensuring economies of scale for their customers. It was in this vendor’s interests to have consistent services internally and adapt these to each agency’s engagement. Ensuring other vendors could scale was also cited as a concern.</p> <p>“One of the biggest issues for us around the variation in receipt of service is how we organise ourselves internally to deliver that service.” [VENDOR2b]</p> |
| | <p>Economies of scale increase the capacity of resources the client can access to exploit to their competitive advantage under RBT. There are parallels to Theory of Complementary, which suggests if the vendor can increase capacity, they are able to accept more client work.</p> | |

Table 18: Supported Asset Control contingencies

Theoretical considerations – RBT was an important theory here although it is unsurprising a theory centred on asset exploitation explains contingencies around asset management. The Theory of Complementarity was useful in understanding how economies of scale create some value for the client and vendors alike.

5.3.3.4 – Benefits Management

There was only one contingency contained in this sub-dimension:

- Effective benefits management

This contingency was supported by vendors, but not by clients. No additional contingencies were found through the data collected.

| Contingency | Clients | Suppliers |
|-------------------------------|--|---|
| Effective benefits management | This contingency was not raised by any of the clients. | VENDOR2b stated that clients should implement benefits management as part of project management to ensure the client gets what they want from their engagement. VENDOR1 said vendors could consider sharing internal performance gains with clients. “Some other contracts we have also go the other way where we share any gains with the client.” [VENDOR1] |
| | Under RBT theory, clients should be concerned with benefits management as a way to determine the current value they are deriving from MVO resources and what actions they could take to derive additional value from their assets. | |

Table 19: Supported Benefits Management contingencies

Theoretical considerations – RBT again successfully described asset-related MVO contingencies. There were no extensions to the theory found for this contingency or sub-dimension.

5.3.3.5 – Financial Model

This dimension is concerned with how the charges for each vendor are integrated within the client firm. The original suggested contingency for this sub-dimension was:

- Selection of financial model.

This contingency was supported. Three additional contingencies were identified:

- Managing billing cycles;
- Cross-checking balances; and,
- Political issues.

| Contingency | Clients | Suppliers |
|-------------------------------------|---|--|
| <p>Selection of financial model</p> | <p>CLIENT1 was concerned with how vendor margins add up in some of the possible MVO designs. Trade-offs were mentioned as important in the process of choosing the MVO design and associated financial model.</p> <p>“Add to this the overhead of management costs; each possible design we look at has different overheads.” [CLIENT1]</p> | <p>Suppliers had a number of concerns surrounding this contingency. First, suppliers find this dimension straightforward once they understand the client’s needs and the “competitive market” (the market standard for charging for a specific MVO design). The suggestions suppliers had for practice surrounded ensuring all parties to the engagement understand how the model works, ensuring all parties use one consistent charging model per engagement and ensuring cost model decisions are informed.</p> <p>“I don’t think there is an issue with different bases of charging because that is just how you [vendors] measure and deliver service...” [CONSULTANT1]</p> |

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| | <p>The financial model is important as it enables the client to understand if the services they are requesting are being delivered. By developing a suitable financial model, the client can easily see the costs involved in the engagement and manage these costs more easily. This would lower TCE-predicted management overhead costs.</p> | |
| <p>Managing billing cycles [NEW]</p> | <p>CLIENT2 reported an action related to this contingency once. While one of their invoices is fixed, the other two are variable. The client must forecast additional requirements for each cycle to understand and control MVO costs.</p> <p>“Your ongoing support is something you try to estimate how much it will cost you per month.” [CLIENT2]</p> | <p>CONSULTANT1 stated that clients must be prepared to receive and check invoices for each cycle. This acts as a performance management measure in this suppliers view.</p> <p>“There is the whole invoicing and payment cycle, so when you receive the invoice, have they actually delivered those services, you’ll perform checks around that.” [CONSULTANT1]</p> |
| | <p>Ongoing cost checking is an unavoidable transaction cost during the engagement. The client can control TCE costs by having processes in place to perform these checks efficiently.</p> | |
| <p>Cross-checking balances [NEW]</p> | <p>CLIENT2 did not find this contingency to be an issue for them, as they have a defined process for checking invoices when they are received. Invoices are crossed-checked with meeting records and the internal helpdesk to ensure invoices are correct.</p> <p>“...we make sure that [work invoiced] agrees with out helpdesk.” [CLIENT2]</p> | <p>Suppliers reported this contingency as the charges for the client may vary every invoice based on the work the client has requested, or if the client changes service volume.</p> <p>“...you are always increasing volumes or decreasing volumes or something like that, so [the question is] how do you check those off at the end of the month to ensure the service you are paying for has actually been delivered?” [CONSULTANT1]</p> |

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| | If the client has a process for monitoring changes within the invoices, TCE suggests their monitoring transaction costs decrease. | |
| Political issues | No client reported this contingency. | VENDOR1 reported this issue multiple times; they stated a client's problems creating the financial model might stem from internal politics. In these cases, divisions of the business will attempt to transfer cost between departments to avoid incurring the MVO costs. "I think you'll find that is political; a lot of people don't want to take on the cost." [VENDOR1] |
| | If the client cannot concretely decide how costs are structured internally, the management overhead of coordinating costs increases (as predicted by TCE). | |

Table 20: Supported Financial Model contingencies

Theoretical considerations – Many of the financial considerations for MVO are TCE-linked; it must be easy for the client organisation to monitor costs. If it is difficult to manage pricing and charges, the client incurs additional costs as part of the engagement.

Findings – During the literature review, it appeared that cost modelling would be a great difficulty for both clients and vendors. This did not appear to be true from the data; vendors and clients understand that a defined process to reach the end financial model helps ensure this model is complete and suits the client engagement. Based on the discussion above surrounding financial model contingencies, a client can be successful in their cost modelling if they are able to have a process of understanding the standard model for their engagement type, can determine who (internally) will incur costs, remove political barriers, ensure vendors use the common costing tool and have tools and have a processes to cross-check invoices when they are received (such as with CLIENT2's internal helpdesk).

Finding 17 – If the client firm has a defined, coherent process for assessing costing approaches, verifying invoices, assigning cost and cost forecasting, the less difficult that client will find financial model management.

Additionally, new contingencies were discovered to be relevant to MVO under this sub-dimension.

Finding 18 – *Managing billing cycles, Cross-checking balances and Political issues* were found to be cost-based contingencies relevant to MVO.

5.3.3.6 – Vendor Management

Contingencies in this dimension were concerned with how the client manages their suppliers. Three contingencies were suggested for this sub-dimension in the *a priori* model:

- Knowledge codification for vendors;
- Loss of innovative capacity and the risk of slow-down; and,
- Relationship and exchange exploitation.

These three contingencies were supported, but *Knowledge codification for vendors* was too specific to vendors. In this light the contingency is better phrased as *Knowledge codification*. One additional contingency was identified through the data:

- Ensuring vendor flexibility.

| Contingency | Clients | Suppliers |
|------------------------|---|---|
| Knowledge codification | For CLIENT1, having vendors share information and experience back with the client was a concern. CLIENT2 had experienced this contingency both between vendors (they ensured vendors could access information and documents) and also | No suppliers reported this contingency. |

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| | <p>between one vendor and the client (the vendor made asset access difficult when the client attempted to bring IT service back in-house).</p> <p>“Part of the problem will be convincing vendors to share information and experience with us.” [CLIENT1]</p> | |
| <p>Loss of innovative capacity and the risk of slow-down</p> | <p>No client reported this contingency.</p> | <p>VENDOR2a reported this contingency in the light of service forecasting. If clients cannot inform vendors of their increased service needs ahead of time, then suppliers must add on additional implementation lead time to meet new customer requirements.</p> <p>“...for us to provision whatever [additional resources], it often requires us to get new infrastructure. That just doesn’t come off the shelf, so there might be procurement lead-time, implementation lead-time.” [VENDOR2a]</p> |
| | <p>If clients and suppliers cannot accurately perform capacity management, then clients cannot continue to build out assets and exploit them further, as suggested by RBT.</p> | |
| <p>Relationship and exchange</p> | <p>Clients reported this contingency as they were interested in vendors being</p> | <p>No vendor reported this contingency.</p> |

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| exploitation | able to quickly respond to new needs without fuss. “...these reports have been changed because there have been customisations. It is a work in progress relationship.” [CLIENT2] | |
| | Where clients can use their vendor relationships to their advantage, their access to and ability to exploit assets may be boosted. This enables the client to exploit additional resources to their advantage as suggested by RBT. | |
| Ensuring vendor flexibility [NEW] | CLIENT1 stated that it was important to their organisation that vendors could be agile and change with the client’s business requirements. “Again, flexibility and agility are things we want to ensure from the process and performance perspectives.” [CLIENT1] | VENDOR2a was concerned with ensuring that all vendors were flexible in terms of responding to changes in the MVO engagement. “The nature of technology is that it changes quickly and the problem for VENDOR2 and for anybody is to make sure they are agile and flexible and responsive.” [VENDOR2a] |
| | If clients and vendors fail to be responsive to changes in their environment, they may fail in their ability to use new or improved assets to their advantage. | |

Table 21: Supported Vendor Management contingencies

Theoretical considerations – TCE and RBT again fully explained these contingencies. As the client and vendor address these contingencies, it becomes both easier for the client to access and exploit resources (such as in *Knowledge codification*) and reduces the transaction costs of doing so (as seen in *Relationship and exchange exploitation*).

