

2012

IT outsourcing governance: a conceptual framework for theory and practice

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IT OUTSOURCING GOVERNANCE: A CONCEPTUAL FRAMEWORK FOR THEORY AND PRACTICE

A Dissertation

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in

Interdepartmental Program in Business Administration
(Information System and Decision Sciences)

by

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May 2012

DEDICATION

To Carrie, whose love and unconditional support made this achievement possible.

ACKNOWLEDGEMENTS

Foremost, I would like to acknowledge Dr. Rudy Hirschheim, whose mentorship and influence on my career not only made me a better professional, but also a better person. Dr. Hirschheim's wealth of knowledge and his appreciation for the philosophy of science have changed the way I view the world. I am profoundly grateful for the opportunity to work under Dr. Hirschheim's tutelage. I am proud to say that he is not only the best advisor I could have hoped for, but he is also a key role model in my life, both professionally and personally.

I would also like to specially thank Dr. Beena George, whose expertise and continuous support throughout this work have been invaluable. Dr. George provided the guidance and resources that I needed to complete this dissertation.

Dr. Suzanne Pawlowski, Dr. Helmut Schneider, and Dr. Gerald Knapp deserve my deepest appreciation and gratitude for their time and willingness to serve on my committee.

I had the pleasure of taking several classes with Dr. Pawlowski. The quality of her teaching and her appreciation for qualitative methods has had a great impact on the way I approach scholarly research. It isn't a coincidence that the two main methodologies I used in this dissertation were methodologies that I learned from Dr. Pawlowski.

I'm also grateful for the opportunity to pursue this degree given to me by Dr. Helmut Schneider. Pursuing a degree in ISDS has been the best academic decision of my life, and I couldn't have done it without the support of Dr. Schneider.

I could not have finished my Ph. D. without the support of my family. Their sacrifice, love and constant encouragement have allowed me to achieve this goal. My success is their success.

Throughout this last 5 years I have met a wonderful group of people that have shared this journey with me and helped me along the way. Bego, Dylan, David, Kibily, Yoonhyuk, Baozhou, Colleen, Matt, and Carlos have all contributed in different ways to the accomplishment of this milestone in my life, and I will never forget them.

Finally, I would like to extend my profound gratitude to the Center for Computation and Technology, and especially to Dr. Gabrielle Allen, whose confidence and support allowed me to pursue my dream of earning a Ph.D.

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ABSTRACT

The objective of this study is to improve our understanding of IT Outsourcing Governance, which has become an increasingly significant topic in recent years. In order to gain an understanding of this topic, an extensive literature review was performed and analyzed with argument mapping. The data yielded from the argument maps was used to create a comprehensive framework for IT Outsourcing Governance. What resulted was a new conceptualization of IT Outsourcing Governance, focused not only on governance structures and decision rights, but also on relationship management. This conceptualization not only provides a better understanding, but also presents a sharp contrast to the traditional view of IT Governance in which relationship management is not a major factor. In addition to the argument maps, a social representations survey was performed in order to elicit differences in the conceptualization of IT Outsourcing Governance between academics and practitioners. The results of the survey were used to perform a core/periphery analysis, which identified core and peripheral concepts used by academics and practitioners when discussing IT Outsourcing Governance. The core topics identified show a high degree of overlap with the dimensions of the framework previously developed. Finally, a review of existing technologies developed specifically to manage outsourcing arrangements (Outsourcing Relationship Management Tools) was performed in order to better understand the alignment between technology and management practices. This analysis showed that the features of Outsourcing Relationship Management tools seem to be misaligned with the duties and responsibilities of people in charge of the day-to-day management of the client-vendor relationship. The contribution of this research lies in advancing our understanding of IT

Outsourcing Governance by providing a framework and new definition for this concept, along with a new theoretical lens to understand the evolution of relationships into partnerships. Additionally, this study augments the tools available to researchers by introducing argument mapping, a seldom-used technique for discourse analysis that proved to be very effective for eliciting relevant dimensions related to IT Outsourcing Governance from a literature review.

CHAPTER 1: INTRODUCTION

Research Motivation And Objectives

The unprecedented growth in outsourcing practices over the past two decades has had a profound impact on the business world. Organizations that choose to outsource a function or service often do so because they believe that an external party could provide similar or even superior levels of service at a lower cost than the company's internal resources. This perception is reinforced by economic principles which suggest that external vendors could achieve better economies of scale, provide more focused expertise, and offer increased access to a broader, lower-cost labor pool than the average organization would have. Although this line of reasoning appears to be grounded in good business sense, results from practice show that business relationships borne of outsourcing decisions bring with them a new array of thorny problems that have the potential to not only hamper an organization's remaining core operations, but also offset the very cost savings that the organization set out to achieve with its initial outsourcing decision.

When an organization outsources a functional area, it typically does so to reduce costs and the amount of managerial energy that it expends on this function. It also, by the very definition of outsourcing, seeks to establish a relational distance between itself and the outsourced function in order to focus on its core competencies. These objectives, however, can serve as blinders, which mask the fact that although an outsourcing event may indeed simplify existing managerial responsibilities, it nevertheless also simultaneously introduces new, complex relationships between the organization and the vendor. In fact, these novel relationships demand as much, if not more, managerial effort than required when functions were performed in-house (Beulen & Ribbers, 2002; Gewald

& Helbig, 2006). We then must ask: How do organizations ensure that these ancillary effects don't cancel out the positive results generated through outsourcing?

The answer to this question is the concept of IT Outsourcing Governance, which has become increasingly significant in recent years, as organizations have embraced IT outsourcing and adopted it as a common practice (Dibbern et al., 2004). According to CIO magazine (Gartner, 2010), governance has ranked among the top 10 concerns of the surveyed CIOs for the last 5 years. This trend is likely to continue due to the increased ubiquity of the outsourcing phenomenon and the reduced strategic importance of using pure cost reduction as a rationale for undertaking an outsourcing initiative.

The complexity of the outsourcing decision should not be underestimated. Organizations engage in outsourcing because they posit that cost savings will be realized; otherwise there is no reason to outsource because the organizational complexity introduced would not otherwise be worth it. What is less understood is how to ensure that the outsourcing endeavor will create sustainable value to all participating parties – including the vendor since partnership arrangements have been shown to increase the likelihood of outsourcing success (Grover et al., 1996; Kern & Willcocks, 2000; Kern & Willcocks, 2002; Klepper, 1995; Lacity et al., 2009; Levina & Ross, 2003; Natovich, 2003; Willcocks et al., 2007). In this context, understanding the different views and philosophies for the governance of an outsourcing arrangement is key to developing management practices that would foster successful, long-term outsourcing relationships. This understanding, however, remains elusive for both practitioners and academics alike.

This work seeks to fill this void in knowledge by creating a comprehensive framework for IT Outsourcing Governance using a number of theoretical lenses to

analyze this phenomenon. IT Outsourcing Governance is an intriguing subject that encompasses several disciplines, including Information Systems, Management, and Computer Science, to name a few. Consequently, IT Outsourcing Governance could be studied from a plethora of philosophical lenses, utilizing multiple methodologies to gather and to analyze data. As such, IT Outsourcing Governance presents a wealth of research opportunities within our field. One could focus on studying what type of governance structures yield the best results; how organizations align cultural differences when entering an arrangement; what are the best practices to foster a positive relationship (e.g., shared training sessions); what are the desired personality traits of the personnel involved in IT Outsourcing Governance; how does IT Outsourcing Governance mesh with the internal governance structure of an organization, et cetera.

The above-mentioned areas of investigation are just a few directions that research in IT Outsourcing Governance could take, demonstrating the potential for a rich and productive research agenda that could include quantitative and qualitative studies, practitioner-oriented publications, and academic articles. In order to keep this work manageable, this study focuses on two main areas that would advance our field's current understanding of IT Outsourcing Governance. The main objective of this work is to uncover the nature of IT Outsourcing Governance, while the other area of interest addresses the technology used by outsourcing practitioners in their efforts to manage the client-vendor relationship. As companies begin to take a more strategic approach to outsourcing, wherein the goal of the relationship between parties expands from simple cost savings to the achievement of the semblance of a business partnership, we can observe a concomitant increase in both the complexity and criticality of properly

managing the client-vendor relationship. In this context, the establishment of appropriate governance structures, combined with the use of adequate management tools, takes on a fundamental role in the success of the outsourcing endeavor.

By focusing on these two areas – the conceptualization of IT Outsourcing Governance, and the technology developed to facilitate it – this work establishes a foundation for future IS-focused research on these topics. In order to gain a better understanding of these areas, a framework was developed for IT Outsourcing Governance using conceptualizations from the literature as well as a survey from experts in the IT Outsourcing Governance field. The framework could be utilized by others as a reference tool to determine future research agendas, design better tools, develop management practices, and to have a better overall understanding of what IT Outsourcing Governance encompasses, and what it means to practitioners and academics alike.

The first research question addressed in this work is: *How do academics and practitioners conceptualize IT Outsourcing Governance?* As referenced above, governance has been among the top concerns of CIOs for the past several years. Despite the obvious importance of the issue to practitioners, the topic of Outsourcing Governance has been highly under-researched, particularly in the academic literature. Practitioners have been relying on word-of-mouth and often anecdotal recommendations regarding best practices, and the concept of IT Outsourcing Governance has not received the attention from academics that it deserves, given the popularity and widespread adoption of outsourcing arrangements. The dearth of research in this area, along with the potential implications for practice (e.g., changes in the role of IT managers, development of best practices, etc.), that might arise from a better understanding of the core concepts relevant

to the governance of an outsourcing arrangement, serve as the motivating factors behind the first research question.

In order to answer this question, a comprehensive framework addressing the nature of IT Outsourcing Governance was developed based on an exhaustive literature review of the topic. Then, a social representations survey technique was used to elucidate the concept of IT Outsourcing Governance held by both consultants and academics. The results of this survey were compared with the framework in order to obtain a better understanding of this phenomenon.

With respect to the practical side of IT Outsourcing Governance, new management tools have been developed to specifically aid in the management of outsourcing arrangements. These tools collectively are called Outsourcing Relationship Management (ORM), and provide the necessary scaffolding upon which client and vendors can ostensibly build successful relationships. Collectively, these tools generally take the form of software packages that offer monitoring capabilities and analytics tools that organizations utilize to measure the performance of the outsourcing relationship.

The market currently offers a number of ORM software packages. Among the most well-known are Janeeva, Enlighta, EquaSiis, and Hiperos. Although these tools differ in capabilities, they are all built upon the principles of communication enhancement and real-time information, provide several modes of communications including RSS feeds, discussion forums, blogs, access to shared documents, etc., and tools to evaluate the relationship, such as on-demand analytics and reporting, real-time metrics of performance, and continuous monitoring of the Service Level Agreement (SLA), to name a few. Despite the many benefits of ORM tools, a study performed in

partnership with The Cutter Consortium (Hirschheim et al., 2009) showed that participants have either not heard of these tools, or do not consider them to be worth the investment.

There might be several plausible explanations for this surprising finding; however, there are none offered in the literature. This may be because the governance of an outsourcing relationship is often considered an afterthought in the outsourcing process, for which there is little or no budget, no dedicated staff, and no consideration given to the skill set required to effectively manage the client-vendor relationship (Hirschheim et al., 2009). One possible explanation for these findings is that the feature-set offered by ORM tools does not align with the desired outcomes of IT Outsourcing Governance, making their usefulness questionable. This is the key motivator for the second research question that will be addressed in this work: *Do the features of the selected ORM tools correspond with the dimensions of IT Outsourcing Governance identified in the proposed framework?*

In order to answer this question, the feature sets offered by the various ORM tools included in this study will be matched with the dimensions of IT Outsourcing Governance identified in the framework previously developed.

Dissertation Structure

This dissertation is organized as follows. Chapter 2 provides a survey of relevant literature on the key concepts regarding IT Outsourcing, IT Governance and IT Outsourcing Governance. Understanding these concepts is important because they represent the foundational concepts of this study and will be referenced throughout this work. Chapter 3 discusses the philosophical underpinnings of the methodologies

employed in this work, which will serve to better understand the ontological and epistemological assumptions underlying this research that provide the necessary lens to appropriately evaluate the results of this dissertation. Chapter 4 presents the methodology and data collection techniques used in this work. In Chapter 5, the results of this study are presented followed by a discussion of the findings in Chapter 6. Finally, Chapter 7 includes a summary of the key contributions of this work, implications for practice, and future direction of my research.

CHAPTER 2: LITERATURE REVIEW

This chapter provides an overview of key concepts that will be used throughout this work. In order to properly understand IT Outsourcing Governance, it is important to review the literature in IT Outsourcing, the staged process of formally engaging in outsourcing from the customer's point of view, the legal structures that outsourcing arrangements most often utilize, and the role of the CIO in this process. We then turn to a discussion of IT Governance, and discuss its niche in the field of corporate governance, and provide the multiple definitions of the term that currently reside in the literature. Finally, we present a discussion of the scant literature on IT Outsourcing Governance.

Review of IT Outsourcing

The general concept of outsourcing, which is commonly understood as the practice of making arrangements with an external entity to transfer the provision of goods and services from within the organization to the external party, has been around for decades and is utilized across many disciplines (Dibbern et al., 2004). In the IS field, the outsourcing phenomenon began to gain popularity largely with the 1992 study of the large outsourcing initiative launched by Kodak (Loh & Venkatraman, 1992). Since then, the outsourcing phenomenon has been widely studied and subsequently, several definitions of outsourcing have been developed (Fitzgerald & Willcocks, 1994; Kern, 1997; Lacity & Hirschheim, 1993; Lacity et al., 2009; Loh & Venkatraman, 1992). Although there are many conceptualizations of IT outsourcing, all of the definitions share a common foundation that can be summarized in the straightforward definition of IT

outsourcing provided by Lacity and Hirschheim (1993), which defines outsourcing as “the purchase of a good or service that was previously provided internally.”