Findings – An additional contingency was found to be relevant to MVO within this *Vendor management* sub-dimension.

Finding 19 – Ensuring vendor flexibility is a newly identified contingency linked to MVO.

5.3.4 – Governance

The governance dimension is concerned with categorising contingencies relevant to contracts and controls within the MVO engagement.

5.3.4.1 – Contract Style

Contract style was concerned with contingencies related to the design of contracts used in the MVO engagement. The two contingencies suggested by the *a priori* model were:

- Contract type selection; and,
- Ensuring contract alignment.

While both if these contingencies were supported by the data, they were too narrow as similar contingencies were raised but could not fit directly into these narrower versions. *Contract type selection* is rephrased to *Contract and governance selection and implementation*, and *Ensuring contract alignment* was rephrased to *Contract management and review*. Three new contingencies were identified during the research:

- Implementation of operating level agreements;
- Ensuring contracts fit together; and,
- Contracts must be win-win.

| Contingency | Clients | Suppliers |
|--|---|--|
| Contract and governance selection and implementation | CLIENT1 found that weighing up the many contract and governance options is a complicated process; there are many facts to consider. This client also said that dual-layer governance (one layer controlling all service towers, and then a second managing each individual tower) was important, but needed to be supported by face-to-face meetings. CLIENT2 did not find developing their contracts | Suppliers were highly concerned with governance aspects of the engagement. The participating suppliers reported that governance models must be designed before implementation and present before the engagement commences; the selected governance model must be defined in the contract; the selected model must suit the size of the MVO engagement; must be clear; and, the |

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| | <p>complicated, but had difficulty knowing the required scope ahead of the engagement.</p> <p>“...there are complexities around weighing up the different options for sourcing...” [CLIENT1]</p> | <p>client must have the right people and skills to successfully manage contracts and governance in MVO.</p> <p>“...we build a lot of governance into our agreements.” [CONSULTANT1]</p> |
| | <p>Without strong, well-defined and communicated governance, client firms risk facing increased TCE transaction costs. These TCE costs derive from the increased overheads of having to manage issues as they occur, rather than passing management off to the right organisation with a strong governance model.</p> | |
| <p>Contract management and review [NEW]</p> | <p>Both CLIENT1 and CLIENT2 experienced this contingency through the need for change. CLIENT1 stated it was important that they had contract clauses to allow change upon contract review. CLIENT2 said that contract reviews may raise new business requirements that vendors would have to deliver against under their contracts.</p> <p>“Reviewing governance during the contract and at planning meetings would be an important way to settle on changes needed too.” [CLIENT1]</p> | <p>Suppliers reported the contract management activity as a way to ensure clients could be sure they are receiving the requested level of service. It also ensures that the contract works for all the parties to the engagement on an ongoing basis.</p> <p>“So those mechanisms are about contractual management. Making sure they are doing what they are supposed to do, checking SLAs, checking that the vendor has delivered the right level of service agreed.” [CONSULTANT1]</p> |
| | <p>Contract management ensures that the client is exploiting MVO assets, services and resources to their fullest (as suggested the client firm would under RBT).</p> | |
| <p>Implementation of operating level agreements [NEW]</p> | <p>No client reported this contingency.</p> | <p>CONSULTANT1 stated that operating level agreements were agreements between vendors (rather than between client and vendor)</p> |

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| | | <p>that helped control inter-supplier behaviour.</p> <p>“...operating levels ensure vendors work and cooperate on together to ensure the best outcome for the client.”</p> <p>[CONSULTANT1]</p> |
| | <p>Where the client can define operating level agreements between vendors, the client moves coordination TCE costs over to their vendors.</p> | |
| <p>Ensuring contracts fit together</p> <p>[NEW]</p> | <p>No client reported this contingency.</p> | <p>Suppliers had a number of concerns linked to this contingency. It was important to suppliers that all vendors understood the other contracts in the engagement. Vendors also stated that clients must consider how newer contracts fit with existing contracts in the MVO environment.</p> <p>CONSULTANT1 continued by highlighting that some vendors to the MVO engagement may not design their contracts with other vendors in mind. Ultimately, the client must plan for these issues to ensure fit as a way to ensure quality of service.</p> <p>“...when you put all the vendors together, the SLAs just don’t hang together, which can cause major issues in terms of the experience the end user receives.”</p> <p>[CONSULTANT1]</p> |
| | <p>Under TCE’s propositions, poor fit between contracts introduces additional transaction costs for the client who will experience additional conflicts and management issues.</p> | |

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| Contracts must be win-win [NEW] | No client reported this contingency. | VENDOR1 reported this contingency as they wanted to be sure contracts rewarded them for the work they performed and were fair. “The contract also has to be a win-win contract. Some contracts are pretty unreasonable in terms of liabilities and accountabilities.” [VENDOR1] |
| | Fair contracts enable vendors to deliver within their capability. Enabling vendors to keep this focus allows them to build delivery capability that can then be exploited by clients, as suggested by the Theory of Complementarity. | |

Table 22: Supported Contract Style contingencies

Theoretical considerations – All three theories were important in explaining the contingencies in this dimension. TCE and RBT again explained why vendors act on contingencies to enable access to resources they outsource and why they act to reduce the associated costs. The Theory of Complementarity was also important in explaining why win-win contracts are important, as this is a client and vendor based contingency.

Findings – *Implementation of operating level agreements* was an interesting contingency. As stated in the analysis of this contingency with respect to theory, operating level agreements move coordination to the vendor firms, lowering transaction costs for the client.

Finding 20 – Operating level agreements transfer coordination transaction costs from the client firm to the vendors.

Beyond this finding, three new contingencies were found for this dimension:

Finding 21 – *Implementation of operating level agreements, Ensuring contracts fit together* and *Contracts must be win-win* are newly identified contingencies relevant to MVO.

5.3.4.2 – Contract Measurability and Completeness

This sub-dimension of the MVO contingency model is concerned with ensuring the client has a complete contract to control the MVO engagement with. Only two contingencies were included in the *a priori* model for this sub-dimension:

- Bounded rationality; and,
- Implementing effective end-to-end metrics.

Both contingencies were supported. Many additional contingencies also arose during the research:

- Inability to fully define or update requirements;
- Accurately determining contract option value;
- Learning from experience;
- End-to-end contract ownership;
- Clearly defining and communicating scope;
- Implementing roles and responsibilities; and,
- Vendor negotiations are separated.

| Contingency | Clients | Suppliers |
|---|--|--|
| Inability to fully define or update requirements [NEW] | Clients were concerned with fully specifying their requirements as a cost control. Rather than having the client request costly changes later in the engagement, full definition of requirements ensures the client pays exactly for what they need upfront. “If we do not accurately define the specification for the outsourcing engagements well, we risk having any changes we need realised as many change requests that cost us more in the long run.” [CLIENT1] | All suppliers were concerned with this contingency as any ambiguity around the client’s requirements makes it difficult and costly for vendors to supply service. Several suppliers stated it was important to work with the client upfront to ensure they fully defined requirements for vendors. For suppliers, it is important that the client is prepared to take the time to fully specify requirements and remove any surrounding ambiguity. “...if you have a confirmed business requirement |

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| | | which is very crisply defined...that is key.” [VENDOR2a] |
| | If a client fails to define their precise requirements, vendors will experience difficulty in delivering assets that the client can exploit. For the client, TCE’s predicted transaction costs involved with having to update requirements could add up for the client quickly. | |
| Accurately determining contract option value [NEW] | For CLIENT1, it was difficult to assess all possible designs for their MVO due to the large number of decisions to be made and options to choose from. “...there are complexities around weighing up the different options for sourcing...” [CLIENT1] | Both vendor firms included in the case study were highly concerned with ensuring that clients do not buy just on price. For VENDOR2b especially, it is critical that the client takes a business-value view when selecting vendors, rather than a price view. This focus ensures clients actually receive the service they required when they decided to outsource. “If you just buy on price you are going to end up with lots of problems.” [VENDOR2b] |
| | If the client cannot easily determine which MVO option is best suited to their needs, transaction costs linked to engagement start-up are raised. From the vendor perspective, if the client cannot choose on business value, the client will not get access to the assets they need to operate their IT which in turn impacts competitiveness for the client under RBT. | |
| Bounded rationality | CLIENT1 was concerned that their business requirements may not be full enough, causing additional costs to be incurred by having to redevelop requirements. “If we do not accurately define the specification for the outsourcing engagements well, we risk having any changes we need realised as many | Suppliers experienced this contingency where clients failed to fully think through the decision to use MVO before committing. It was also critical to these parties that all aspects of the engagement are well defined by the client. “Our contracts, client contracts, third party contracts, it all has to be |