Types of Outsourcing Arrangements

The conceptualization of IT outsourcing can be further characterized by the level and amount of services/goods outsourced, and by the level of ownership maintained within the organization. Consequently, IT outsourcing can be classified in the following categories (Lacity & Hirschheim, 1993; Willcocks et al., 2007):

- *Total Outsourcing*: The decision to transfer the equivalent of more than 80% of the function’s operating budget for assets, leases, staff, and management responsibility to external providers. This outsourcing option is associated with problems such as lack of innovation from the supplier, excess fees for services beyond the contract, fixed prices that exceeded market prices two years into the contract, et cetera.
- *Total Insourcing*: The decision to retain management and provision of more than 80% of the function’s operating budget internally after evaluating the services market.
- *Selective Outsourcing*: This is the most common type of outsourcing, which is defined as the company’s decision to source selected functions from external provider(s), while still providing between 20% and 80% of the function’s operating budget internally.
- *Joint Ventures*: The organization and external provider create a new company or business unit. Deals are typically structured so that the customer provides

personnel, becomes the venture's first major customer, and shares in future profits if the venture attracts external customers.

In addition to the different types of outsourcing arrangements, it is important to understand the different stages involved in the outsourcing process. The outsourcing stages provide a roadmap to outsourcing highlighting the different types of decisions that need to be made from inception to implementation and execution of a sourcing arrangement.

Outsourcing Stages

The outsourcing process can be divided into five distinct stages that reflect the different factors that businesses consider in their outsourcing analyses, as well as the decisions that are typically made when outsourcing (Dibbern et al., 2004). The stages, as depicted in Figure 1, are:

- **Why:** In this stage, the advantages and disadvantages of outsourcing are **considered**.
- **What:** Different alternatives of outsourcing arrangements are analyzed.
- **Which:** This stage is based on the decision that the organization makes when comparing various sourcing options.
- **How:** This stage deals with the selection of the vendor, the management of contracts, and relationships.
- **Outcomes:** The analysis of the consequences of the sourcing decision, and the assessment of success or failure.

The five stages of outsourcing can be further classified into two overarching categories that describe the decision process to outsource, and the implementation of the sourcing arrangement.

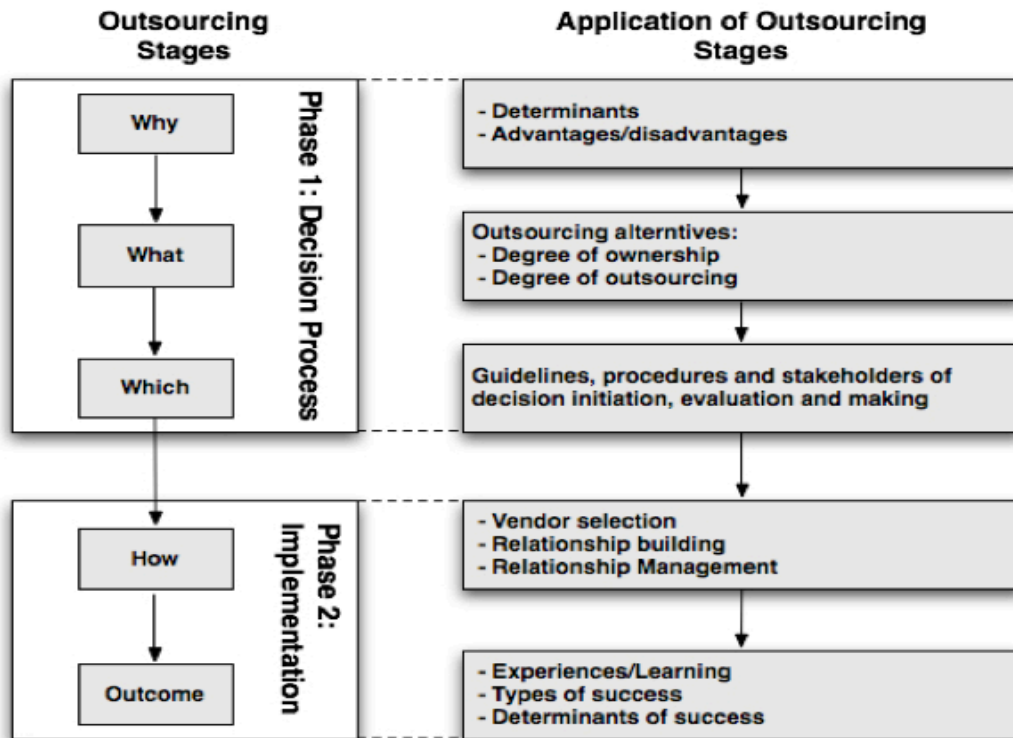


Figure 1 - Outsourcing Stages

This work will focus on the study of the implementation stage of outsourcing arrangements (Stages 4 and 5, above) because IT Outsourcing Governance only takes place after the decision to outsource has been made, a vendor has been selected for the particular project, and the organization has selected the arrangement of sourcing that is most convenient and beneficial to them. The next logical step in the process is to decide how to carry out the outsourcing process. This stage (Stage 4, depicted above) deals mainly with three actions: vendor selection, contract negotiation (relationship building),

and contract/relationship management. A brief description of each action is provided below.

Vendor Selection

In the vendor selection stage, an organization may choose from a multitude of arrangements: one client to one vendor, one client to many vendors, many clients to many vendors, and many clients to many vendors. A brief description of each type of relationship follows, using Gallivan and Oh' definitions (1999):

- **One Client - One Vendor:** The client relies on a single vendor to satisfy all of its outsourcing needs. These types of deals often involve a major vendor that is equipped with the market power and knowledge expertise to provide a comprehensive IT solution. An advantage of this type of relationship is the potential for cost savings as a result of having one vendor providing a large set of services. On the other hand, having only one vendor may lead to proprietary solutions that can make the adoption of other products very difficult.
- **One Client - Many Vendors:** In this scenario, one client utilizes multiple vendors to achieve its goals. The division of labor and responsibilities among vendors is jointly negotiated and understood by all parties. The advantage of this type of arrangement is the ability to fit every need with a vendor, whose strength is in the same area, thereby obtaining optimal results. However, these many vendor deals can be extremely complex and difficult to handle at the contract level and management level.

Contract Negotiation

Contract crafting and negotiation has been identified as one of the main factors determining the success of an outsourcing arrangement (Fitzgerald & Willcocks, 1994; Hirschheim et al., 2009; Willcocks et al., 2007). During the negotiation stage, the client and vendor communicate with each other to exchange information about their respective capabilities, positions and interests. The purpose of a formal contract is to specify task requirements and obligations of each party in a written form. However, organizations should strive for flexibility at the contractual level in order to adjust to unforeseen circumstances not included in the original contract (Goo et al., 2009; Poppo & Zenger, 2002; Willcocks et al., 2007). A company's procurement department by and large carries out the crafting of the contract and the evaluation of its execution. There are several types of contracts that can be used in a sourcing relationship (Willcocks et al., 2007). These vary based on the level of detail contained by the contracts:

- **Standard Contracts:** The customer signs the supplier's standard, off-the-shelf contract.
- **Detailed Contracts:** The contract includes special contractual clauses for service scope, service levels, measures of performance, and penalties for not meeting agreed upon deadlines or objectives.
- **Loose Contracts:** The contract does not provide comprehensive performance measures or contingencies, but specifies that the supplier(s) perform whatever the customer was doing in the baseline year for the duration of the contract at 10-30% less than the customer's budget.

- **Mixed Contracts:** For the first few years of the contract, requirements are fully specified. However, long-term requirements are not defined in a detailed manner.

According to the findings of Willcocks et al. (2007), detailed contracts facilitated the achievement of customer expectations with greater frequency than the other types. In these cases, organizations understood the functions to be outsourced fairly well, and they could therefore define their precise requirements in a contract. Additionally, organizations developing detailed contracts spent up to 18 months negotiating the clauses of the contract. This careful process of negotiation revealed a 75% rate of successful contracts. The most commonly clauses used in detailed contracts are Costs, Early Termination, Non-performance Penalty, Confidentiality, Liability, Service Level Agreement, and Contingency Prices (Willcocks et al., 2007).

Contract Management

A good contract is necessary but not sufficient for a successful IT outsourcing project (Hirschheim et al., 2009). Since market conditions are bound to change, the contracts may not include the foresight sufficient to cope with changes. Therefore, a formal contract, regardless of its length or level of detail, should be complemented by informal management techniques that provide a level of flexibility that is not found in formal management. No matter how detailed a contract is, changes in requirements will inevitably occur in the normal course of business. A formal contract cannot account for all possible situations that might arise as a consequence of shifts in the global markets, local policies, or organizational changes. Therefore, it is of the utmost importance to develop an organizational capacity to manage and foster the informal relationship between the client and vendor. Informal management provides the means for developing

common goals and objectives between the client and vendor, which in turn can lead to an increase in trust and commitment between parties (Grover et al., 1996).

In summary, for an outsourcing arrangement to be successful, the organization must maintain clear control processes, effective communication channels and governance structure with a team of their own individuals who understand the work being done and the processes being used by the vendor.

Review of IT Governance

In this section, we discuss the evolution of the IT function in corporate settings, the role of the CIO in managing the ever-changing IT function, and the role of IT Governance in the organization. The various definitions of IT Governance are presented first, followed by a discussion about how bestowing the appropriate definition provides the proper context for discussion the importance of the role of IT Governance. Finally, the most common structures for IT Governance are treated.

IT Governance is often considered a sub-set of Corporate Governance, which was developed in response to the growing importance of IT within organizations (Kingsford et al., 2003). Corporate Governance provides the structure for determining organizational objectives and for monitoring performance to ensure that those objectives are attained (OECD, 1999). Although there is no “one size fits all” governance structure, most companies have adopted a corporate governance model based on a supervisory board that is responsible for protecting the interests and rights of shareholders and other stakeholders (customers, employees, creditors, etc.). The board, in turn, works with senior managers to implement governance principles across the organization (Weill & Ross, 2008).

The adoption of IT during the late 50's and 60's started a process of transformation of organizations that is still ongoing (Leavitt & Whistler, 1958). The research of transformation processes that has occurred during the last five decades covered the impact of IT in organizations (Drucker, 1988), how to obtain strategic advantage using IT (Ives & Learmonth, 1984; Porter & Miller, 1985; Weill, 1992), how to properly manage organizations dependent on IT (Applegate, 1995; Burns & Stalker, 1961), and the future of organizations given the current utilization of technology (Bieberstein et al., 2005).

At the very core of the organizational transformations experienced since the 1950's is the evolving role of the Chief Information Officer (CIO), also known as Information Systems Manager during the late 70's (Taggart & Silbey, 1979). Since its inception, the information management function has expanded incredibly from its original limited conception (supporting accounting activities) to a comprehensive function that supports the entire organization in a fundamental way. The evolution of the role of IT within organizations was necessarily accompanied by the evolution of the role of the CIO (Hirschheim et al., 2003). In 2005, Michael Hammer wrote a seminal CIO Magazine keynote article that dealt with CIO Evolution (Hammer, 2005). In this article, the author emphasizes that throughout the last 30 years, the main goals of the CIO have remained constant, yet now there are other challenges, such as outsourcing that make the CIO role even more complicated. According to Hammer *"To avoid extinction, CIOs must move from an orientation that revolves around technology to one centered on business processes."* In this context, the role of IT Governance has gained prominence within the corporate governance structure due to the fact that it is now recognized that leveraging IT

successfully to transform the enterprise and create value-added products and services has become a universal business necessity (ITGI, 2006), and not simply operational support. According to Ron Rose, CIO at priceline.com Inc. (Hoffman, 2007) “*regardless of a CIO’s roots, he has to almost be a better business person than the business people...*” Therefore, implementing the appropriate governance structures for IT is a major undertaking the CIO must face.

Defining IT Governance

IT Governance is not an isolated activity, but instead occurs within the context of the corporate governance of the organization and it is usually the responsibility of the board of directors and senior executives within the company (ITGI, 2006; Weill & Ross, 2008). According to the IT Governance Institute, IT Governance consists of the leadership and organizational structures and processes that ensure that the enterprise’s IT sustains and extends the enterprise’s strategies and objectives. The purpose of IT Governance is to direct IT endeavors to ensure that IT’s performance meet the following objectives (ITGI, 2006):

- Alignment of IT with the enterprise and realization of the promised benefits
- Use of IT to enable the enterprise by exploiting opportunities and maximizing benefits
- Responsible use of IT resources
- Appropriate management of IT-related risks

This conceptualization of IT Outsourcing Governance is focused on identifying objectives that must be achieved through the outsourcing arrangement. However, this

definition mixes IT Governance with IT Management, which is a frequent mistake (Webb et al., 2006).

A more straight-forward, yet powerful, definition of IT Governance is provided by Weill and Ross (2008), which defines the term as a verb rather than a of a noun. For these authors, IT Governance is defined as “*specifying the decision rights and accountability framework to encourage desirable behavior in the use of IT.*” This succinct conceptualization not only captures the spirit of other definitions (Luffman, 1996; Schwarz & Hirschheim, 2003; Weill & Vitale, 2002), but it also reflects the inherent complexity of IT Governance by not attempting to define “desirable behavior in the use of IT.” In the case of the definition put forth by the IT Governance Institute, “desirable behavior” is a subjective measure that cannot be defined meaningfully in a way that will fit the needs of every organization. Therefore, the Weill and Ross definition captures the simple nature of governance – decision rights and accountability – that is applied specifically to IT.

Weill and Ross’ definition sheds further light on to the nature of IT Governance by recognizing that governance structures may not match the desired behaviors in the use of IT that they seek to encourage. In this case, a complementary governance structure arises to fill the gap between the formal structure implemented by senior executives and the practices used by workers to achieve their objectives. Therefore, IT Governance can be understood to have two complementary dimensions: a behavioral dimension that defines the formal and informal relationships and assigns decision rights to specific individuals in order to encourage desirable behavior, as well as a normative side that defines mechanisms for formalizing relationships and providing rules and operating

procedures to ensure that objectives are met. For example, if desirable behavior involves independent and entrepreneurial business units, senior management will allocate the decision rights for IT investments to the heads of the business units. In contrast, if desirable behavior involves an enterprise-wide view of the customer with single point of contact with the customer, senior management will not allocate decision rights to the individual business units, deciding instead to implement a more centralized IT investment government model. Failing to take into account both behavioral and normative sides of IT Governance can result in a mismatch between desirable behavior and governance structure, which will create operational inefficiencies due to the fact that the decision rights will be assigned to people that are not in position to encourage the desirable behavior that supports business goals.