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| | change requests that cost us more in the long run.” [CLIENT1] | well defined.” [VENDOR1] |
| | If a client cannot perceive all the measurements and controls necessary in the engagement, TCE posits that transaction costs will increase due to this bounded rationality. | |
| Implementing effective end-to-end metrics | No client reported this contingency. | Suppliers were concerned with this contingency as clients need to be able to measure the entire engagement using connected metrics, but these metrics need to be broken down to measure individual vendor performance. Ensuring the client compartmentalises metrics to each vendor but has a way to integrate them into a holistic view was important, especially for CONSULTANT1. “So they key thing here is that what happens is that you can only really contract directly with each vendor, You have to try to ensure SLAs cut through end-to-end service delivery and that is very, very difficult.” [CONSULTANT1] |
| | If clients fail to choose metrics that cut across vendors, they will be unable to easily assess vendor performance; the associated monitoring costs increase significantly under TCE’s predictions of transaction cost. | |
| Learning from experience [NEW] | CLIENT1 was actively searching for knowledge from other engagements and research sources to avoid MVO pitfalls from the outset. “Another important aspect is integrating learning’s from other outsourcing- | CONSULTANT1 reported that clients must identify ways to improve to make MVO work better for them in the future. “I think it is an ongoing process. You always keep doing...there is always room for improvement...” |

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| | <p>relevant projects from within and outside of the organisation.”</p> <p>[CLIENT1]</p> | [CONSULTANT1] |
| | <p>Looking for improvement opportunities may improve the client’s ability to exploit MVO resources (as predicted by RBT).</p> | |
| <p>End-to-end contract ownership</p> <p>[NEW]</p> | <p>No client reported this contingency.</p> | <p>VENDOR1 found that contract ownership within MVO prevents issues “falling through the cracks” within the engagement. This is designed to ensure contract management works efficiently.</p> <p>“When you get problems, nothing falls through the cracks.” [VENDOR1]</p> |
| | <p>Where the client (or vendors) can take ownership for the contract and identify issues before they are missed, transaction costs are lowered, as corrective measures may be easier to implement.</p> | |
| <p>Clearly defining and communicating scope</p> <p>[NEW]</p> | <p>For CLIENT2, correct scoping is a cost saving measure. In one case this client did not scope a systems implementation correctly and incurred additional costs for a change they would have preferred to be included in the initial budget.</p> <p>“...because when you needed something done it was understanding whether or not it was included or excluded. It was a major cost saving.”</p> <p>[CLIENT2]</p> | <p>For the vendors in the study, scope was a critical contingency in ensuring these firms knew the scope of their own work and the scope of other vendors. For suppliers, scoping ensures that there are defined areas of responsibility and that only one party can be responsible for an issue and that they cannot pass the issue off to another supplier.</p> <p>“...You have to get a clear understanding of what we can be responsible for.”</p> <p>[VENDOR1]</p> |
| | <p>Where scope is defined and communicated, costs associated with the client having to include additional works unknown as requirements are reduced, and vendors cannot become opportunistic and attempt to</p> | |

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| | avoid responsibility for service. As uncertainty is a TCE construct, this theory predicts this link. | |
| Implementing roles and responsibilities [NEW] | <p>Clients had a number of different concerns relevant to this contingency specific to <i>Governance</i>. Defining roles and responsibilities in contracts and agreements was critical to both clients as they ensure there is accountability for service. Additionally, roles and responsibilities improve service performance, controls inter-vendor “finger-pointing” and lower the need for manual client management intervention.</p> <p>“We think that by accurately defining who [which vendors] does what and by defining responsibility, we can best manage this challenge.” [CLIENT1]</p> | <p>In terms of <i>Governance</i>, Suppliers were heavily concerned with roles and responsibilities as a way to reduce inter-vendor “finger-pointing”. If roles and responsibilities are defined in contracts or agreements, one vendor cannot try and pass an issue off to another vendor. This builds accountability from the suppliers’ perspective. As boundaries of responsibilities are defined, clients can expect less conflict inside the engagement. Suppliers said that it was important that roles and responsibilities are clearly communicated by the client for these strategies to be successful.</p> <p>“The most important thing is that you have clear roles and responsibilities for both the customer and the external third-parties.” [VENDOR1]</p> |
| | TCE predicts that where there is uncertainty, transaction costs increase. In this light, if roles and responsibilities are unclear, management overheads for parties to the engagement increase (uncertainty is a TCE construct). | |
| Vendor negotiations are separated [NEW] | No client reported this contingency. | CONSULTANT1 noted that even under MVO and the best coordination possible, contracts are negotiated individually with each vendor. This means it is important that the client sits down with each vendor and discusses the entire engagement to create common understanding |

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| | <p>across the MVO landscape.</p> <p>“...so you sit down with one vendor and get them understanding then you bring the next one in and explain and their understanding will be different; there can actually be a difference in understanding at the negotiations, so that can be a problem.”</p> <p>[CONSULTANT1]</p> |
| | <p>Clients must be aware that there are additional transaction costs involved by having to contract with vendors individually and then educate all vendors. If the client does not recognise this, “hidden” cost, transaction costs will begin to build up against the client. An inability to consider these sorts of issues are predicted by TCE’s uncertainty and bounded rationality dimensions.</p> |

Table 23: Supported Contract Measurability and Completeness contingencies

Theoretical considerations – TCE and RBT successfully explain the contingencies within this sub-dimension. Many of the contingencies in this sub-dimension act to reduce uncertainty and management overheads for clients. As reduction of transaction/contracting costs and uncertainty are major dimensions of TCE, this theory is apt. RBT was important to explain why clients would act to minimise these transaction costs in the first place (to access outsourcing assets and exploit these).

Findings – Many additional contingencies were identified in this sub-dimension that had not been identified by MVO literature:

Finding 22 – Inability to fully define or update requirements, Accurately defining contract option value, Learning from experience, End-to-end contract ownership, Clearly defining and communicating scope, Implementing roles and responsibilities and Vendor negotiations are separated are newly identified contingencies relevant to the governance of MVO engagements.

5.3.4.3 – Services Integration

Although already discussed in the *Performance* dimension, *Services Integration* under *Governance* is concerned with how SI is defined in the engagement contracts and documents. The two contingencies were suggested by the *a priori* model for this sub-dimension were:

- Contractual implementation of services integrator role; and,
- Effective labour demarcation.

All these contingencies were supported, and one additional contingency was raised during data collection:

- Clearly defining engagement touch points.

| Contingency | Clients | Suppliers |
|--|--------------------------------------|--|
| Contractual implementation of services integrator role | No client reported this contingency. | <p>Suppliers were interested in ensuring that SI was defined in the contract to be sure that there was a party who would ensure all the disparate service components fit and are integrated to meet client service requirements. Some considerations suppliers had were: ensuring that there is ownership over the SI role; ensuring the selected party has the SI skills required; and, a lack of communication, resources, strategy, and understanding of SI issues.</p> <p><i>“What do you think contributes to those failures, what issues?”</i></p> <p>Lack of skills, lack of communication, lack of commitment, lack of resources, lack strategy, lack of people to do it, lack of awareness of the</p> |

| | | |
|--|--|--|
| | | complexity of doing it wrong.” [VENDOR1] |
| | If there are issues with ensuring that services integration occurs correctly, then the client cannot exploit their assets as predicted by RBT, reducing competitive advantage. | |
| Effective labour demarcation | <p>CLIENT2, while not having to manage labour demarcation intensively, found it important that each vendor understood their scope of responsibility and work they are required to complete.</p> <p>“They are very clear as to what they do. One [vendor] is phones and link, one [vendor] is our software and one [vendor] is our hardware.” [CLIENT1]</p> | <p>All suppliers reported considerations related to this contingency. First and foremost, suppliers saw it as incredibly important that clients could correctly bundle services together in a way that made sense for outsourcing. Secondly, these service bundles or “towers” needed to be defined and communicated (CONSULTANT1 named this as part of the operating model). Finally, VENDOR2b reported that it is important that the vendor is well configured to understand how to demarcate work internally to deliver good service to clients.</p> <p>“...often they [the client or consultant] try and break it [service bundles] up to much and not into chunks that make sense.” [VENDOR1]</p> |
| | If labour is not effectively delegated to the right vendors, the engagement becomes inefficient. TCE would predict that this added difficult of engaging raises transaction costs. | |
| Clearly defining engagement touch points [NEW] | <p>CLIENT2 reported this contingency as it was important that the client had points of contact to report issues to vendors.</p> <p>“...having a main point of contact allows you to remain on top of</p> | <p>Suppliers had several concerns for this contingency. CONSULTANT1 stated that defined touch points were important as a relationship development tool. Multiple suppliers</p> |

| | | |
|---|---|---|
| | <p>outstanding key issues.” [CLIENT2]</p> | <p>reported that touch points allow for vendors to know who to contact at another vendor or the client when there are service issues, allowing vendor to coordinate to solve client issues. Ensuring these touch points are then communicated to make the engagement work was a final consideration.</p> <p>“...often [there is] confusion around touch points into the client around governance” [CONSULTANT1]</p> |
| <p>If touch points between parties to the engagement are not defined, TCE predicts that the management and interaction transaction costs will increase due to a poor ability to engage (contract) with the other parties.</p> | | |

Table 24: Supported Services Integration contingencies

Theoretical considerations – TCE and RBT again explained why these contingencies were concerns for the clients and suppliers in this research. TCE explained the contingencies from the perspective of lowering the costs of the parties coordinating to deliver service to clients. RBT explained why clients would concern themselves with ensuring SI occurs; it allows clients to exploit the resources they outsourced.