The Importance of IT Governance

Establishing effective IT Governance can be an onerous task that requires continuous attention from top executives. However, the growing dependence of modern organizations on IT seems to indicate that investing time and effort in developing effective IT Governance is the right decision (ITGI, 2006; Weill & Ross, 2008). While IT is fundamental to sustain business operations, it is equally essential to grow and innovate the business in a networked economy that can change market conditions rapidly (Hammer, 2005; ITGI, 2006).

In addition to the inherent importance of IT within the organization, the case for effective IT Governance can be made from a purely economic perspective. The average

IT investment represents approximately 4%¹ of an organization's gross revenue (Webb et al., 2006). Thus, in order to protect the organization's investment, IT Governance becomes more important in a financial sense. As IT becomes more pervasive throughout the organization, managers and executives must ensure that effective IT Governance is implemented in order to empower the right people to make the right decisions to maximize the value that IT brings to the organization.

Structures for IT Governance

Attempting to prescribe a particular IT Governance structure is a very difficult proposition due to the fact that different organizations will employ different organizational structures that best fit their needs. There is no "one size fits all" kind of solution for this problem (Weill & Ross, 2008). However, different archetypes have been developed in order to offer guidance to practitioners (ITGI, 2006; Sambamurthy & Zmud, 1999, 2000; Schwarz & Hirschheim, 2003; Weill & Ross, 2008). Although these recommendations are not exhaustive, they do fulfill their purpose of shedding light on to the intricacies of IT Governance.

The IT Governance Institute (ITGI) provides guidelines for IT Governance structure without providing a particular archetype or framework. According to ITGI, IT Governance is the responsibility of the board and executives and it occurs at different layers or levels within the organization, with team leaders reporting and receiving direction from their managers, with managers reporting to the executives, and the executives reporting to the board of directors. The board should be very clear about its

¹ IT investment as percentage of revenue varies widely across industries. For more information refer to http://www.gartner.com/technology/consulting/key_metrics_data.jsp

own responsibilities as well as the responsibilities of the executives and management team, and it should have a system or structure that matches those responsibilities. The governance process, according to ITGI, starts with setting objectives for the enterprise's IT, providing the initial direction, and from then on, a continuous loop is established for measuring performance, comparing to objectives, and resulting in the redirection of activities where necessary and a change of objectives where appropriate (ITGI, 2006).

Another practice oriented attempt at defining what the best structures for IT Governance are is the one carried out by Weill and Ross (2008). The authors identified five key interrelated IT decisions that are required for effective governance: IT Principles, IT Architecture, IT Infrastructure, Business Application Needs, and IT Investment and Prioritization. These decisions can be defined as follows:

- **IT Principles:** Clarifying the business role of IT. High-level statements about how IT is used in the business.
- **IT Architecture:** Defining integration and standardization requirements based on IT Principles.
- **IT Infrastructure:** Determining and enabling shared services that provide the foundation for the enterprise's IT capability according to the underlying IT Architecture.
- **Business Application Needs:** Specifying the business need for purchased or internally-developed IT applications enabled by existing IT Infrastructure.
- **IT Investment and Prioritization:** Choosing which initiatives to fund and how much to spend based on the IT Principles, Architecture, Infrastructure and Application Needs.

These five key decisions are interrelated, and in fact, must be linked to facilitate effective governance (Weill & Ross, 2008).

In addition to the five key decisions discussed above, the authors developed six governance archetypes that describe the typical roles of the personnel who are involved in making these decisions. These six archetypes are as follows, and are described further below: Business Monarchy, IT Monarchy, Feudal, Federal, IT Duopoly, and Anarchy.

- **Business Monarchy:** In a business monarchy, a group of business executives or individual executives make IT decisions affecting the entire enterprise. Typically, business monarchies rely on input for key decisions from many sources, such as IT leaders from the business units, service-level agreements, reports to the CIO, etc.
- **IT Monarchy:** In an IT monarchy, IT professionals make all IT related decisions. A typical structure for an IT Monarchy is the formation of an IT Governance Committee, which consists of senior IT executives that make the strategic decisions that affect IT.
- **Feudal:** In the feudal model, the decision rights are delegated to business unit leaders, key process owners, or their delegates. This model is uncommon because it leads to lack of synergy between business units.
- **Federal:** These arrangements attempt to balance the responsibilities and accountabilities of multiple governing bodies, such as country and states. In the context of IT Governance, C-level executives and business groups may also include IT executives as additional participants of the governing body. Equivalent to the central and state governments working together, the biggest, most powerful

business units often get the most resources, causing dissatisfaction in smaller business units.

- **IT Duopoly:** The IT duopoly is a two-party arrangement in which decisions represent a bilateral agreement between IT executives and one other group such as CxOs, business unit leaders or business process owners.
- **Anarchy:** Within anarchies, individuals or small groups make their own decisions based only on their local needs. Anarchies allow for very rapid responsiveness to local or individual customer needs at the expense of enterprise-wide standardization.

The IT decisions identified by the authors, coupled with the archetypes developed from insights from practice, align with the types of decisions that need to be made and who should make them. However, how these decisions will be made and monitored requires design and implementation of governance mechanisms such as committees, roles, and formal processes.

In the academic arena, one of the prominent views on IT Governance structures is the one provided by Sambamurthy and Zmud (Sambamurthy & Zmud, 1999, 2000; Schwarz & Hirschheim, 2003; Webb et al., 2006). The authors assert that over the last 20 years, three primary modes of IT Governance have emerged as the prevalent structures: centralized, decentralized, and the federal mode. In the centralized governance mode, corporate IS has the authority over all three spheres of IT (IT infrastructure management, IT use management, and project management). With the decentralized governance mode, the decision-making authority moves from corporate IS departments to divisional IS, and line management that assumes authority for all IT activities. Lastly, with the federal

governance mode, both corporate IS and the business units, either the divisional IS or line management, assumes authority for specific spheres of IT activities.

Based on the work of Sambamurthy and Zmud, Schwarz and Hirschheim used an extended platform logic model to study IT Governance (Schwarz & Hirschheim, 2003). The results of their research indicate that practitioners have moved past the centralization-decentralization paradigm to embrace a relationship-based view of governance. Looking beyond how the organization chart depicts IT governance toward how IT seeks to create relationships with the business units requires a social view of IT governance that will increase our understanding on how structures impact an organization's underlying working structure (Bate et al., 2000).

Review of IT Outsourcing Governance

In recent years, the significance of IT Outsourcing Governance has taken on heightened importance. As noted earlier, governance ranks among the top ten concerns of a CIO for at least last five years (Gartner, 2010). This trend is likely to continue due to the increased ubiquity of the outsourcing phenomenon and the related reduction in strategic importance of pure cost-reduction strategies. The continuous growing impact of IT services on the performance of business processes highlights the need for governance structures in outsourcing relationships (Beulen & Ribbers, 2007; Hirschheim et al., 2009). Despite the recognized importance of governance structures, there is a surprising dearth of research articles dealing specifically with the topic of IT Outsourcing Governance (Meng et al., 2006).

Defining IT Outsourcing Governance

There aren't many definitions of IT Outsourcing Governance in the literature. Some general definitions rely heavily on IT Governance definitions as a foundation to investigate the client-vendor relationship (Beulen & Ribbers, 2002; Beulen & Ribbers, 2007; Klepper, 1995). Other authors have provided more specific definitions of IT Outsourcing Governance as it is the case of Gewald and Helbig (2006). The authors define IT Outsourcing Governance as the *“overarching structure which helps to support the business objectives of the customer on [the] strategic, functional and operational level. The governance model defines "what to do", "how to do it", "who should do it" and "how it should be measured". It addresses the rules, processes, metrics and organizational structures needed for effective planning, decision making, steering and control of the outsourcing engagement in order to mitigate the risk inherent in any outsourcing relationship”* (pp. 3-4). According to the authors, IT Outsourcing Governance provides a framework to steer and control the outsourcing engagement in a way based on partnership and mutual trust with relationship management as an integral part of the governance model.

Another definition in the form of a framework establishes IT Outsourcing Governance as a model that consists of three core dimensions: the outsourcing governance process, outsourcing organizational structure and performance measurement (Meng et al., 2006). The outsourcing process defines the steps to follow for key outsourcing decisions, the outsourcing organizational structure clarifies the roles and their accountabilities in the outsourcing arrangement, and finally, the outsourcing performance measurement focuses on monitoring the performance of the outsourcing

relationship. From the three dimensions specified, it is clear that the only one that deals solely with IT Outsourcing Governance is the organizational structure dimension. In this context, the authors provide an organizational structure reference model that highlights the central point of what they consider an ideal governance structure. At the client side, the authors propose the creation of an Outsourcing Office responsible for establishing the outsourcing strategy, processes and standards while the vendor counterpart is the Program Management Office. The authors recommend several layers of equivalent positions between client and vendor in order guarantee horizontal communication at all levels across organizations.

A more succinct definition of IT Outsourcing governance is provided by the IT Governance Institute, that defines IT Outsourcing Governance (Simmons, 2005) as the *“set of responsibilities, roles, objectives, interfaces and controls required to anticipate change and manage the introduction, maintenance, performance, costs and control of third-party- provided services”* (p. 7). Inherent in this definition is the notion that IT Outsourcing Governance is an active, constantly evolving process that client and vendors must adopt to provide a common and effective approach to control and manage exchanges among all stakeholders from both parties. As the authors state, *“As a strategic resource, outsourcing must be governed accordingly. This is not just about purchasing but about effective management and ensuring that both parties benefit”* (p. 7).

Understanding the different views and core concepts relevant to the governance of an outsourcing arrangement is key to generating management practices that would foster successful outsourcing relationships. This understanding, however, remains elusive for both practitioners and academics alike. This work seeks to fill this void in knowledge by

creating a comprehensive framework that will contribute to our understanding of what IT Outsourcing Governance entails.

CHAPTER 3: PHILOSOPHICAL AND THEORETICAL FOUNDATIONS

It is only through the understanding of ontological and epistemological assumptions underlying research methodology that we can truly evaluate the results of any research endeavor. Any pursuit of knowledge is always faced with what are often referred to as the “essential problem in science.” That is, how do we know what we know, and how do we acquire knowledge? (Goles & Hirschheim, 2000). Thus, before proceeding to the description of the methodological approaches used and the discussion of the results obtained in this research, it is important to clarify the philosophical underpinnings of the methodologies used in this work, especially when working within a pluralistic field that contains a plethora of philosophical approaches (Benbasat & Weber, 1996). First, a discussion of Habermas’ Theory of Communicative Action provides the ontological and epistemological foundation for this study. Then, a description of Toulmin’s informal logic is provided in order to establish the basic philosophy behind the argument mapping methodology used in this work. Finally, an introduction to Social Representations theory is provided to familiarize the reader with this important theory that is used in the methodology section to gain better understanding of IT Outsourcing Governance through a social representations survey of experts in the field.

Theory of Communicative Action

Habermas’ theory of communicative action (Habermas, 1984a, b) addresses the central quandary of what it means to be reasonable, and by expanding the parameters of reasonable discourse with respect to a given proposition’s realm of concern. According to Habermas, the depiction of rationality as “the most efficient means to important ends”

(Abrahamson, 1996) or as “goal-rational” behavior is an unnecessarily limited portrayal of reason derived from the restrictive influence of the philosophy of consciousness. The philosophy of consciousness conceives of subjective reason as regulating two relations which the subject can have to an object, namely that of *cognition*, in which the object is allegedly represented as it is, and that of *action*, in which it is produced as it should be (Brand, 1990). Habermas, however, criticizes this philosophical underpinning as being too narrow, because by exclusively focusing on subject-object relationships it becomes blind to intersubjective or subject-subject relations, which provides meaning and context to the subject-object relationship. Unlike in subject-object activities where rationality can be depicted as an individual subject’s cognition and manipulation of an object, in subject-subject relations – what he terms ‘social action’ - the locus of rationality can be found in the shared understanding that gives meaning to these acts of cognition and manipulation of objects. Reason, according to Habermas, is not to be found in a single subject but in the relations of subjects. Habermas consequently depicts reason or rationality as a “communicative rationality.”

The central intuition underpinning Habermas’ concept of communicative rationality is the notion that the fact that humans can use language is evidence of an innate capacity for reason. As he writes in one of his early treatments of the subject (Habermas, 1970), “*With the first sentence used the intention to reach a general and uncompelled consensus is pronounced unmistakably*” (p. 163). The key issue in human communication is “*how is understanding (among speaking and acting subjects) possible in general?*” (McCarthy, 1982).

In the context of an organization's decision to implement an outsourcing arrangement, this question would take the form of how individuals who begin at mutually unknown and substantially different starting points regarding the particular strategy arrive at converging interpretations that allow them to achieve consensus on coordinating their future actions. The basic vehicle for this coordination process is language (or equivalent extra-verbal expressions such as body gestures). Communicative rationality consequently is the common enterprise of achieving consensus in a situation in which all participants are free to have their say and have equal chances to express their views – a situation that Habermas describes as the “ideal speech situation”.

According to Habermas (1984b) social action can be divided into two orientations: an orientation to succeed (*instrumental action* when this orientation is related to objects and *strategic action* when it is related to subjects) and an orientation to reach an understanding (*communicative action*). Instrumental and strategic actions consequently can be assessed along a singular dimension of rationality. Instrumental actions can be evaluated by measuring the efficiency with which objects are manipulated to achieve particular goals while strategic actions can be “appraised from the standpoint of the efficiency of influencing the decisions of rational opponents” (McCarthy, 1982). In communicative action however the goal is the achievement of understanding where “*to reach understanding means here that the partners in interaction set out, and manage to convince, each other, so that their action is coordinated on the basis of motivation through reason*” (Brand, 1990). The coordination mechanism of communicative action differs from that of strategic action in that the latter is based on egocentric calculations and is coordinated on the basis of a communion of interests (as is exemplified in market

economies) whereas the former is based on the pure force of the better argument. Not that communicative action nullifies individualistic motivations, but in communicative action these ends are subjugated to the use of language in a manner that is oriented towards achieving understanding. The essential difference is that in strategic action, ego influences the choice decisions not through criticizable claims couched in language but by sanctions, or gratifications, force or money. In communicative action (Habermas, 1984b), agreement “*cannot be imposed by either party, whether instrumentally through intervention in the situation directly or strategically though influencing the decisions of opponents... what comes to pass manifestly through outside influence... cannot count subjectively as agreement. Agreement rests on common convictions*” (p. 287).

Habermas consequently addresses a central quandary of the outsourcing governance literature when he places the locus of reason or rationality in the act of communication itself and not a predefined outcome or goal. By introducing the concept of communicative rationality, which is geared towards the development of normative understanding and agreement, Habermas allows for the existence of reasonable discourse even in amorphous or uncontrolled settings. Indeed, according to Habermas, the less controlled the setting the more rational or reasonable the discourse is likely to be. This unconstrained setting is what Habermas terms as the “ideal speech situation.” The ideal speech situation is a hypothetical situation which is characterized by: (a) an open agenda and free access in which all claims and counterclaims can be freely examined; (b) no asymmetries of knowledge or power (a community of peers) so that all have an equal chance to be heard and no one can be intimidated; and (c) a social atmosphere that encourages everyone to express their feelings, to question and examine those feelings so

as to minimize the chances of self-delusion and insincerity (people saying things that they do not really mean) (Klein & Hirschheim, 1991). While this “ideal” is never actually realized in everyday communication, it does provide a lens by which rational discourse could be examined because the closer the communication is to the ideal type the more rational it could be deemed to be and vice-versa.

The second contribution of Habermas’ theory is based on his proposition that how claims are determined to be valid or reasonable varies depending on three ontological relations of actors and the corresponding concepts of the objective, social and subjective world (O'Donnell & Henriksen, 2002). According to Habermas, claims of fact, truth or efficacy are reasonably made with regard to objective/physical phenomena. In this realm, claims can be verified by multiple observers using procedures that render social values and individual idiosyncrasies irrelevant. Claims pertinent to social phenomena however are only verifiable by testing the level of agreement or conflict that the claims have with principles that govern relations between, and the rights of individuals within a society. The validation process in this realm is not irrational, but presupposes an open forum for discussion that is free from coercion or control. Rational discourse in this sphere of reasoning addresses questions such as what is good or bad, or right and wrong in an organization and is well suited to make recommendations about what courses of action should or should not be taken (Klein & Hirschheim, 2001). The subjective world deals with claims of sincerity or authenticity which refer to each person’s inner experiences to which he or she has privileged access (Brand, 1990). In this context, an individual may challenge the validity of a claim because he/she holds doubts regarding the intentions or sincerity of the speaker.

Toulmin's Informal Logic

Informal logic attempts to identify general criteria for good reasoning, and defines positive argument schema that specify particular forms of good reasoning. According to Toulmin (1958), *“logic is concerned with the soundness of the claims we make – with the solidity of the grounds we produce to support them, the firmness of the backing we provide for them”* (p. 7).

In his book *The Uses of Argument* (1958), Toulmin proposed that a valid argument has a proper form, analogous to a legal argument that can be laid out for inspection. Toulmin further proposed that the question *“How does our cognitive equipment function?”* is philosophically equivalent to the question, *“What sorts of arguments could be produced for the things we claim to know?”* (Toulmin, 1958). In this context, the study of arguments is of special importance to decision makers, due to the fact that they spend most of their time and resources trying to elucidate and communicate which claims are credible, plausible, and possible. As Perelman and Olbrechts-Tyteca observed, *“The domain of argumentation is that of the credible, the plausible, the probable, to the degree that the latter eludes the certainty of calculations”* (Perelman & Olbrechts-Tyteca, 1969). Toulmin provides a formal method to analyze arguments and thus, determine their credibility, plausibility and possibility. In Toulmin's words *“A sound argument, a well-grounded or firmly-backed claim, is one which will stand up to criticism, one for which a case can be presented coming up to the standard required if it is to deserve a favorable verdict”* (p. 8). The focus of Toulmin's logic is in “justificatory arguments” brought forward in support of assertions, in the structures they may be

expected to have, the merits they can claim, and the ways in which we set about grading, assessing and criticizing them.

The Layout of Arguments

One of the main strengths of the mathematical approach to logic is the idea of providing a clear form to a valid argument wherein the use of axioms, mathematics and geometry hypothesis can be tested, conclusions derived and consensus reached. If one thinks of logic in the context of sociology or psychology, the notion of logical form becomes elusive, making it difficult to assess the validity of claims.

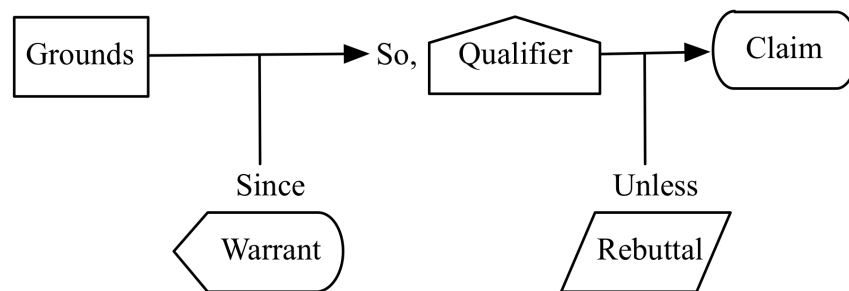


Figure 2 - Layout of Arguments

However, by analyzing the types of arguments used in different disciplines, one can observe that arguments dealing with physical impossibilities, linguistic solecisms, legal or moral offenses, improprieties of judicial procedures, conceptual incongruities or mathematical impossibilities all share a common pattern that can be used to elucidate what is the proper form or structure of an argument. According to Toulmin (1958), the main components of an argument are Grounds (or data), Warrants, Qualifiers, Rebuttals and Claims. The interrelationships between these concepts are depicted in Figure 2, and they form the skeleton or scaffold that describes the layout of arguments.

Supposing that in the course of a discussion, an assertion is made, and the speaker commits to the validity of the claim inherently associated with this assertion, the speaker will be forced to present grounds that will serve as the foundation upon which the claim is based. The proposed layout for the structure of arguments is elusive, making it difficult to assess the validity of claim. Figure 2 depicts the process by which facts can be used to logically support a particular claim. What follows is a description of the relationships between the different components of the argument layout.

The most obvious distinction that we have described already is the one between a Claim, whose merits we are seeking to establish, and the Grounds or data we use as foundation for the Claim. Producing facts (Grounds) as a response to a challenge of our claim may serve to satisfy any doubts regarding the validity of the Claim. However, even after the Grounds for a Claim have been provided, a different kind of question can be asked. Instead of asking what kind of evidence exists to support a claim, the challenger could ask, based on the existence evidence: How can one arrive at the proposed conclusion? This logical step connecting Grounds with Claims is filled by the introduction of Warrants. These propositions are incidental and explanatory, allowing for the logical jump between the claim and its grounds. Warrants can further be classified in the following categories:

- Substantive: refer the listener to facts or logic that the speaker assumes will be accepted without further argument
- Authoritative: are often left to the audience's inference relying on the speaker's perceived authority
- Motivational: appeal to the listener's values

Since Warrants can be of different types, they consequently confer different degrees of force on the conclusions (Claims) they justify. Some Warrants, given the appropriate Grounds, allow for the unequivocal acceptance of a Claim; others only provide enough support for the Claim under particular conditions, exceptions or qualifications. Therefore, it isn't enough to simply specify Grounds and Warrants in support of a Claim. There is a need for a Qualifier that can provide an explicit reference to the degree of force that the data confer on the claim in virtue of the warrant. Similar to Qualifiers, Rebuttals express conditions of exception indicating the circumstances in which the general authority of the Warrant would have to be set aside.

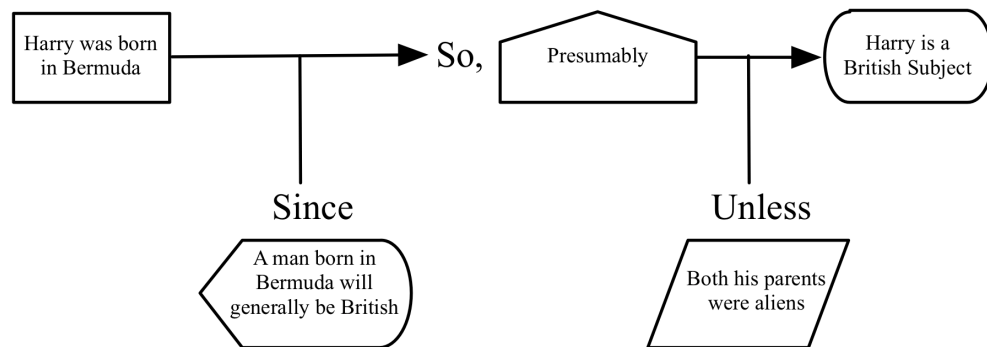


Figure 3 - Example of Argument Layout

In order to illustrate the interaction of all components of an argument, let us consider the Claim that Harry is a British subject. This Claim can normally be defended by pointing to the fact that Harry was born in Bermuda. However, the place of birth by itself is not sufficient evidence (Grounds) to support the Claim in the absence of other considerations such as nationality of his parents, or Harry changing his nationality since birth. A graphical depiction of this example is provided in Figure 3.

Although Toulmin maintains that the layout of arguments he proposes applies to all disciplines, it is important to highlight that according to Toulmin, the validity of a claim is an intra-field, not an inter-field notion (Toulmin, 1958). According to Toulmin, *“Two arguments will be said to belong to the same field when the data and conclusions in each of the two arguments are, respectively, of the same logical type: they will be said to come from different fields when the backing of the conclusions in each of the two arguments are not of the same logical type”* (p. 14). Arguments within any field can be judged by standards appropriate within that field and that the merits to be demanded of an argument in one field will be found to be absent from entirely meritorious arguments in another. In the words of Toulmin (1958), *“whether an argument is put forward in support of a bare assertion, or a claim to knowledge, in either case its adequacy will be a logical question: the fact that in the second case the assertion is made under cover of a claim to authority and reliability (‘I know that...’) makes no serious difference to the standards for judging the argument in its support”* (p. 246).

Social Representations Theory

Social Representations Theory (SRT) was first introduced by the French social psychologist Serge Moscovici in the 1960s. According to Farr (1984), social representations should be seen as a specific way of understanding and communicating what we know already. They are connectors between image and meaning. In society, there is a continual need to reconstitute "common sense" that makes sense of images and meaning. Thus, social representations are a cognitive system at the social level that enables the organization and interpretation of reality (Nicolini, 1999). Moscovici based his theory of social representations on the notion of Durkheim's collective

representations. For Durkheim (1898), collective representations were used to describe shared understanding or thought by individuals within a society that encompass general categories that include elements such as science, ideology and worldviews. According to Durkheim's view of collective representations, the understanding shared by individuals refers to a form of knowledge that is produced by a single source of authority, that is strongly resistant to change and that functions to bind societies together. It is on this point that Moscovici's social representations diverge from Durkheim's conceptualization. Moscovici (1988) makes clear that *"It seems to be an aberration, in any case, to consider representations as homogeneous and shared as such by a whole society. What we wished to emphasize by giving up the word collective was this plurality of representations and their diversity within a group"* (p. 219). In other words, social representations help us make sense of our world and to interact within it with other members of society. In this context, Moscovici defined social representations as *"a system of values, ideas and practices with a twofold function; first, to establish an order which will enable individuals to orientate themselves in their material and social world and to master it; and secondly to enable communication to take place among the members of a community by providing them with a code for social exchange and a code for naming and classifying unambiguously the various aspects of their world and their individual and group history"* (p. 214).

One way of representing the dynamics through which people confer meaning to situations with others is given by the semiotic triangle representing the interactions taking place between a person, others and an object of discourse (Moscovici, 1984) as depicted in Figure 4.

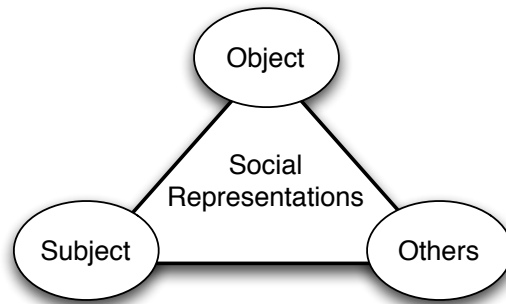


Figure 4 - Semiotic Triangle for Social Representations

According to Moscovici (1984), “ *social representations should be seen as a specific way of understanding and communicating what we know already. They are connectors between image and meaning. In society there is a continual need to reconstitute "common sense" that makes sense of images and meaning*” (p. 17). In this context, we can think of social representations as dynamic structures continuously changing through the interactions of individuals within societies (Jung et al., 2009).

Anchoring and Objectification

Since Social Representations Theory (SRT) focuses on the organization and structuring of common sense knowledge, it is important to understand how these processes occur. In SRT, the structuring and organization of knowledge happens through Anchoring and Objectification, which are the processes that help individuals to form, maintain and change representations. Studying Anchoring and Objectification elucidates the socially shared interpretive system that influences social actors’ thoughts and actions (Philogene & Deaux, 2001). Marková provides an example of Anchoring and Objectification, when she describes the anchoring and objectification process for the concept of democracy in totalitarian regimes (Marková, 2000). During totalitarianism, the idea of democracy might be anchored in common thinking to freedom, justice and equality. When

totalitarian regimes are replaced by democratic systems, people form representations of democracy by creating themes of oppositional categories like freedom/oppression, justice/injustice, and equality/inequality. As they newly experience instances of injustice, oppression, non-equality, in their daily life, they objectify the idea of democracy, fix it and concretize it in new conditions. An example that highlights the evolution of the concept of democracy is suffrage, or the right to vote, for women. For instance, in the United States, the right to vote for a woman was not originally seen as a key component of democracy. However, as society evolved, the perceived inequality between men and women became evident, and thus it affected the core concept of democracy. It is now well understood that in a free society, all citizens, regardless of their race or gender, possess equal rights.