Findings – The major finding for this section was the identification an additional contingency.

Finding 23 – Clearly defining engagement touch points is an important contingency affecting MVO engagements but not yet identified by MVO literature.

5.3.4.4 – Asset and Vendor Control

This sub-dimension categorises contingencies related to the client’s management of assets and vendors in their MVO engagements. The *a priori* model included three contingencies in this sub-dimension:

- Designing and implementing asset control and ownership clauses;
- Cultural barriers; and,
- Keeping a finger on the pulse of technological changes.

All three contingencies were supported and an additional three were identified through data analysis:

- Client information security;
- Consistent tools and methodologies; and,
- Ensuring compliance.

| Contingency | Clients | Suppliers |
|--|--|---|
| Designing and implementing asset control and ownership clauses | CLIENT2 noted that one of their vendors attempted to lock the client firm in when they attempted to switch vendors. "...when you try to do a handover from outsourced to an internal, that's when the relationship can have a few issues." [CLIENT2] | CONSULTANT1 stated that it is important for client firms to have rights to access vendor resources for audit. "You've got all your rights in the contract where you can go and audit the service provider facilities." [CONSULTANT1] |
| | If the client does not effectively manage asset ownership, they can be locked into a vendor. TCE in Information Systems (IS) research indicates this as a transaction cost area that must be managed. Additionally, if unmanaged, the client may not be able to build or exploit resources under RBT either. | |
| Cultural barriers | No client reported this contingency. | VENDOR2b was concerned with cultural issues in terms of firm culture fit between vendors as a way of ensuring that inter-vendor communication was smoother. For CONSULTANT1, cultural barriers were important where offshore vendors were involved. "Assuming that we can throw a bunch of people together and have them |

| | | |
|--|---|--|
| | | display the right kind of values that is going to make that work effectively is fraught with danger.” [VENDOR2b] |
| | If the parties to the engagement cannot break down cultural barriers (a barrier to effective coordination), TCE posits that there are increased transaction costs for all parties to the engagement. | |
| Keeping a finger on the pulse of technological changes | For CLIENT2, their enterprise systems vendor helps identify possible upgrades and system improvements to make systems work better for the client. “...they are very good at keeping you informed as to how you can improve your business and do things more efficiently.” [CLIENT2] | No supplier noted this contingency. |
| | If the client can remain up to date with possible systems improvements, RBT would predict the firm can better exploit assets. Where one or more vendors can automatically provide improvement suggestions to clients, TCE posits the client firm’s linked transaction costs are decreased. | |
| Client information security [NEW] | Both clients were concerned with ensuring that their information was secure and not accessible to the wrong people at vendor firms. “Information security is important. We need to be able to assess each vendor’s ability to meet policies and requirements in this respect.” [CLIENT1] | CONSULTANT1 mentioned that offshore vendors introduce additional security risks due to distance and an inability to see as far into offshore vendors as is possible with onshore sourcing. “Coming back to onshore offshore... you’ve got security issues...” [CONSULTANT1] |
| | Information, when viewed as a firm asset under RBT, must be protected to maintain a vendor’s competitive advantage. | |

| | | |
|---|--|--|
| Consistent tools and methodologies [NEW] | <p>CLIENT1 said it was important that vendors used the same tools to remain on a common ground. What this client found though is that vendors argue over tools and processes, and the client must be prepared to manage this.</p> <p>“Vendors tend to push back on these issues and argue over methodologies. Ensuring consistency is a difficult but important part of this.” [CLIENT1]</p> | <p>VENDOR1 found that putting their own governance model forward made tool and methodology selection easier for the client. CONSULTANT1 said that clients must select one model and stick with it to avoid conflicts between vendor tools.</p> <p>“...the clients will use our tools rather than having one vendor saying use our tool and all the other vendors saying use our tools instead, because that doesn't work very well.” [CONSULTANT1]</p> |
| | <p>TCE would predict that consistent tools and methodologies lower coordination costs for clients, as there is consistency in how all vendors work in the engagement. As there is no way for vendors to hide behind their own tools, transparency of the engagement is also improved, lowering transactional monitoring costs predicted by TCE's uncertainty dimension.</p> | |
| Ensuring compliance [NEW] | <p>CLIENT1 reported this contingency as a possible issue in process management.</p> <p>“...plus ensuring process compliance are the two issues we are forecasting at the moment.” [CLIENT1]</p> | <p>CONSULTANT1 reported this contingency by noting clients should have rights to audit vendor facilities and resources.</p> <p>“You've got all your rights in the contract where you can go and audit the service provider facilities.” [CONSULTANT1]</p> |
| | <p>Clients must be able to determine compliance within MVO to ensure that their outsourced assets meet client requirements. If the client can make this monitoring easier, TCE posits that associated transaction costs are minimised.</p> | |

Table 25: Supported Asset and Vendor Control contingencies

Theoretical considerations – RBT and TCE explained these contingencies well. Many contingencies were concerned with controlling the costs of the client managing the vendors. These sorts of contingencies are well explained by TCE. RBT again explained why clients would act to reduce these transaction costs with respect to this client access the outsourced assets.

Findings – Several new contingencies were identified as relevant to this sub-dimension within MVO

Finding 24 – *Client information security, Consistent tools and methodologies and Ensuring compliance are important contingencies.*

5.3.4.5 – Risk Management

The *Risk Management* sub-dimension is concerned with categorising contingencies relevant to risk. The two suggested contingencies for this sub-dimension were:

- Transferring risk to vendors; and,
- Clarity in issue and risk management.

Both contingencies were supported by the data collected. *Clarity in issue and risk management* was extended to *Clarity and transparency in issue and risk management* to reflect the findings from data. Two additional contingencies were identified through the research:

- Risk is not static; and,
- Risk management is not one size fits all.

| Contingency | Clients | Suppliers |
|---|--|---|
| Transferring risks to vendors | <p>It was an issue for CLIENT1 that risk was transferred to vendors. CLIENT1 reported this as a risk and a consideration.</p> <p>“One of the risks is that vendors won’t take on risk.” [CLIENT1]</p> | <p>Suppliers noted that it was their duty to ensure they took on risks. VENDOR2b stated that the vendor’s ability to take on risk was in part predicated by the client’s view or risk.</p> <p>“...our job as a service provider is to remove risk.” [VENDOR1]</p> |
| | <p>If the client fails to move risks to vendors, then their potential transaction costs are increased through extra management overhead (as predicted by TCE).</p> | |
| Clarity and transparency in issue and risk management | <p>Clients need to have clear, defined approach to risk management. For CLIENT1 changing the corporate risk management model to suit MVO was a complex issue. Additionally, both clients found that risk management needs to be an open, transparent process for both clients and vendors for risk management to be a success.</p> <p>“Adjusting internal capabilities to meet the needs of the new framework and environment is a complexity we recognise.” [CLIENT1]</p> | <p>Suppliers had a number of considerations linked to this contingency. Vendors found clarity in risk management processes an important strategy for transparent risk management. Vendors also noted that it was important that client and vendors all work together to perform risk management under MVO.</p> <p>“They will be trying to transfer the risk to a third party, so that comes back to working out what those risks are and the financial considerations of what those risks are.” [VENDOR1]</p> |
| | <p>If there is any uncertainty surrounding risk management, TCE predicts that the associated monitoring and management costs would increase.</p> | |
| Risk is not static [NEW] | No client reported this contingency. | Suppliers found that risks varied in several ways. CONSULTANT1 found that risks come and go during the engagement. VENDOR2a said that risk |

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|---|---|--|
| | | <p>management overheads increase with the number of vendors. Finally VENDOR2b found that the client's approach (i.e. design) for MVO changes the risk profile.</p> <p>"I think they occur at different times and it comes down to I think how well...you know, how well the things we have been talking about are addressed and what stage of the sourcing lifecycle." [CONSULTANT1]</p> |
| | <p>TCE posits that bounded rationality and uncertainty raise transaction costs. If clients do not understand that risks will change, they may encounter risks unexpectedly and raising transaction costs beyond expectations.</p> | |
| <p>Risk management is not one size fits all [NEW]</p> | <p>No client reported this contingency.</p> | <p>As risks are not static, the management of risk will also vary. For CONSULTANT1 it was important that the client planned for risks correctly and had the maturity required to manage the risks bought by MVO.</p> <p>"...there is no one-size-fits-all here." [CONSULTANT1]</p> |
| | <p>Clients who do not perform well at risk management in the MVO engagement could potentially experience increased transaction costs. As risk is a form of uncertainty, TCE predicts costs would increase.</p> | |

Table 26: Supported Risk Management contingencies

Theoretical considerations – TCE explained all contingencies in this section. As risk can be seen as an uncertainty related theme, TCE's uncertainty dimension accurately predicts the costs of managing risk in MVO.