Anchoring takes place when individuals are faced with new and unfamiliar phenomena. It is during the anchoring process that unfamiliar objects are classified and named by comparing them with familiar categories (Moscovici, 1984). Anchoring is a dynamic process that involves the comparison, evaluation and integration of new and unfamiliar phenomena into existing knowledge. According to Molinari and Emiliani (Molinari & Emiliani, 1996), the process of anchoring accounts for the integration of knowledge in terms of classification and denomination within well-known categories, the allocation of meaning to all the elements of a representation (both central and peripheral), and the instrumentality of knowledge. The process of anchoring can be further classified in three categories, Psychological Anchoring, Sociological Anchoring, and Psychosocial Anchoring (Doise, 1992). Psychological Anchoring is described as the link between the opinions expressed towards actual practices and the more general knowledge of the same

topic; for example, how much a mother feels she can influence the intellectual development of her child and what she thinks in general about cognitive development. Sociological Anchoring is at work when knowledge or representations are molded by the social insertions of groups of subjects such as being a housewife, an office worker, or a teacher. Psychosocial anchoring takes into account sociocognitive functioning and social dynamics. In this case, social representations are regulated by the identity dynamics due to the assumption of multiple social roles (as, for example, being at the same time a mother and a teacher).

Every process of anchoring also involves objectification, formation of new meaning of the phenomenon in question. While anchoring is a dynamic process that relies primarily on the individual's experience and memory in classifying and naming newly understood and newly experienced phenomena, objectification, on the other hand, is primarily a sense-making activity in which the individual, on the basis of his or her interpretation of events in the outside world, reconstructs the existing contents of representations, creates new ones, and gives meanings to these new contents (Marková, 2000). Moscovici associates the concept of objectification with fixation or concretization of an idea: what originally was perceived becomes conceived (Moscovici, 1984). For example, many religions endow the abstract idea of God with concrete meaning by using an analogy of God as "father," which provides devotees with more real and tangible experience (Byford, 2002). Anchoring and objectification are key to social representations since they contribute to emergence, reproduction, and transformation of social representations over time (Orfali, 2002).

Structure of Social Representations

Social representations, through the processes of anchoring and objectification, develop a conceptual network or structure that describes the common sense knowledge acquired by the individuals within society. A popular representation of the structure of social representations is provided by the concept of core/periphery (Abric, 1993). Abric proposes that social representations are internally organized into two systems, a central system or core, and a periphery system. The central system, or core, is composed of one or a small number of cognitive elements that are responsible for the stability, rigidity and consensuality of the representation. These elements are closely tied to the collective memory and to the history of a social group, resistant to change and least sensitive to variable social contexts. The central core, or attitudinal component, provides a generating function through which the other elements acquire meaning and value (Abric, 2001). The peripheral system is organized around the central core, and it is composed by all the elements of the representation which allow for mobility, flexibility and inter-individual differences (Abric, 2001). Thus, it provides the integration of individual experiences and histories, and supports the evolution, contradictions and heterogeneity of a particular social group. Since the periphery elements are by definition more sensitive to changes in context, they work as an isolation system for the central core, protecting it from circumstantial transformations in social practices (Flament, 1994). The core/periphery model is used to analyze social representations and identify the core concepts of a particular phenomenon of interest. In this work, Social Representations are used to determine the core and peripheral concepts that represent the IS community's shared understanding of IT Outsourcing Governance.

CHAPTER 4: RESEARCH METHODOLOGY AND DATA COLLECTION

This chapter describes the research methods as well as the data collection methodology employed in this work. The main two research methods used in this dissertation are argument mapping, which is based on Toulmin's uses of arguments and social representations, as described in the previous chapter. Both methodologies fit within the qualitative paradigm, although data collected through social representation is analyzed with a quantitative technique, i.e., measure of coreness, which will be described in depth in subsequent sections. In addition, a survey of companies engaged in outsourcing arrangements was performed in collaboration with the Cutter Consortium to better understand client-vendor relationships and the usage of Outsourcing Management Tools.

This chapter is organized as follows: First, a discussion of the methodological approach to this work is presented along with the concept of triangulation in the context of qualitative research. Second, Argument Mapping is described, followed by a discussion of the data collection, and data analysis processes for this methodology. Third, data collection and data analysis for Social Representations is covered. Finally, a description of the data collection process for the analysis of ORM tools is presented along with the details of the client-vendor survey performed with the Cutter Consortium.

Methodological Approach

Qualitative research can be performed through a multiplicity of perspectives and methodologies that help the researcher study things in their natural settings as they attempt to make sense or interpret phenomena in terms of the meanings people bring to

them (Denzin & Lincoln, 2000). Given the multiple methodologies and perspectives that can be used to do qualitative research, it is difficult to define. According to Mason (Mason, 2002), all qualitative research shares three main characteristics:

- Grounded in a philosophical perspective that it is mainly interpretivist in the sense that it is concerned with how the social world is interpreted, understood, produced or constituted;
- Based on methods of data collection, which are both flexible and sensitive to the social context in which the data are produced; and
- Based on methods of analysis, explanation and argument building, which involve understandings of complexity, detail and context.

As noted above, this work relies upon multiple methods to gain a better understanding of IT Outsourcing Governance. The underlying motivation comes from the concept of triangulation of data, which implies the use of multiple methods in order to gain a better understanding of the phenomenon in question (Mason, 2002). Positivistic studies undertake triangulation to validate or quantify the phenomenon in question. In the quantitative tradition, triangulation is used to determine validity (convergent and discriminant) and conflicting results are problematic. In qualitative research, conflicting results do not subtract validity, but instead add insights to our understanding of the phenomenon under investigation. According to the interpretivist philosophy upon which qualitative research is based, objective reality can never be captured; instead, we only know a thing through its representations. Thus, researchers often rely on triangulation as an alternative to validation, not as a tool or strategy of validation (Flick, 2002).

The combination of multiple methodological practices, empirical materials, perspectives and observers in a single study is best understood, then, as a strategy that adds rigor, breadth, complexity, richness, and depth to inquiry. Richardson and Adams St. Pierre (2005) claim that instead of the concept of triangulation, qualitative inquiry is best represented by a crystal. A crystal is multifaceted, it reflects externalities, but it also refracts within itself, creating in this way unique views of the world. The multiple methodological approach is applied in this work through the use of three techniques: Argument Mapping, Social Representations (core/periphery analysis), and the client-vendor relationship survey that was performed in collaboration with the Cutter Consortium. These methodologies are discussed in the following sections.

Argument Mapping

As previously described in Chapter 3, Toulmin identified the different components of arguments used by people who assert something they want others to believe. Fletcher and Huff (1990) built on this theory to develop Argument Mapping, a diagrammatic form that illustrates the interrelationship among components of arguments, which can be used to graphically analyze the merits of an argument. Argument Mapping is a technique based on the theory of informal logic that treats arguments as rhetorical acts intended to persuade others (Pawlowski et al., 2008). This method involves dividing documents into topic blocks, subdividing the blocks into discrete arguments, and then identifying the components of each argument. The resulting structures of arguments can be graphically depicted in a way that summarizes the major points made by the author.

Argument mapping was selected as a primary methodology for two reasons:

1. Argument Mapping provides a logically consistent methodology to analyze discourse through the lens of Habermas' theory of communicative action, which allows us to critically examine the structure of this discourse. Habermas' theory of communicative action provides the philosophical foundation for this work.
2. Argument Mapping fits with the type of informal logic and practical reasoning typically involved in the group discourse and decision making surrounding the implementation of outsourcing arrangements in an organization.

In order to properly develop argument maps, the different components of an argument must be identified in order to understand the validity² of the argument. A brief description of each component of an argument is provided below.

Components of an Argument

- Key Claims: According to Toulmin, the claim is “the explicit appeal produced by the argument, and is always of a potential controversial nature.” In other words, a claim is a statement advanced for others to believe (Fletcher & Huff, 1990).
- Grounds: Are evidence produced in support of a claim and are given in answer to the question, “What do you have to go on? The general format is: “Given these GROUNDS, I assert that this CLAIM is true.” It is important to highlight that grounds are identified on the basis of their primary function within the context of the argument since the validity of a ground is context dependent.
- Warrants: These show the logical connection between claim and grounds.

Warrants answer the question: How did you get from these grounds to that claim?

² According to Toulmin, an argument is valid if it is properly formed.

(Toulmin, 1958). Warrants present the problems that are often implicit in the argument, in which case the coder must infer the warrant that connects grounds with a particular claim (Fletcher & Huff, 1990).

- Qualifiers: Are used to communicate the degree to which we are to accept the claim as true. Qualifiers may reflect genuine doubts on the part of the speaker regarding a particular claim.
- Rebuttals: These statements manage potential objections by stating conditions under which the claim might hold or not hold.

Argument mapping thus provides a formal method to deconstruct an argument for further analysis and inspection that serves as the foundation for discourse analysis of existing literature in the IT Outsourcing Governance area. As it is the case with all discourse analysis tools, the results of the application of Argument Mapping will only be relevant if the data collection and data analysis processes are exhaustive and rigorous. The following sections describe the procedures of data collection and analysis performed in this work.

Data Collection for Argument Mapping

In order to capture the different views and practices in outsourcing governance, a comprehensive literature review was undertaken covering 30+ sources, including academic journals from several disciplines (Information Systems, Management, Applied Management), academic and practitioner conference papers, trade publications, and practitioner journals. Although practitioner's outlets were including in the literature pool, the focus of the study is the understanding of IT Outsourcing Governance in the academic community. Practitioner's reports were used solely to determine if they contributed any new claims, or grounds to the discourse. The practitioner literature reviewed in this work

did not produce new claims or inconsistent results when compared with the results found in the academic literature review. The full list of journals is available in Table 1. To ensure that the literature review was as exhaustive as possible, while keeping it manageable, a broad search was conducted using a set of keywords as the only delimiters of the search. The keywords used as the root were: “Outsourcing Governance,” “Outsourcing Relationship Management,” and “IT Governance.” Once all articles from the different sources were compiled, a filtering process began in which the articles were reviewed for relevant content. An analysis of abstracts worked as the first filter, with a more thorough review of articles as a second filter. The filtering process produced 73 articles that were deemed relevant and used for the creation of argument maps.

Table 1 - List of Journals

Academic Journals	
IS Journals	Management Journals
Information & Organization	Academy of Management Review (AMR)
Academy of Management Journal (AMJ)	Administrative Science Quarterly (ASQ)
Communications of the Association for Computing Machinery (CACM)	Decision Sciences (DS)
European Journal of Information Systems (EJIS)	Management Science (MS)
Journal of Information Technology (JIT)	Organization Science (OS)
Journal of Management Information Systems (JMIS)	Strategic Management Journal (SMJ)
Information & Management (I&M)	
Information Systems Journal (ISJ)	Applied Management Journals
Information Systems Research (ISR)	Harvard Business Review (HBR)
Management Information Systems Quarterly (MISQ)	California Management Review (CMR)
Journal of the Association for Information Systems (JAIS)	Sloan Management Review (SLR)
Communications of the Association for Information Systems (CAIS)	
	IS Academic Conferences
	International Conference of Information Systems (ICIS)
	Hawaii International Conference on System Sciences (HICSS)
	AMCIS

Table 1 - Continued

Trade Journals	
IBM Systems Journal	Global Services
CIO Magazine	Information Week
Publications from Professional organizations	
Global Services Media IAOP ITGI	Outsourcing Institute Sourcing Interests Group The Global Sourcing Council
Publications from Consultant Organizations	
Gartner TPI	Equaterra

Argument Mapping - Data Analysis

Argument Mapping was employed to analyze the wealth of data acquired during the data collection stage. The use of Argument Mapping enables the evaluation of assertions brought forward to support a particular argument. In the context of IT Outsourcing Governance, the development of argument maps allow for the evaluation of different views of governance by providing a structure that succinctly illuminates and summarizes unsupported claims, potential pitfalls, and counterclaims that may be overlooked in a simple literature review or that may be hidden in the rhetoric of a paper.

The analysis of arguments in this work is based on Toulmin's technique (discussed in Chapter 3) coupled with Fletcher and Huff's (1990) graphical representation of arguments to develop graphical argument maps that are easily interpreted by the reader. Clusters of similar claims from the various papers, which are assumed to underlie a common phenomenon, will be grouped in separate maps. In this way, the different dimensions of outsourcing governance will be elucidated through detailed inspection of the literature.

In order to complete the argument mapping process, Fletcher and Huff (1990) suggest multiple passes through the material to be coded, moving from the general to the specific with each pass. These stages are described as follows:

- First Pass: Read through the whole document, identifying topics, arguments, and the most obvious key claims.
- Second Pass: Mark all claims, and identify grounds for each claim.
- Third Pass: Within each argument, identify sub claims, elaborations and reiterations.
- Fourth Pass: Provide implicit warrants wherever they are not obvious.

Thus, four passes were performed on every article, and an example of the process is provided in Appendix F. Once all claims were identified, similar claims were grouped into an aggregate claim that depicts the commonality between them. This process is repeated for sub claims, grounds, warrants, qualifiers and counter claims (rebuttals). This modification to Fletcher and Huff's methodology allows for the representation of complex arguments from different sources (articles) in a succinct, more easily understood map.

The main claims identified in the argument maps, which represent the different dimensions of IT Outsourcing Governance, became the base for the development of the comprehensive framework for IT Outsourcing Governance described in the Results section. Argument Mapping is a very useful discourse analysis tool, but its results are limited by the content and extent of the existing literature. Thus, in order to gain further insights into how academics and practitioners conceptualize IT Outsourcing Governance, the technique of Social Representations, described below, has been employed in this work.

Social Representations

Social representation research has been carried out with a multiplicity of methodological approaches including cluster analysis, correspondence analysis, and multidimensional scaling. In addition to these techniques, there are methods that were specifically developed to better understand the structure of social representations, such as the analysis of similarity designed by Flament (1986). This study follows the methodology used by Jung, Pawlowski and Wiley-Paton (Jung et al., 2009), who based their study of the structure of social representations on the core-periphery analysis described by Abric (Abric, 2001). Abric proposed a structural approach, which is a direct extension of the theory elaborated by Moscovici (1961), which enables the identification of the set of stable concepts that constitute the very nature of the representation (core) and more flexible contents that can be changed over time or context (periphery). This methodology mainly consists of two parts, eliciting social representations from respondents, and the analysis of social representations (finding core-periphery structure) (Jung et al., 2009).

The selection of Social Representation Theory (SRT) and core/periphery analysis as a methodology for this work is based on its logical consistency with Habermas' Theory of Communicative Action, and Toulmin's Informal Logic. At the foundation of SRT is the assumption that social representations are constructed through social interaction (anchoring and objectification). The validity of claims, or the force of the better argument, will be reflected by the continuous process of objectification and anchoring that determine the core elements of a representation. Therefore, the selection of SRT is completely aligned with the philosophical and methodological underpinnings of this work.

Data Collection for Social Representations

Social representations can be elicited through a variety of methods such as interviews, focus groups, content analysis of documents, and free word association, to name a few. The criteria for choosing a particular data collection method primarily depends on research design considerations, as well as practical limitations that might hinder the data collection capabilities of the researcher (e.g. time, cost, access to participants, etc.) (Jung et al., 2009). Considering the constraints (time and access to participants) involved in data collection in the present study, free word association online survey was chosen as the data collection method. This method was determined to be best suited to this study because study participants would be required to spend just a short period of time to complete the survey, thus increasing the likelihood that participants would respond to the survey, and the relative ease of the data analysis process since unlike interviews, the results of a free word association survey do not need to be transcribed prior to coding.

It is worth mentioning that not all techniques of data collection are equivalent, and depending on the purpose of the research, free word association might not be the appropriate approach, regardless of its apparent advantages. Since the purpose of social representation theory is to elicit core elements of a particular object or concept (Abric, 2001) it is important that the data collection method does not introduce any bias. In the case of free word association, the lack of elaboration in the responses (usually limited to a single word or short sentence) could lead to the researcher misrepresenting the meaning of underlying responses of the subjects (Jung et al., 2009). In this study, the possibility of misrepresentation of underlying concepts is greatly reduced by the development of a conceptual framework of IT Outsourcing Governance derived from argument maps based

on relevant literature. Another possible source of bias in social representations is caused by the addition of “cues” for the subjects to stimulate associations to other concepts. These cues are usually in the form of a definition or a sentence related to the main concept of interest that will facilitate the job of the respondents. In the case of this study, no such definition was provided because there is not a widely accepted definition of IT Outsourcing Governance and, more importantly, the main purpose of this research is to capture the different interpretations of the concept in order to capture the multiple dimensions of IT Outsourcing Governance without biasing the participants with a particular definition.

The instrument used in this study was an online-based survey that asked participants to write down three words or phrases that came to mind when hearing the term “IT Outsourcing Governance.” The population of interest for this survey was IT Professionals with experience in outsourcing and Academics deemed experts in the field as evidenced by their track record in publications related to Outsourcing. A total of 60 subjects completed the study with 31 responses from academics and 29 responses from IT Professionals. The instrument used, along with other details such as years of experience in the field of the participants, is provided in Appendix A. The data analysis process for Social Representations (described in detail below) included open coding technique to identify relevant topics, and core periphery/analysis to elicit how practitioners and academics conceptualize IT Outsourcing Governance.

Data Analysis for Social Representations

The data analysis process began with the detailed coding of each word/phrase elicited from the participants and identification of key topics (concepts). The responses to the

survey were coded using open coding, which is a coding procedure in which codes are not predetermined, but rather emerge from the data. This process resulted in 48 initial codes that captured the responses of all participants of the survey (e.g. C1 Relationship Management, C19 Academia, C12 Accountability, etc.). For example, “accountability,” “decision rights” and “responsibility” were assigned to code C12 Accountability. Once the responses to the survey from the 60 participants were grouped into the 48 initial codes, a second reviewer was given the set of codes and responses identified by the first reviewer. The second reviewer then proceeded to allocate responses to the codes originally identified. The two raters were in agreement on 152 out of the 180 responses to the survey (each of the 60 subjects provided three words), with a high inter-rater reliability level (Kohen’s Kappa) of 0.837 (Fleiss, 1981) and a consistency rate of 0.844. Inter-rater disagreements were then reconciled through discussion and consensus. Finally, related codes were grouped into 20 topics (super-codes), as shown in Table 2.

Analysis of the Structure of the Social Representation

With all responses grouped into relevant topics, a core-periphery analysis was performed in order to elicit the core concepts that underlie the conceptualization of IT Outsourcing Governance. The criteria for determining core elements of a social representation were laid out by Abric (2001). According to Abric, a core element can be determined on the basis of symbolic value, expressive value, and associative value. Symbolic value is based on the concept that central elements cannot be questioned or changed without affecting the signification, or meaning, of the entire representation. Expressive value comes from the assumption that central elements will be more frequently present than peripheral elements in the discourse concerning the object than the peripheral elements.

Table 2 - Topics of Social Representations of ITOG

Topics		Example Answers
T1	Relationship Management	Relationship, Relationship Management
T2	Contract Management	Contracts, Contract Management
T3	Conflict Resolution	Conflict Management, Conflicts
T4	Performance Control	Control Mechanism, Oversight, Costs
T5	Organizational Capability	Internal Capabilities, Client/Vendor Capabilities
T6	Difficult to Implement	Complex, Difficult
T7	General Management	Management, Managed Services
T8	Communication	Communication
T9	Psychological Contract	Trust, Ethics, Expectations
T10	Internal Organizational Structure	Organizational Structure, Constitution
T11	Inter-organizational Structure	Formalized Interaction Structures, Management Structure
T12	Accountability	Accountability, Responsibility, Decision Rights
T13	Policies	Policies, Rules of Engagement, Guidelines
T14	Outsourcing Management	Management Sourcing, Outsourcing Activities Portfolio Management
T15	Academic Topic	Curriculum, Research
T16	Important for Business	Critical for Success, Important
T17	Human Resources Management	Knowledge Transfer, Attrition, Skills, Experience
T18	Service Quality	Service Levels, Reliability
T19	Partnership Quality	Partnership, Partnership Quality
T20	Security	Data Security, Security

Finally, associative value is established on the premise that central elements must be associated with a larger number of elements than the periphery ones. In the current study, only expressive and associative values were assessed. Symbolic value could not be assessed in this study, as its assessment requires additional research settings such as longitudinal studies, which are beyond the scope of this work.

The core/periphery analysis, along with the assessment of expressive and associative values, was performed separately for academics and practitioners in order to elicit differences in the conceptualization of IT Outsourcing Governance between populations. Since social representations are shaped by societal interactions, it is worth exploring how two different groups - academics and practitioners - conceptualize IT Outsourcing Governance. Expressive value was measured by computing frequencies of appearance of elements (topics) in the responses (Abrie, 2001; Nicolini, 1999). Associative value was assessed via sum of similarity. The fundamental component of the analysis is the development of an inter-attribute similarity (IAS) matrix in which each cell contains a Jaccard's similarity coefficient, indicating the degree of co-occurrence (proximity) for a given pair of attributes (Jung et al., 2009). Sum of similarity is calculated as a sum of the similarities of each element (topic) to all others in the IAS matrix shown in Appendix B. The higher sum of similarity a topic has, the closer association or proximity it has with the other topics.

Social Representations, coupled with Argument Mapping, provide insights into the conceptualization of IT Outsourcing Governance. This conceptualization can now be used to analyze different aspects of an IT outsourcing arrangement. One such aspect is the management of the client-vendor relationship. This work focuses on the use of Outsourcing Relationship Management (ORM) Tools that are designed to facilitate the management of outsourcing arrangements. In the next section, the data collection strategy to study ORM tools, along with the client-vendor survey performed in collaboration with the Cutter Consortium, are described.

Data Collection for Outsourcing Relationship Management Tools

The widespread adoption of outsourcing arrangements has led to the development of tools specifically designed to aid in the management of outsourcing relationships. These tools collectively are called Outsourcing Relationship Management (ORM), and offer monitoring capabilities and analytics tools that organizations utilize to measure the performance of the outsourcing arrangement.

The market currently offers a large number of ORM software packages. In order to keep this work manageable, the list of tools selected for analysis closely follows the report created by the International Association of Outsourcing Professionals (IAOP, 2011), which includes the following tools: Janeeva, Enlighta, EquaSiis, and Hiperos. It is worth mentioning that the list analyzed in this work is a subset of the tools listed in the IAOP report covering tools specifically designed for the management of outsourcing relationships. Two other tools were originally included in the study and later removed from the data set due to changes in functionality and accessibility for analysis. These tools were Oblicore and Digital Fuel, which ranked amongst the most popular tools in the market in the last decade. Oblicore, which among its clients featured AT&T and Chrysler, was acquired by CA Technologies in January 2010 and has been repackaged as part of CA Technology. The acquisition bolstered the IT management offerings of CA Technologies but it made accessing Oblicore's tools more difficult. CA Technologies has integrated Oblicore's functionality into its offerings with a prominent focus on SLA management, and has been rebranded as CA Business Service Insight (formerly known as Oblicore Guarantee). Digital Fuel was founded in the year 2000 and specialized in SLA management and IT financial management deployed as SaaS solutions that plan, bill, and

optimize IT cost and value. In June 2011, VMWare acquired Digital Fuel in order to boost VMware management portfolio. Among Digital Fuel's clients were IBM, Telus, Volkswagen and Wipro.

In order to evaluate each tool, user accounts were created (when a free demo was available), feature lists were compiled, and user manuals were downloaded to obtain a comprehensive understanding of the capabilities of each tool. A brief description of each tool is provided below. In order to help the reader visualize better the tools, Appendix G provides sample screen shots that highlight the interface elements of some of these tools.

Janeeva (www.janeeva.com)

Janeeva is one of the most complete ORM tools on the market. Founded in 2004, Janeeva has experienced dramatic growth through partnerships and acquisitions. In 2007, Janeeva partnered with Syntel, a leading global provider of integrated information technology and knowledge process outsourcing, in order to improve its offerings in the risk and compliance areas.

Janeeva provides a one-stop shop for governance activities of outsourced operations. According to Janeeva's website, "*with Janeeva, governance groups, providers and internal customers know exactly where to go to arrange for additional resources, raise or manage an issue, track SLAs, or compare performance across multiple providers.*" Janeeva is one of the most feature-rich ORM tools analyzed and it is offered as subscription-based Software as a Service (SaaS), providing the scalability and flexibility associated with cloud-based solutions. Janeeva's flagship product is called Janeeva Assurance, and its customers include Fortune 100 financial services, healthcare and pharmaceutical companies.

Enlighta Govern (www.enlighta.com)

Enlighta has been in business since March 2002 and offers a broad set of services. Its flagship product is called Enlighta Govern and it includes a comprehensive set of features for Outsourcing Governance that makes it a very complete ORM solution. Enlighta solutions have been deployed at more than 2,000 companies for managing and governing global services delivery, application support, back-office services, contact centers, etc. Enlighta's mission is to provide organizations with easy to use, highly adaptable software solutions that can be licensed, implemented, deployed and supported at a fraction of the cost of typical enterprise applications.

Enlighta uses metadata in order to aggregate data from multiple sources (email, excel, ticketing systems, etc.), providing a holistic view of the outsourcing arrangement to the user. The ability to aggregate data using metadata facilitates the decision making process through the creation of executive dashboards that provide customized information for senior management. In addition, Enlighta Web-Services API makes it easy to integrate with existing tools, such as BMC Remedy and HP OpenView for information feeds.

Enlighta is offered as SaaS or it can be locally deployed in the client-servers. This flexibility addresses the issues of privacy and security, which are among the most common concerns when adopting cloud-based solutions.

EquaSiis (www.equasiis.com)

EquaSiis was formed in 2009 as a wholly owned company by EquaTerra, and focused on market intelligence and improving operational performance of companies through the use software and tools to manage outsourcing arrangements.

EquaSiis has continuously evolved to become an ORM solution that supports outsourcing governance teams, shared services organizations, and teams managing complex business and IT services and vendors. It provides a rich and highly configurable set of tools and services that facilitate relationship management by automating the transactional components of operational governance, while also providing decision-making support for more strategic work. One of the most appealing features of EquaSiis is its integration with Microsoft products (Office, Outlook, SharePoint, etc.), which not only facilitates adoption and utilization, but it also promotes collaboration between parties. In 2011, EquaTerra, the parent company of EquaSiis, was acquired by KPMG. This acquisition was performed in order to extend KPMG's offerings and provide current EquaSiis' clients with access to expanded services, capabilities and support from a leading global audit, tax and advisory network. At the time of this writing, EquaSiis is still marketed with the same name but its website is now redirecting users to a new site hosted by KPMG.

Hiperos (www.hiperos.com)

Hiperos, founded in 2006, is a highly customizable ORM tool offered as SaaS. Hiperos has been designed from the ground up to support processes and controls that ensure activities taking place outside a company's four walls can be managed just as effectively as those being performed internally. Hiperos list of customers includes MasterCard, United Technologies and Microsoft.

There is a marked emphasis on collaboration and sharing of information within Hiperos that goes beyond the automation of functions and processes. Hiperos provides an integrated platform that includes active content (KPI libraries, regulatory compliance

checklists) and an interactive community. The platform allows all key stakeholders to manage and monitor performance, compliance, sustainability, risk and corporate social responsibility through the creation of customized programs or views. The platform also allows all stakeholders to share best practices with each other, in addition to external colleagues, and peer companies.

The previously described tools provide an overview of the functionality that is available to managers that decide to use ORM tools to manage their sourcing arrangements. However, in order to better understand how practitioners manage outsourcing arrangements, and to discover the level of adoption of ORM tools in practice, a more thorough study is needed. Therefore, a survey was carried out in collaboration with the Cutter Consortium (described below) to better understand the client-vendor relationship and the adoption of ORM tools.

Client-Vendor Relationship Survey

In addition to the analysis of individual ORM tools, a survey was carried out in collaboration with Cutter Consortium (Hirschheim et al., 2009) in order to better understand client-vendor relationships and the adoption levels of ORM tools in industry. Understanding the client-vendor relationship, and how outsourcing arrangements are managed, can provide insights into the adoption of ORM tools. Traditional management tools, such as formal progress reports, milestone reviews, or scorecards, are tools that have been used in project management for decades. However, this approach can easily break down when the information available to a manager is no longer current. Thus, utilizing traditional management tools that were not designed to enhance real-time communication between parties could seriously hinder the success of a relationship. In

this context, ORM tools might provide the necessary functionality that could allow clients and vendors to build a successful relationship.