Findings – The major finding here is that there are two additional contingencies impacting on the MVO engagement that had not been identified by MVO literature.

Finding 25 – Risk is not static and Risk management is not one size fits all are contingencies effecting MVO engagements not yet identified by the literature.

5.3.4.6 – Partnership

Partnership in the *Governance* dimension was focused on ensuring management practices are put in place to support inter-party relationships. The single suggested contingency for this sub-dimension was:

- Creation of strong partnerships.

This contingency was supported in both the *Governance* and *People* dimensions. One additional contingency was identified through the data:

- Ensuring the vendor cares for the client.

| Contingency | Clients | Suppliers |
|---------------------------------|---|--|
| Creation of strong partnerships | <p>Clients reported this contingency in both the light of the <i>People</i> and <i>Governance</i> dimensions. For the governance dimensions, partnership development needs to be supported through strategies such as ensuring arrangements are not overly restrictive and that there are governance aspects in place (e.g, meetings) to enable face-to-face contact between parties, among other strategies.</p> <p>“Nurturing engagements is the final important piece of our approach ensuring that we have a partnership, not an overly strict and restrictive contract-oriented contract.” [CLIENT1]</p> | <p>Vendors were interested in ensuring that clients and other vendors had relationship managers in place to help build the relationship. As with clients, vendors were interested in ensuring that communication provisions (such as meetings) were made in contract and governance arrangements.</p> <p>“I think it is essential because the service level manager or director or team that we have, they are actually the face.” [VENDOR1]</p> |
| | <p>A strong relationship enables the client and vendors to work together more effectively. This reduces transaction</p> | |

| | | |
|---|--|--|
| | costs of the client’s access to vendor service. Further, a close working relationship may become an asset to the engagement, enabling better outcomes for the client. | |
| Ensuring the vendor cares for the client [NEW] | <p>Clients were concerned with ensuring that the vendor could pay enough attention to their own organisation and support their services.</p> <p>“We want to avoid the situation where the vendor does not take care of us because the vendor has larger and more lucrative clients.” [CLIENT1]</p> | No suppliers experienced this contingency. |
| | Where the client can be sure that vendors have a focus on them, the client can be increasingly assured that they will have access to their resources and can exploit them as suggested by RBT. | |

Table 27: Supported Partnership contingencies

Theoretical considerations – RBT and TCE again explained both identified contingencies fully. RBT was important in explaining why it is important that relationships are built: to enable the client to access their outsourced resources and for suppliers to have good experiences delivering them. TCE was important to explain how easier access to resource reduces the transaction or engagements costs for the client when they attempt to access these resources.

Findings – The importance of the relationship has been spoken of elsewhere (see Finding 5 in Section 5.3.1.3). Research around this sub-dimension did reveal one new contingency yet unknown to MVO research.

Finding 26 – Ensuring the vendor cares for the client is a new MVO contingency not suggested by extant MVO literature that would assist clients and vendors better manage MVO engagements.

5.4 – MVO risks

The risk dimension of the MVO contingency model captures risks for the multivendoring organisation against the three main theories selected for the

project: TCE, RBT and Complementarity. This provides a way to understand and categorise the risks from a theoretical perspective and a method for usefully grouping the risks.

A full list of organisational cases supporting each risk identified is included in Appendix A.

5.4.1 – TCE Risks

Transaction cost risks relate to managing the costs of the MVO engagement, managing the behaviour of third parties and also monitoring the engagement. TCE risks were comparatively widely supported when considering the support for resource-based risks and risk linked to Complementarity. Risks identified in the literature under this dimension are normally applied to ITO; testing them in this research was required to determine if these same risks apply to MVO and if there additional transaction risks.

Original risks for this sub-dimension suggested in the *a priori* model were:

- Technology changes;
- Vendor lock-in;
- Escalating transaction costs;
- Vendor opportunism and price increases;
- Client requirement change;
- Supply chain risks (capacity, technical, quality, service, financial, location, management, strategy, market, contract and environmental risks);
- Dependency risk;
- Hidden costs;
- Business uncertainty; and,
- Regulatory compliance.

Based on the data collected, all of these initial risks are supported. Additional risks identified throughout the data collection phase relevant to transactions are listed in the table below, with an explanation detailing why these are TCE-related risks.

| Risk | Rationale |
|---------------------------------------|--|
| Business and engagement uncertainty | Uncertainty is one of the dimensions useful in describing transactions (Williamson, 1981). Business and engagement uncertainty deals with risks that any party to the contract may “walk-off” a contract or the engagement experiences difficulties. |
| Inability to assign responsibility | Assignment of responsibility was suggested as a way of reducing uncertainty around which party is related to a service, component or issue, and also as a way to control vendors trying to transfer problems to another party. Both uncertainty and opportunism are predicted by TCE (Williamson, 1981). |
| Contract gets in the way of execution | Vendor firms and clients both identified that the contract, if allowed to prevent the engagement from working smoothly, could increase the cost or difficulty of contracting with another agent, as predicted by TCE (Williamson, 1981). |
| Failure to form partnership | Williamson (1981) suggests that human assets are an important control over transactions. Teams are important in terms of asset specificity, or the ability for the team to develop the skills necessary to operate the arrangement with cost efficiency (Williamson, 1981). |
| Vendor risks | TCE provides opportunism and uncertainty as ways to understand that vendors, as a third-party may be unreliable in some respect (Williamson, 1981). The risk of a vendor becoming bankrupt (an example cited by CLIENT1) is an example of a vendor risk. |
| Offshore vendors pose extra risk | Offshore vendors are both harder to monitor due to their distance from the onshore client, and also cost more due to added risk around compliance and connectivity among others. This uncertainty fits with TCE’s uncertainty and contracting frequency dimensions (Williamson, 1981). |
| Lack of communication | A lack of communication increases the client’s uncertainty that service is delivered to defined service levels. Frequent communication between parties was also suggested as a way to ensure that transactions ran smoothly. TCE includes uncertainty and lowering transaction cost as factors to consider (Williamson, 1981). |

Table 28: Supported TCE risks

Findings – Several new risks were found to be relevant to MVO management and TCE.

Finding 27 – Business and engagement uncertainty, Inability to assign responsibility, Contract gets in the way of execution, Failure to form partnership, Vendor risks, Offshore vendors pose extra risk and Lack of communication were risks identified by participants as relevant to MVO management but are not yet discussed in MVO literature.

5.4.2 – RBT Risks

TCE risks only captures risks related to the engagement from a cost and process perspective. RBT risks were included as a category to capture relationship- and asset-centric perspectives.

RBT risks included in the *a priori* model were:

- New management skills required;
- Loss of competitive advantage;
- Weak management;
- Knowledge currency;
- Inability to unbundle capabilities;
- Technological and process indivisibility; and,
- Loss of innovative capacity.

Several new risks were identified and linked to RBT through the data collected:

| Risk | Rationale |
|------------------------------------|---|
| Lowered service levels | RBT suggests clients seek to exploit resources (Cheon, et al., 1995); if service levels fall, the firm fails to leverage their resources effectively. |
| Inability to understand governance | Understanding efficiency through RBT's lens of organisational capital resources (Cheon, et al., 1995), a failure for a client to organise itself to control the engagement could lead to poor control over assets outsourced. |

| | |
|-----------------------------|--|
| Loss of service control | As IT services may be understood as organisational resources, an inability for the client to control these resources works against RBT's proposition of ensuring resources can be leveraged by the organisation (Cheon, et al., 1995). |
| MVO inexperience | If vendors or clients are inexperienced at MVO management, there may be difficulty in the client accessing the resources they decided to outsource. |
| Service integration risk | If components of service cannot be integrated successfully, the client will have no resources to exploit to strategic effect. |
| Poor alignment | If capabilities of vendors cannot be aligned to ensure service delivery is to the client's requirements, the client is unable to access all of the value of their MVO resources under RBT (Cheon, et al., 1995). |
| Client information security | Information, when viewed as an organisational resource, must be protected to enable the client to exploit information as an asset. |
| Disaster management | If resources become unavailable, the business cannot exploit them or derive value from the investment (Cheon, et al., 1995). |

Table 29: Supported RBT risks

Findings – A great number of additional RBT risks were identified to be relevant to MVO by the research participants.

Finding 28 – Lowered service levels, Inability to understand governance, Loss of service control, MVO inexperience, Service integration risk, Poor alignment, Client information security and Disaster management were risks identified as relevant to MVO management but not yet identified by MVO literature.