The surveyed companies included in the study varied in size from 100 to 50,000+ employees, with IT budgets ranging from less than \$100,000 (11%) to more than \$100 million (9%). Fifty-one percent of the respondents hold senior management/policy making or IS/IT management titles; 22% hold project management titles; and consulting, software engineering/programming, and marketing/sales are among the other titles held. The full results and demographics of the survey are available in Appendix D.

CHAPTER 5: RESULTS

In this chapter, a framework for IT Outsourcing Governance is derived from the literature using the technique of Argument Mapping. In addition, the results of a social representation study of IT Outsourcing Governance are compared to the literature-based framework in order to elicit possible gaps in our understanding of IT Outsourcing Governance. Finally, the findings from the analysis of ORM tools are presented.

Argument Maps

The literature review of IT Outsourcing Governance was used to create Argument Maps, which were used to elicit the perceived nature of this phenomenon within our field. A key finding is that the IT Outsourcing Governance and Relationship Management are often used interchangeably in the literature. This is depicted in the argument maps included in Appendix E. Likewise, four main dimensions emerged as key components of IT Outsourcing Governance: Partnership Quality, Service Quality, Conflict Resolution, and Formal and Informal Control (Dual Nature of the Relationship). Each of these dimensions was further studied by performing an in-depth literature review with corresponding argument maps for each. This process yielded a set of sub-dimensions for IT Outsourcing Governance that relate back to the main dimensions previously identified. A summary of the various dimensions and sub-dimensions can be found in Figure 5, while the detailed argument maps can be found in Appendix E.

In order to better understand the conceptualization of IT Outsourcing Governance, a discussion of each dimension is provided below.

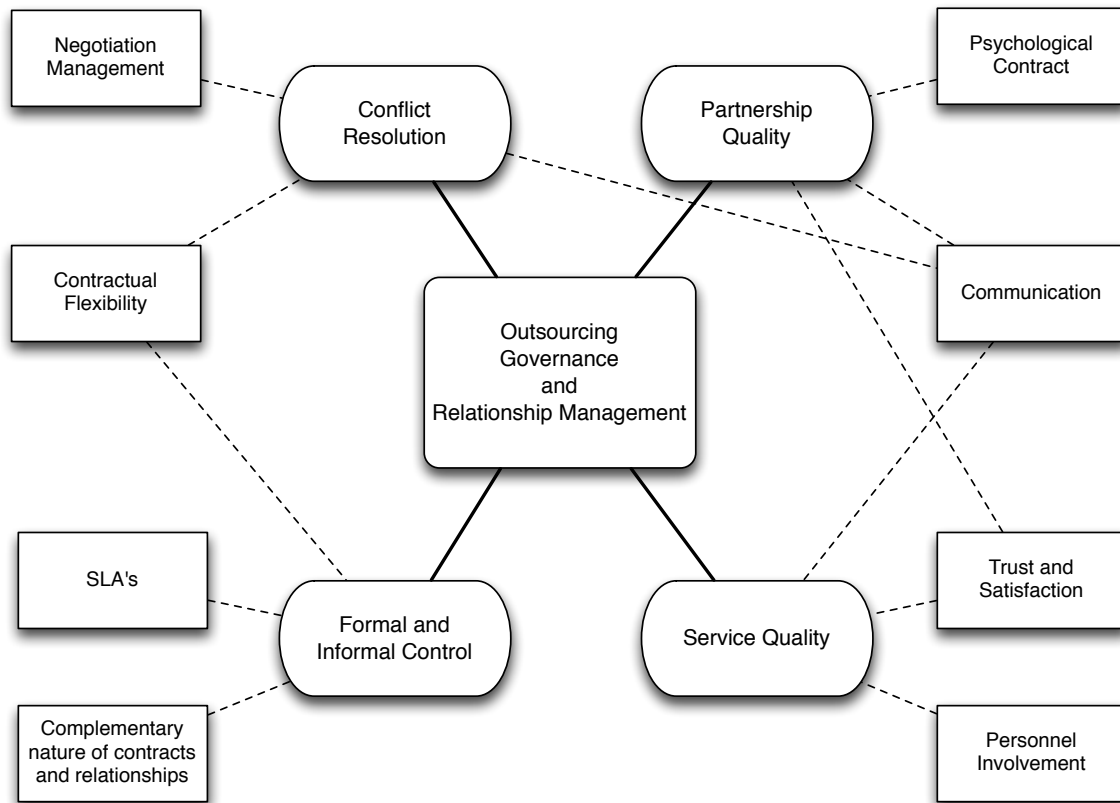


Figure 5 - IT Outsourcing Governance Dimensions

IT Outsourcing Governance – Relationship Management

During the literature review process, it was observed that the terms “outsourcing governance” and “relationship management” were used, by and large, in an interchangeable fashion (Beulen & Ribbers, 2002; Beulen & Ribbers, 2007; Gewald & Helbig, 2006; Klepper, 1995). Furthermore, the few definitions that exist for IT Outsourcing Governance all emphasize that, in addition to structure and decision rights, IT Outsourcing Governance involves relationship management (Meng et al., 2006; Simmons, 2005), thus contributing to making the boundaries between IT Outsourcing Governance and relationship management even fuzzier.

This apparent confusion of terms was a puzzling finding that was difficult to explain. A potential explanation for this phenomenon may be found by analyzing the

nature of the concepts of IT Outsourcing Governance and Relationship Management. IT Outsourcing Governance is often described as an extension of the definition of governance, which defines decision rights, accountability, and hierarchy within an organization, whereas Relationship Management is associated with the management of interactions between client and vendor.

On the surface, it seems that these two concepts should not be confused. IT Outsourcing Governance relates to the structure or scaffolding for the relationship, while Relationship Management deals with the management of the relationship. However, IT Outsourcing Governance is different from its close relative, “governance.” Unlike governance, IT Outsourcing Governance cannot exist if there is no relationship between client and vendor (Relationship Management), and at the same time, a relationship between client and vendor cannot prosper without the establishment of decision rights and accountability (IT Outsourcing Governance). This apparent mutual dependence between IT Outsourcing Governance and Relationship Management will be discussed further in this section. What appears to be the case is that this seeming interrelationship is actually due to the dual nature of IT Outsourcing Governance and Relationship Management, and that the results in the literature reflect such duality.

Partnership Quality

Partnership Quality is considered one of the main factors related to outsourcing success and proper governance of the client-vendor relationship (Bennett & Sayers, 1994; Beulen & Ribbers, 2002). Moreover, Lee and Kim (Lee & Kim, 1999b) claim that “*Partnership quality is not only critical to assure high-quality partnership, but also a key predictor for managing outsourcing for user and business satisfaction*” (p. 53). Partnering

relationships hold potential benefits for both client and vendors but are usually difficult to develop, and maintaining a good partnership can be costly due to the fact that an outsourcing relationship is not a static challenge, but a dynamic process involving communication, interaction, and change (Klepper, 1995; Lee & Kim, 2003). Consequently, three main factors or dimensions, Psychological Contract, Communication, and Trust were found to be particularly relevant to the concept of Partnership Quality. These three sub-dimensions are discussed below.

Psychological Contract

The psychological contract is a key factor for partnership quality and outsourcing success. IT Outsourcing Governance can be construed as a social exchange relationship involving cooperation of the parties to achieve an agreed-upon goal. This agreement normally takes the form of a legal contract in which mutual obligations are specified. In this context, the vendor agrees to make specific contributions to the client in return for certain benefits from the client. However, since written obligations can never be complete due to the unpredictability of the market, contracts must be supplemented by unwritten promises (Macneil, 1980). These obligations extend beyond mere expectations and are based on the perceived promises of a reciprocal exchange (Koh et al., 2004).

One of the main researchers of psychological contracts is Denis Rousseau, who has defined a psychological contract as “*people’s mental beliefs and expectations about their mutual obligations in a contractual relation*”(Rousseau, 1995). Since it is impossible to include all conditions in the legal contract, the parties often rely on the spirit of the contract as embodied in a handshake. Ultimately, it is the individual’s beliefs

and perceptions of his/her obligations, rather than the actual written contract that drive behavior (Rousseau, 1995).

In order to better understand the mutual expectations that are developed in a client-vendor relationship, Koh et al. (2004) carried out a sequential qualitative-quantitative study that provides a summary of the perceived customer and supplier obligations in a psychological contract.

Supplier Obligations

- *Accurate project scoping*: Define precisely the nature and range of services covered in the outsourcing contract, and flexibility in handling customers' requests for changes in these services.
- *Clear authority structures*: Delineate the decision-making rights and reporting structures in the project, in terms of the roles and responsibilities of all parties involved.
- *Taking charge*: Complete the job and solve problems independently, with minimal customer involvement.
- *Effective human capital management*: Assign high-quality staff to work on the project, and to minimize staff turnover during the project.
- *Effective knowledge transfer*: Educate the customer in terms of the necessary skills, knowledge, and expertise associated with using the outsourced system of service.
- *Building effective inter-organizational teams*: Invest time and effort to foster a good working relationship between the team that is comprised of the customer and supplier staff who are working on the project.

Customer Obligations

- *Clear specifications*: Understand and explicitly and comprehensively articulate the requirements for the services covered by the outsourcing project.
- *Prompt payment*: Pay suppliers on time and not withhold payments unreasonably.
- *Close project monitoring*: Be actively involved in overseeing the project progress by attending project meetings and discussions regularly.
- *Dedicated project staffing*: Assign key employees who possess the required skills and knowledge to work with supplier staff on the project.
- *Knowledge sharing*: Provide information required by supplier, and to educate supplier with the industry and firm-specific knowledge necessary to build or operate the system.
- *Project ownership*: Ensure that senior management provides strong leadership, support, and commitment toward the project.

Mutually fulfilled obligations predict success over and above the effects of contract type, duration, and size (Koh et al., 2004), thus highlighting the importance of psychological contracts for outsourcing arrangements.

Communication

Communication plays a fundamental role in clarifying the mutual expectations and obligations that clients and vendors harbor when they enter a legal and psychological contract. According to social exchange theory, effective communication between parties is paramount in order to achieve the intended objectives (Lee & Kim, 1999b). Open and honest communication should lead to better-informed parties, who in turn, through the

communication process, begin building rapport and become more confident with the relationship and more willing to keep it alive and healthy.

The role of Communication in Partnership Quality is not only limited to the clarification of mutual expectations, but also to the growth and fostering of the relationship. Clear lines of communication allow partners to freely discuss the progress of the project and any management concerns (Bennett & Sayers, 1994; Lee & Kim, 1999b). Moreover, the implementation of information management and communication practices within the outsourcing company supports the relationship between the outsourcing company and the IT-supplier and contributes to the governance of a complex IT-outsourcing partnership (Beulen & Ribbers, 2002). There are multiple methods for promoting healthy lines of communication and effective information management (Bennett & Sayers, 1994). These methods encompass holding project kick-off meetings to provide orientation and introduce team members, regular status meetings where progress is reported and issues raised, keeping detailed minutes that record action items and decisions, and developing a documentation plan which includes a project file containing relevant materials such as correspondence, comments, etc.

Another important factor that contributes to effective communication in IT Outsourcing Governance is who is involved in the communication acts. Top management involvement is often seen as a positive influence for the client-vendor relationship (Lee & Kim, 1999b). Perhaps more crucial is the necessity for the people who interface with the other party to possess both business and IT knowledge in order to appropriately fulfill their duties (Beulen & Ribbers, 2002; Hirschheim et al., 2009; Kitzis, 1998). Historically, there has been a disproportionate focus on negotiation skills and the crafting of formal

contracts at the expense of the development of effective communication skills that are often considered to be implicitly possessed by both client and vendor and hence overlooked, particularly at the commencement of the relationship. Organizations must go beyond acquiring traditional negotiation skills and move toward developing effective trust as well as building communication between parties in order to improve partnership quality (Hirschheim et al., 2009; Lee & Kim, 1999b).

Trust

The psychological contract and communication between parties in an outsourcing arrangement are important determinants of partnership quality. However, one of the main factors considered to predict outsourcing success and partnership quality is the concept of Trust (Cong & Chau, 2007; Grover et al., 1996; Kern & Willcocks, 2000; Lacity et al., 2009; Lee & Kim, 2003; Lee & Kim, 1999b, 2005). Trust can be described as occurring when one party has confidence in an exchange partner's reliability and integrity (Morgan & Hunt, 1994). Thus, in an outsourcing relationship, lack of trust might lead to unwillingness from parties to delegate responsibility, and therefore result a subpar partnership (Lee & Kim, 2005).

IT Outsourcing Governance is inherently inter-organizational in nature. As such, the parties entering the relationship will try to reduce uncertainty as much as possible by means of detail contracts, flexibility clauses, and service level agreements (SLAs) (Willcocks et al., 2007). However, due to the uncertainty of market conditions, politics, and societal changes, it is impossible to eliminate uncertainty through the use of formal methods of control alone. In this context, Trust can help mitigate the extent of uncertainty

that can exist in the inter-organizational relationship by discouraging opportunistic behavior among parties (Cong & Chau, 2007).

In order to foster trust between parties, it is important to develop frequent and clear communication, since communication is a necessary antecedent of trust. Trust will evolve as the relationship between partners develops, and the commitment to the partnership of the parties grows by acting predictably and fairly in the pursuit of common goals. Additionally, striving toward the achievement of mutual benefits increases the perception of closeness and trust between parties (Kern & Willcocks, 2000). When common goals and benefits are attained, the partnership strengthens and a sense of chemistry between client and vendor develops and results in increased trustworthiness between parties (Kumar & van Dissel, 1996).

In summary, fostering a cooperative relationship based on trust, business understanding, benefit and risk share, and commitment is critical to reap the greatest benefits from IT outsourcing. Partnership quality, thus, is not only critical to assure high-quality partnership, but also a key predictor for managing outsourcing for user and business satisfaction (Lee & Kim, 2003; Lee & Kim, 1999b).