5.4.3 – Theory of Complementarity Risks

Risks linked to the Theory of Complementarity centre around the client-vendor dynamic, especially supply-demand dynamism. TCE and RBT capture mostly client relevant risks; selection of Complementarity is designed to recognise the role the vendor serves in the engagement.

Risk assigned to the Complementary sub-dimension in the *a priori* model were:

- Inexperience of the vendor; and,
- Fuzzy vendor focus.

Data collection found good support for both risks; clients and third-party firms all made indications these risks exist and are considered. Two additional risks were also identified by multiple participating organisations: *Environment dynamism*; and, *Failure to select outsourcing design with high mutual benefit*.

| Risk | Rationale |
|---|---|
| Environmental dynamism | Vendor and consultant firms suggested that the environment surrounding the MVO engagement is quite unstable. Failure to recognise changes to the environment could lead to an inability for the vendor to deliver expected service, affecting the client-vendor dynamic (Levina & Ross, 2003). |
| Failure to select outsourcing design with high mutual benefit | Identified only by one vendor, failure to select a contract with high mutual benefit is closely linked to Complementarity. Without a plan to enable vendors to develop skills, client service delivery could remain at a relatively immature level due to a failure of the vendor to develop (Levina & Ross, 2003). |

Table 30: Supported Theory of Complementarity risks

Findings – Through the research and data collected, two new risks were identified to be relevant to the Theory of Complementarity and the MVO engagement.

Finding 29 – *Environmental dynamism* and *Failure to select outsourcing design with high mutual benefit* are risks not yet identified to be relevant to MVO management.

5.5 – A Revised Model of MVO Contingencies

Based on the data collected and the preceding analysis, this section presents the finalised, a revised MVO contingency model capturing issues, complexities and risks relevant to managing a multivendor outsourcing environment.

| Performance | |
|--|---|
| Selecting and implementing the best services integrator design | Lowering transaction, coordination, monitoring and production costs |
| Ensuring quality of service | Management of impacts from bounded rationality and opportunism |
| Disconnect between SLAs and user experience | Implementing vendor behaviour control |
| Implementing effective metrics | Implementing roles and responsibilities |
| Services integration maturity management | Service monitoring |
| Connectivity issues | Clearly defining and communicating scope |
| Effective benefits management | Selection of financial model |
| Access to vendor resources | Managing billing cycles |
| Ensuring economies of scale | Political issues |
| Cross checking balances | Knowledge codification |
| Loss of innovative capacity and the risk of slow down | Ensuring vendor flexibility |
| Relationship and exchange exploitation | |
| People | Process |
| Ensuring decisions are based in fact and not in ideology | Selecting the best MVO sourcing configuration or design |
| Having the right people making the right decisions | Developing new processes |
| Problem solving mentality | Effective supplier management |
| Ensuring effective inter-party cooperation | Strong resource and succession planning |
| Implementing strong stakeholder management | Design before implementation |
| Managing differences with offshore vendors | Supporting effective information and knowledge exchange |
| Socialising sourcing decisions | Educating vendors |
| Knowing what stakeholders exist | Clients must be informed when a vendor fails to deliver |
| Transparency | Process standardisation |
| Socially complex systems creation | Having clear processes |
| Creating trust and forbearance | Codifying processes |
| Involving the right people and skills | Project management |
| Having the right people in the | Managing change |

| | | |
|---|--|---|
| engagement Culture fit between all parties Ensuring good relationships between client and all suppliers Controlling opportunism Controlling transaction cost through controlling communication | Core competence management Maturity management | |
| Governance | | |
| Contract and governance selection and implementation Contract management and review Implementation of operating level agreements Ensuring contracts fit together Contracts must be win-win Contractual implementation of the services integrator role Effective demarcation of labour Clearly defining engagement touch points Designing and implementing asset control and ownership clauses Client information security Cultural barriers Ensuring compliance Clarity and transparency in issue and risk management Risk is not static Ensuring the vendor cares for the client | Inability to fully define or update requirements Accurately determining contract option value Bounded rationality Implementing effective end-to-end metrics Learning from experience End-to-end contract ownership Clearly defining and communicating scope Implementing roles and responsibilities Vendor negotiations are separated Keeping a finger on the pulse of technological changes Consistent tools and methodologies Transferring risk to vendors Risk management is not one size fits all Creation of strong partnerships | |
| Risk | | |
| Technology changes Lock-in Escalating cost and financial risk Vendor opportunism and price increases | Lowered service levels Inability to understand governance New management skills required Loss of service control | Inexperience of vendor Fuzzy vendor focus Environment dynamism Failure to select outsourcing design with high mutual benefit |

| | | |
|---------------------------------------|------------------------------------|--|
| Client requirement change | Loss of competitive advantage | |
| Supply chain risks | Weak management | |
| Dependency risk | Knowledge currency | |
| Hidden costs | Inability to unbundle capabilities | |
| Business and engagement uncertainty | Loss of innovative capacity | |
| Governance and regulatory compliance | MVO inexperience | |
| Inability to assign responsibility | Service integration risk | |
| Loss of flexibility | Poor alignment | |
| Contract gets in the way of execution | Client information security | |
| Failure to form partnership | Disaster management | |
| Vendor risks | | |
| Offshore vendors pose extra risk | | |
| Lack of communication | | |

Table 31: Revised MVO contingency model

6.0 – Conclusion

Multivendor Outsourcing (MVO) is an approach to Information Technology Outsourcing (ITO) where a client firm makes the choice to source Information Systems (IS) products and services from many vendors or suppliers. This approach to ITO is posited to reduce reliance on one vendor for Information Technology (IT) services (avoiding vendor lock-in and opportunistic behaviours) and also leverage vendor specialisation, among other benefits.

To date there has been limited exploration of MVO engagement management in academe. Much of what is known about MVO management arises from practitioner literature.

The goal of this research was to identify and organise issues, complexities and risks (collectively named ‘contingencies’) pertinent to MVO management into an academically tested, practitioner-oriented framework. The motivation for the research was the identification of the relative paucity of management research dedicated to understanding MVO engagements and how client firms orchestrate these engagements to achieve expected benefits.

An initial literature review identified important theories and propositions relevant to MVO engagements; many propositions arose from non-specific ITO literature. This review permitted the development of an *a priori* model of MVO contingencies; this model required testing before being considered complete. The research exploited case study method to understand the experiences and viewpoints of individuals at a mix of client, vendor and consulting firms. Data collected during the case study data collection and the subsequent analysis enabled the development of a tested model of MVO contingencies ready for use in practice and as a basis for further research.

6.1 – Outcomes

The research found that a five-dimension model of MVO contingencies successfully categorises MVO risks, issues, considerations and complexities (collectively named “contingencies”). The five dimensions are *People*, *Process*, *Performance*, *Governance* and *Risk*. Within these dimensions,

contingencies were integrated; 121 individual contingencies were either identified by literature and upheld by collected data, or revealed as new contingencies unknown to academic literature on MVO.

In addition to this *a posteriori* model of MVO contingencies, 28 individual findings related to the data were uncovered. These findings related to the discovery of new contingencies, important findings relevant to individual contingencies or extension to theories used to understand contingencies. The table below reiterates the findings from the research (see Chapter Five).

| Finding | Related to | Finding |
|----------------|-------------------------|--|
| 1 | Contingencies | <i>Problem solving mentality</i> is a new MVO contingency not already identified by literature. |
| 2 | Theory Contingencies | Transparency reduces uncertainty and makes vendor behaviour and performance clear in the MVO engagement. |
| 3 | Contingencies | <i>Socialising sourcing decisions, Knowing what stakeholder exist and Developing transparency</i> are contingencies not earlier identified by MVO literature. |
| 4 | Theory | MVO changes the nature of opportunism. Unmanaged vendors will act opportunistically between each other, moving opportunism costs from client to vendors. Coordinated vendors may act together in an opportunistic fashion towards the client. A tension between inter-vendor competition and positive inter-vendor relationships balances inter-vendor and client-directed opportunistic forces. |
| 5 | Theory Contingencies | Strong relationships lower transaction costs, build trust, reduce opportunism, improve service quality, enable communication and create platforms for cooperation. |
| 6 | Contingencies | <i>Cultural fit between all parties, Having the right people in the engagement and Controlling opportunism</i> are two new contingencies that have not yet been identified by MVO literature. |
| 7 | Contingencies | <i>Developing new processes, Effective supplier management, Strong resource and succession planning and Design before implementation</i> are |

| | | |
|----|----------------------|---|
| | | relevant MVO contingencies not yet present in MVO literature. |
| 8 | Contingencies | <i>Educating vendors and Clients must be informed when a vendor fails to deliver</i> are MVO contingencies not known to extant literature. |
| 9 | Theory Contingencies | Process standardisation practice in MVO engagements assists vendors to build capability in accordance with the Theory of Complementarity. |
| 10 | Contingencies | Codified, standardised and transparent processes lower client management and monitoring costs and allow increased client asset value realisation. |
| 11 | Contingencies | <i>Having clear, transparent processes</i> and <i>Codifying processes</i> are new contingencies not known to MVO literature. |
| 12 | Contingencies | <i>Maturity management</i> and <i>Core competence management</i> are important <i>Process</i> and <i>Project Management</i> contingencies. |
| 13 | Contingencies | <i>Ensuring quality of service, Disconnect between SLAs and user experience, Implementing effective metrics, Services integration maturity management</i> and <i>Connectivity issues</i> are contingencies affecting services integration in an MVO engagement. |
| 14 | Theory Contingencies | A client-side helpdesk decreases management overhead costs, reduces vendor responsibility “finger-pointing” and lowers costs associated with opportunism. |
| 15 | Theory Contingencies | Roles and responsibilities reduce transaction costs by suppressing vendor opportunism, uncertainty and management overheads. |
| 16 | Contingencies | <i>Implementing roles and responsibilities, Service monitoring</i> and <i>Clearly defining and communicating scope</i> are important contingencies newly identified as relevant to MVO. |
| 17 | Contingencies | If the client firm has a defined, coherent process for assessing costing approaches, verifying invoices, assigning cost and cost forecasting, the less difficult that client will find financial model management. |
| 18 | Contingencies | <i>Managing billing cycles, Cross-checking balances</i> and <i>Political issues</i> were found to be cost-based |

| | | |
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| | | contingencies relevant to MVO. |
| 19 | Contingencies | <i>Ensuring vendor flexibility</i> is a newly identified contingency linked to MVO. |
| 20 | Theory Contingencies | Operating level agreements transfer coordination transaction costs from the client firm to the vendors. |
| 21 | Contingencies | <i>Implementation of operating level agreements, Ensuring contracts fit together</i> and <i>Contracts must be win-win</i> are newly identified contingencies relevant to MVO. |
| 22 | Contingencies | <i>Inability to fully define or update requirements, Accurately defining contract option value, Learning from experience, End-to-end contract ownership, Clearly defining and communicating scope, Implementing roles and responsibilities</i> and <i>Vendor negotiations are separated</i> are newly identified contingencies relevant to the governance of MVO engagements. |
| 23 | Contingencies | <i>Clearly defining engagement touch points</i> is an important contingency affecting MVO engagements but not yet identified by MVO literature. |
| 24 | Contingencies | <i>Client information security, Consistent tools and methodologies</i> and <i>Ensuring compliance</i> are important contingencies. |
| 25 | Contingencies | <i>Risk is not static</i> and <i>Risk management is not one size fits all</i> are contingencies effecting MVO engagements not yet identified by the literature. |
| 26 | Contingencies | <i>Ensuring the vendor cares for the client</i> is a new MVO contingency not suggested by extant MVO literature that would assist clients and vendors better manage MVO engagements. |
| 27 | Contingencies | <i>Business and engagement uncertainty, Inability to assign responsibility, Contract gets in the way of execution, Failure to form partnership, Vendor risks, Offshore vendors pose extra risk</i> and <i>Lack of communication</i> were risks identified by participants as relevant to MVO management but are not yet discussed in MVO literature. |
| 28 | Contingencies | <i>Lowered service levels, Inability to understand governance, Loss of service control, MVO inexperience, Service integration risk, Poor</i> |

| | | |
|----|---------------|---|
| | | <i>alignment, Client information security and Disaster management</i> were risks identified as relevant to MVO management but not yet identified by MVO literature. |
| 29 | Contingencies | <i>Environmental dynamism and Failure to select outsourcing design with high mutual benefit</i> are risks not yet identified to be relevant to MVO management. |

Table 32: Table of research findings

6.2 – Contribution to Theory

Transaction Cost Economics (TCE), Resource Based Theory (RBT) and the Theory of Complementarity were identified as theories relevant to explaining ITO and by extension MVO. These three theories had not yet been tested or understood from an MVO perspective. Part of the contribution of this research to is an understanding of how these theories work in MVO.

The three theories explained all contingencies discovered either fully in the theory's current state, or by some extension to the theory. Therefore, TCE, RBT and Complementarity successfully explain MVO contingencies and considerations. The links between identified contingencies and theories included in Chapter Five explains how these theories work within the context of MVO; this is a major contribution to the research field.

Findings 2, 4, 5, 9, 13, 14 and 19 had major implications for theory. These findings suggest possible extensions of the theories, especially TCE, into the realm of MVO. Extension to the theories builds our academic understanding of these theories in the MVO domain. Further work is required to explore these extensions in depth.

6.3 – Contribution to Practice

The MVO contingency model was designed for use by practitioners from the outset of the research. One of the primary contributions that the research has is the collection of relevant contingencies scattered across academic literature and consolidating them into a single, tested framework. This consolidation makes practitioner access to these contingencies much easier.

Many of the findings identified throughout data analysis (see Table 32 above) have implications for the planning and execution of MVO engagements. These findings are detail important considerations for sourcing practitioners and client firms that can build success in MVO engagements.

6.4 – Limitations

All research projects have a number of limitations affecting outcomes achieved. Recognising these limitations is an important part of interpreting results and recommending future research opportunities (Ellis & Levy, 2009).

The time limitations of an accelerated honours research project placed a number of constraints on the research. Firstly, the time available for data collection was restricted by the acceleration of the honours degree. While the number of participants interviewed was sufficient for this project, more participants would enable further testing of the *a priori* model.

In addition to more testable data, a broader participant base would provide a more comprehensive picture of the MVO phenomenon. A broader base of clients, vendors and consultants across a greater number of industries and geographical locations would provide a deeper insight into the risks and issues in MVO engagements.

A longitudinal study of MVO contingencies would have provided an insight into changes in MVO management over time. This in turn may have presented an opportunity to discover risks and issues firms have not yet forecast or encountered. Longer-term study of the phenomenon could also more deeply understand the evolution of MVO contingencies across the engagement lifecycle.

The data analysis phase introduces different limitations. As data collected was fully coded only once by one person, individual subconscious biases, analysis and understanding of the data impacts the tested model. Given more time it may have become possible to iteratively code the data.

6.3 – Future Work

Given the paucity of literature on MVO engagement management, there are many possible paths for future research. The MVO contingency model, while tested with strong data, would benefit from further testing, especially by applying the model in practice. This approach to testing of the model would test the model in realistic conditions reducing biases of human participants, especially at the coding stage.

The limited time available in the honours degree introduced limitations around testing the model with longitudinal data. A potential future research opportunity exists in testing the model with data collected from sample organisations at defined times to determine how contingencies change as business priorities and the MVO market shift and change.

Another opportunity developed by the research is the deeper exploration of linkages between the contingencies included in the tested model.

Investigation of the fit between related contingencies could uncover important findings that could improve MVO execution. The relative importance of each contingency could also be explored.

The current state of MVO research and the fast-pace of the outsourcing industry means scientific enquiry into the MVO phenomenon will always be important. This research marks an initial contribution to the field of MVO management that acts as a platform for future research into the phenomenon.

Appendix A – Contingency Support Map

| | CLIENT1 | CLIENT2 | VENDOR1 | VENDOR2 a | VENDOR2 b | CONSULTANT1 |
|---|---------|---------|---------|-----------|-----------|-------------|
| People | | | | | | |
| <i>Decision making</i> | | | | | | |
| Ensuring decisions are based in fact, not in ideology | Yes | Yes | No | Yes | Yes | Yes |
| Having the right people making the right decisions | No | No | Yes | Yes | Yes | Yes |
| Problem solving mentality | No | Yes | Yes | No | No | No |
| <i>Communication</i> | | | | | | |
| Ensuring effective inter-party cooperation | Yes | Yes | Yes | Yes | Yes | Yes |
| Implementing strong stakeholder management | Yes | Yes | Yes | Yes | Yes | Yes |
| Managing differences with offshore vendors | No | No | No | No | No | Yes |
| Socialising sourcing decisions | Yes | No | No | No | No | No |
| Knowing what stakeholders exist | No | No | No | Yes | Yes | Yes |
| Transparency | No | No | Yes | Yes | No | No |
| <i>Partnership, Commitment and Trust</i> | | | | | | |
| Socially complex systems creation | No | Yes | No | Yes | No | No |

| | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| Creating trust and forbearance | No | Yes | Yes | Yes | Yes | Yes |
| Involving the right people and skills | No | Yes | Yes | Yes | No | Yes |
| Having the right people in the engagement | No | Yes | Yes | Yes | Yes | No |
| Cultural fit between all parties | No | No | Yes | No | Yes | No |
| Ensuring good relationships between client and all suppliers | No | Yes | Yes | Yes | Yes | Yes |
| Controlling opportunism | Yes | No | No | No | Yes | No |
| Transaction Cost | | | | | | |
| Controlling transaction cost through controlling communication | No | No | No | Yes | No | No |
| Process | | | | | | |
| Engagement Lifecycle | | | | | | |
| Selecting the best MVO sourcing configuration or design | Yes | No | Yes | Yes | Yes | Yes |
| Developing new processes | Yes | No | No | Yes | No | Yes |
| Effective supplier management | Yes | Yes | Yes | No | Yes | No |
| Strong resource and succession planning | Yes | Yes | No | Yes | No | No |
| Design before implementation | No | Yes | No | No | No | Yes |

| <i>Communication</i> | | | | | | |
|---|-----|-----|-----|-----|-----|-----|
| Supporting effective information and knowledge sharing exchange | Yes | Yes | Yes | Yes | No | No |
| Educating vendors | No | Yes | No | No | Yes | Yes |
| Clients must be informed when a vendor fails to deliver | No | No | Yes | No | No | No |
| <i>Process Standardisation</i> | | | | | | |
| Process standardisation | Yes | No | No | No | No | Yes |
| Having clear, transparent processes | No | Yes | Yes | Yes | No | No |
| Codifying processes | No | No | Yes | Yes | No | Yes |
| <i>Project Management</i> | | | | | | |
| Project management | No | Yes | No | Yes | Yes | Yes |
| Managing change | Yes | No | Yes | Yes | No | Yes |
| Core competence management | No | No | No | No | Yes | No |
| Maturity management | Yes | No | Yes | No | No | Yes |
| Performance | | | | | | |
| <i>Services Integration</i> | | | | | | |
| Selecting and implementing the best services integrator design | Yes | No | Yes | Yes | Yes | Yes |
| Ensuring quality of service | Yes | No | Yes | No | Yes | Yes |

| | | | | | | |
|---|-----|-----|-----|-----|-----|-----|
| Disconnect between SLAs and user experience | Yes | No | Yes | Yes | Yes | Yes |
| Implementing effective metrics | Yes | Yes | Yes | Yes | Yes | Yes |
| Services integration maturity management | No | No | Yes | No | No | Yes |
| Connectivity issues | No | No | No | No | Yes | Yes |
| <i>Transaction costs</i> | | | | | | |
| Lowering transaction, coordination, monitoring and production costs | Yes | Yes | Yes | Yes | Yes | Yes |
| Management of impacts from bounded rationality and opportunism | Yes | No | No | Yes | Yes | Yes |
| Implementing vendor behaviour control | Yes | No | Yes | No | No | No |
| Implementing roles and responsibilities | Yes | Yes | Yes | Yes | Yes | Yes |
| Service monitoring | Yes | Yes | Yes | No | No | No |
| Clearly defining and communicating scope | No | Yes | Yes | Yes | Yes | No |
| <i>Asset control</i> | | | | | | |
| Access to vendor resources | Yes | Yes | No | Yes | No | Yes |
| Ensuring economies of scale | Yes | No | No | Yes | Yes | No |
| <i>Benefits Management</i> | | | | | | |
| Effective benefits management | No | No | Yes | No | Yes | No |

| <i>Financial Model</i> | | | | | | |
|---|-----|-----|-----|-----|-----|-----|
| Selection of financial model | Yes | No | Yes | Yes | No | Yes |
| Managing billing cycles | No | Yes | No | No | No | Yes |
| Cross-checking balances | No | Yes | Yes | No | No | Yes |
| Political issues | No | No | Yes | No | No | No |
| <i>Vendor Management</i> | | | | | | |
| Knowledge codification | Yes | Yes | No | No | No | No |
| Loss of innovative capacity and the risk of slow down | No | No | No | Yes | No | No |
| Relationship and exchange exploitation | Yes | Yes | No | No | No | No |
| Ensuring vendor flexibility | Yes | No | No | Yes | No | No |
| Governance | | | | | | |
| <i>Contract Style</i> | | | | | | |
| Contract and governance selection and implementation | Yes | Yes | Yes | Yes | Yes | Yes |
| Contract management and review | Yes | Yes | Yes | Yes | No | Yes |
| Implementation of operating level agreements | No | No | No | No | No | Yes |
| Ensuring contracts fit together | No | No | Yes | Yes | Yes | Yes |
| Contracts must be win-win | No | No | Yes | No | No | No |

| <i>Contract Measurability and Completeness</i> | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| Inability to fully define or update requirements | Yes | Yes | Yes | Yes | No | Yes |
| Accurately determining contract option value | Yes | No | Yes | Yes | Yes | No |
| Bounded rationality | Yes | No | Yes | No | Yes | Yes |
| Implementing effective end-to-end metrics | No | No | Yes | Yes | Yes | Yes |
| Learning from experience | Yes | No | No | No | No | Yes |
| End-to-end contract ownership | No | No | Yes | No | No | No |
| Clearly defining and communicating scope | No | Yes | Yes | Yes | Yes | No |
| Implementing roles and responsibilities | Yes | Yes | Yes | Yes | Yes | Yes |
| Vendor negotiations are separated | No | No | No | No | No | Yes |
| <i>Services Integration</i> | | | | | | |
| Contractual implementation of the services integrator role | No | No | Yes | No | Yes | Yes |
| Effective demarcation of labour | No | Yes | Yes | Yes | Yes | Yes |
| Clearly defining engagement touch points | No | Yes | Yes | Yes | Yes | Yes |
| <i>Asset and Vendor Control</i> | | | | | | |

| | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| Designing and implementing asset control and ownership clauses | No | Yes | No | No | No | Yes |
| Client information security | Yes | Yes | No | No | No | Yes |
| Cultural barriers | No | No | No | No | Yes | Yes |
| Keeping a finger on the pulse of technological changes | No | Yes | No | No | No | No |
| Consistent tools and methodologies | Yes | No | Yes | No | No | Yes |
| Ensuring compliance | Yes | No | No | No | No | Yes |
| Risk Management | | | | | | |
| Transferring risk to vendors | Yes | No | Yes | No | Yes | Yes |
| Clarity and transparency in issue and risk management | Yes | Yes | Yes | Yes | No | Yes |
| Risk is not static | No | No | No | Yes | Yes | Yes |
| Risk management is not one size fits all | No | No | No | Yes | Yes | Yes |
| Partnership | | | | | | |
| Creation of strong partnerships | Yes | Yes | Yes | Yes | Yes | No |
| Ensuring the vendor cares for the client | Yes | Yes | No | No | No | No |
| Risk | | | | | | |
| Transaction Cost Economics | | | | | | |
| Technology changes | No | Yes | Yes | Yes | No | No |

| | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| Lock-in | Yes | Yes | Yes | Yes | Yes | No |
| Escalating costs and financial risk | Yes | Yes | Yes | Yes | Yes | Yes |
| Vendor opportunism and price increases | Yes | Yes | Yes | No | Yes | No |
| Client requirement change | Yes | Yes | Yes | Yes | No | Yes |
| Supply chain risks | No | Yes | Yes | Yes | Yes | Yes |
| Dependency risk | Yes | Yes | Yes | No | No | No |
| Hidden costs | No | Yes | Yes | No | Yes | Yes |
| Business and engagement uncertainty | Yes | No | Yes | No | Yes | No |
| Governance and regulatory compliance | Yes | No | Yes | Yes | Yes | Yes |
| Inability to assign responsibility | Yes | No | Yes | Yes | Yes | Yes |
| Loss of flexibility | Yes | Yes | Yes | No | Yes | No |
| Contract gets in the way of execution | Yes | Yes | Yes | No | Yes | No |
| Failure to form partnership | Yes | Yes | Yes | Yes | Yes | No |
| Vendor risks | Yes | Yes | Yes | No | Yes | No |
| Offshore vendors pose extra risk | No | No | Yes | No | No | Yes |
| Lack of communication | No | Yes | Yes | Yes | Yes | No |
| <i>Resource Based Theory</i> | | | | | | |
| Lowered service levels | Yes | Yes | Yes | No | Yes | No |

| | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| Inability to understand governance | No | No | Yes | No | No | Yes |
| New management skills required | No | Yes | Yes | No | Yes | Yes |
| Loss of service control | Yes | No | Yes | No | Yes | No |
| Loss of competitive advantage | No | No | Yes | No | No | No |
| Weak management | No | No | Yes | No | No | Yes |
| Knowledge currency | No | Yes | Yes | No | No | No |
| Inability to unbundle capabilities | No | No | Yes | No | No | No |
| Technological and process indivisibility | No | No | Yes | No | No | No |
| Lower learning capacity and capabilities | No | No | Yes | No | No | No |
| Loss of innovative capacity | Yes | No | Yes | No | No | No |
| MVO inexperience | No | No | Yes | No | Yes | Yes |
| Service Integration risks | No | No | Yes | Yes | Yes | Yes |
| Poor alignment | No | No | Yes | Yes | Yes | Yes |
| Client information security | No | Yes | Yes | Yes | Yes | No |
| Disaster management | No | Yes | Yes | No | No | No |
| <i>Complementarity</i> | | | | | | |
| Inexperience of vendor | No | Yes | Yes | No | Yes | Yes |
| Fuzzy vendor focus | Yes | Yes | Yes | Yes | No | No |

| | | | | | | |
|---|-----|----|-----|-----|-----|-----|
| Environmental dynamism | Yes | No | Yes | Yes | Yes | Yes |
| Failure to select outsourcing design with high mutual benefit | No | No | Yes | No | Yes | No |

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