Service Quality

Service Quality is highly related to Partnership Quality, and as such, some of the factors that will foster a beneficial partnership, such as Trust and Communication, will also have a positive effect on Service Quality. According to Grover et al. (Grover et al., 1996), Service Quality and the establishment of elements of a partnership are important determinants of outsourcing success. The perceived quality of a service is highly

subjective because services are intangible – they are not things, they are processes. A traditional view of Service Quality evaluation contends that consumers tend to compare expected service levels with the actual service received in order to assess quality (Gronroos, 1983). Because services are fundamentally different from physical goods, the evaluation of Service Quality is a contentious issue due to the intangible nature of services (Schonberger, 1980). For example, the manner in which a service is performed is an integral part of the service involving simultaneous production of the service by the vendor, and consumption of said service by the client (Bowen & Schneiter, 1988; Shostack, 1987). Since most intangible products or services can seldom be tried out, or inspected, clients rely on surrogates to evaluate quality of service (Levitt, 1981). In this context, the three main dimensions that compose Service Quality were found to be Communication, Trust and Satisfaction, and Personnel Involvement. These sub-dimensions are discussed below.

Communication

As previously discussed, effective communication is one of the foundations of a successful partnership (Lee & Kim, 1999b). In the context of Service Quality, Communication is seen as a fundamental tool for information sharing, and vendor control (Mao et al., 2008). Communication is key in clarifying expectations and responsibilities for both client and vendor (Bennett & Sayers, 1994). Increasing the depth and range of available information by using multiple mediums of communication such as progress reports, shared project plans, meetings, and informal communication not specified in the contract helps maintain service quality while reducing the opportunity for “slippage” in the progress of the project (Fitzgerald & Willcocks, 1994; Mao et al., 2008).

In addition to sharing information, effective communication can promote trust in the relationship (Mao et al., 2008). Regular communication between the outsourcing company and the IT-supplier is considered essential in establishing flexible partnerships (Beulen & Ribbers, 2007). Although fostering informal communication can help address issues not specifically considered in the contract, an organized, multilevel communication structure contributes to a flexible IT outsourcing partnership and helps to keep control of the sourcing arrangement (Fitzgerald & Willcocks, 1994). Therefore, the use of Outsourcing Relationship Management tools which can provide a multitude of functions, such as a means for shared access between client and vendor, a channel for real time communication, or a venue for milestones and deliverables tracking, can positively affect Service Quality (Beulen & Ribbers, 2007; Hirschheim et al., 2009).

Trust and Satisfaction

In the context of Service Quality, trust and satisfaction are often mentioned together, and thus they are analyzed together as well (Kern & Blois, 2002; Lee & Kim, 1999a). The development of Trust between parties has a direct impact on project quality and overall satisfaction with the client-vendor relationship (Cong & Chau, 2007; Grover et al., 1996; Mao et al., 2008). However, a necessary condition for the development of trust between the parties, is Satisfaction with Service Quality, since only through high satisfaction levels can confidence in the vendor be built, which ultimately leads to trust (Kern & Blois, 2002; Lee & Kim, 1999a). Sabherwal (1999) identified different types of trust in client-vendor relationships:

- *Calculus-based Trust*: Rooted in rewards and punishment associated with a particular project.

- *Knowledge-based Trust*: Depends on the two parties knowing each other well.
- *Identification-based Trust*: Occurs when the two parties identify with each other's goals.
- *Performance-based Trust*: Depends on early project successes.

When evaluating Service Quality, Satisfaction with services provided is related to confirmation of expectations by comparing the expected service levels with the perceived service received (Gronroos, 1983; Smith & Houston, 1983). As previously mentioned, the intangible nature of services poses a challenge when attempting to determine Service Quality. In this context, understanding customer expectations can greatly increase the potential for satisfaction with services provided. Parasuraman et al. (1985) have identified *reliability, credibility, responsiveness, courtesy, understanding, and communication* as the main dimensions that comprise consumer expectations for services. In addition, Kern and Blois (2002) claimed that in order to improve user satisfaction, vendors need to have a greater understanding of their business, show more commitment, and should possibly initiate investments beyond the terms stipulated in the original contract to ensure that the working relationship is maintained and a partnership is fostered.

To summarize, high satisfaction levels with services provided builds the foundation necessary to promote Trust between client and vendors. Since Trust has been identified as one of the main predictors of outsourcing success (Beulen & Ribbers, 2002; Beulen & Ribbers, 2007; Grover et al., 1996; Lee & Kim, 1999a, 2003; Lee & Kim, 2005; Mao et al., 2008) companies should continuously monitor the satisfaction of those

receiving IT services in order to maintain a good relationship (Kern & Willcocks, 2000; Schwarz & Hirschheim, 2003).

Personnel Involvement

Another important factor related to Service Quality and outsourcing success is determined by the personnel involved in the sourcing relationship. Studies have shown that personnel continuity and top management involvement heavily contribute to the quality of service provided, and overall satisfaction with the outsourcing arrangement (Kern & Willcocks, 2002; Koh et al., 2004; Lacity et al., 2009; Lee & Kim, 1999a; Quinn, 1999; Zviran et al., 2001).

Top management commitment has often been identified as an important factor for IT Outsourcing success. Senior managers can help by making critical decisions and quickly resolve conflicts that might arise in the course of business (Zviran et al., 2001). In addition to showing commitment to the relationship, top management involvement also helps to deal with situations or issues that are not fully contemplated in the original contract and must be resolved through negotiation (Beulen & Ribbers, 2007; Lacity & Willcocks, 1998; Lacity et al., 2009; Quinn, 1999).

Another important factor affecting Service Quality is personnel continuity. In order to maintain and foster a partnership, organizations should strive to build rapport among the personnel involved in the sourcing arrangement. Shifting people off and on the project results in discontinuity in the management of the partnership with the consequent potential for negative impacts in trust and satisfaction (Beulen & Ribbers, 2002).

Although fostering a cordial relationship amongst personnel involved in the client-vendor

relationship is important, organizations should be aware that if these relationships grow too close, the problem of dependency arises, in which only people in the “in-group” understand the background and reasons behind decisions made for the project. When taken to an extreme, this dependency situation can hinder parties from terminating the contract or aggressively negotiating new terms of service due to a sense of loyalty that arises from a relationship that moved from a cordial professional interaction to a relationship that is closer to friendship (Kern & Willcocks, 2002).

Because of the imprecise nature of services and the difficulty in assuring consistent quality, clients and vendors establish relationships (e.g., partnerships) in an effort to better specify service requirements and desired quality levels. In doing so, organizations must strike a balance between a cordial working relationship and becoming dependent on each other to the point where their decision-making might be compromised.

Formal and Informal Control

IT Outsourcing Governance is a complex arrangement that encompasses relationship management as well as the establishment of formal structures of control (Simmons, 2005). Consequently, the implementation of effective formal and informal methods of control will have a direct impact on the performance of the outsourcing arrangement (Gewald & Helbig, 2006; Hirschheim et al., 2009; Poppo & Zenger, 2002) due to the need for well-crafted contracts to clearly define responsibilities and effective relationship management that can help foster a partnership and quickly adapt the working relationship and the terms of the contract (if necessary) to respond to market changes. The importance of implementing both contract management as well as relationship management is highlighted by Fitzgerald and Willcocks (1994) by claiming that “*proper management of*

the relationship is equally or more important than the basic contract management.” In the context of IT Outsourcing Governance, the concepts of formal and informal methods of control have been segmented into three main areas or dimensions: Contractual Flexibility, Service Level Agreements (SLA’s), and the Complementary Nature of Contract and Relationship Management. These are discussed below.

Contractual Flexibility

The logic behind Contractual Flexibility is fairly straightforward. Organizations must be able to adjust to unforeseen situations that can’t possibly have been included in the original contract; thus, organizations should strive to include flexibility clauses into the contract, or build a relationship that would enable adjustments to changing conditions (Goo et al., 2009; Lacity et al., 2009; Willcocks et al., 2007). Moreover, purely contract-driven control can be considered to be impractical because a contract cannot possibly include any and all eventualities that might occur during the term of a contract. Thus, adjustments to the contract will have to be made over the course of a project (Cong & Chau, 2007; Natovich, 2003).

Contractual Flexibility can be achieved through the addition of clauses in the original contract during the negotiation process (Willcocks et al., 2007). In addition to flexibility clauses, the development of a partnership has been found to add flexibility to a working relationship (Fitzgerald & Willcocks, 1994). In order to structure a sourcing relationship, organizations must have contract and management tools in place to provide a clear point of contact and ensure effective communication between parties, and thus contributes to the governance of the IT outsourcing partnership (Beulen & Ribbers, 2002).

To summarize, the contract should be designed to be flexible with the ability to change and grow as circumstances dictate. In this context, establishing a partnership will help resolve issues that might arise when changes need to be made to the original contract, which will increase the chances of success (Cong & Chau, 2007; Fitzgerald & Willcocks, 1994; Lacity et al., 2009).

Service Level Agreements (SLAs)

The prevalent perspectives that underlie most research in inter-organizational relationship management focus on formal control and relational governance (Goo & Huang, 2008; Poppo & Zenger, 2002). The formal control aspect of the relationship often takes the form of a formal contract with the addition of a Service Level Agreement (SLA). An SLA is a formal written agreement that is most often developed jointly by the client and vendor, and specifies products or services to be provided at a certain level in an outsourcing arrangement (Goo & Huang, 2008). Performance measurement is paramount for a successful outsourcing relationship, and in this context, SLAs play a key role in controlling for timeliness, accuracy, service availability, response to unforeseen emergencies and conflicts (Domberger et al., 2000; Gellings, 2007).

SLAs are important because they provide the standards and controls that contribute to the strengthening of the relationship while providing the empirical data for measuring the success of the relationship (Alborz et al., 2003; McFarlan & Nolan, 1995). In order to better understand the nature of SLAs, Goo, Kishore, Rao and Nam (Goo et al., 2009) carried out a study that identified three main characteristics of SLAs that are important for outsourcing arrangements. The characteristics can be summarized as follow:

- *Foundation Characteristics*: These characteristics set clear standards of conduct by defining what client and vendors are obligated to deliver and at what cost. They include provisions that specify the key principles and agreements between the parties, the key process owners and their roles and responsibilities, and the target levels of product and service performance.
- *Change Characteristics*: Change characteristics determine how uncertainties can be handled throughout the relationship. They include provisions concerning processes for resolving unforeseeable outcomes of future demand, processes for implementing foreseeable contingencies and changes, and efficient adjustments in the contract.
- *Governance Characteristics*: These characteristics specify ways to maintain the relationship through a clear statement of the measurements, penalty and incentives, conflict arbitration, and methods and channels of communication.

SLAs play an important role in the formal control aspect of the relationship, but are also often considered important to foster the informal aspect of the client vendor relationship. Trust and commitment in outsourcing relationships can be nurtured over time through joint development of SLAs as well as ongoing exchanges guided by the elements of SLAs (Goo & Huang, 2008).

Complementary Nature of Contracts and Informal Relationship

Transaction Cost Economics (TCE) is often used to explain how client and vendors develop governance models in outsourcing arrangements (Goo et al., 2007; Goo et al., 2009). TCE suggests that outsourcing parties will attempt to align governance features of the relationship to match known exchange hazards, such as asset investments, difficult

difficult performance measurement, or uncertainty. As exchange hazards increase, so must contractual safeguards, if contracting has been chosen as the governance mechanism (Williamson, 1985). However, explaining the relationship between organizations from a purely economic point of view is not advisable because inter-organizational relationships form out of the social learning experiences based on sequential social interactions between parties (Lee & Kim, 1999b; Szu-Yuan et al., 2002). Moreover, in the IT field in particular, an evolution in the nature of outsourcing from a purely client-vendor relationship to a partnership arrangement has been observed (Grover et al., 1996; Hirschheim et al., 2009). Consequently, it is important for clients and vendors to develop the organizational capacity to manage and foster the informal relationship between parties, because informal relationship management provides the means for developing common goals and objectives between the client and vendor.

Although it is widely accepted that informal methods of control can play a role in outsourcing arrangements (Dibbern et al., 2004; Fitzgerald & Willcocks, 1994; Goo & Huang, 2008; Goo et al., 2007; Goo et al., 2009; Grover et al., 1996; Lee & Kim, 2003; Lee, 2001; Lee & Kim, 1999b, 2005; Poppo & Zenger, 2002; Willcocks et al., 2007), there are different views regarding whether informal relationships act as substitutes or complements of formal methods of control. Proponents of the substitution view claim that informal relationships eliminate the need for formal contracts due to the growth in trust among parties as the relationship evolves (Gulati, 1995; Macaulay, 1963). In addition, some may argue that contracts may actually hinder the development of a relationship since the elaboration of a detailed contract can be construed as lack of trust, and can encourage opportunistic behavior with respect to actions that cannot be specified

within a formal contract (Ghoshal & Morgan, 1996). More recently, Poppo and Zenger (2002) carried out a study to precisely address the substitute/complement argument. The results of the study show that the formal contract and informal relationships work as complements rather than substitutes. Poppo and Zenger suggest that “*managers tend to employ greater levels of relational norms as their contracts become increasingly customized, and to employ greater contractual complexity as they develop greater levels of relational governance*” (p. 721). Detailed contracts minimize risk and promote the longevity of the relationship by increasing the penalties associated with the severance of said relationship (Baker et al., 2002). Furthermore, the development of a detailed contract and the corresponding SLA requires both parties to work as a team in the negotiations in order to arrive to terms that are mutually beneficial. This social interaction serves as the foundation for the development of a relationship between parties, while the continuity of the relationship can lead to mutually agreed-upon refinements to the contract to reflect lessons learned during the project’s execution (Goo et al., 2009).

Conflict Resolution

Although Conflict Resolution is often mentioned as an important factor for outsourcing success and relationship management in the literature (Kern & Willcocks, 2000; Kern & Willcocks, 2002; Klepper, 1995; Kumar & van Dissel, 1996; Lacity & Willcocks, 2000; Lee & Kim, 1999b; Natovich, 2003), its importance is not reflected accordingly by level of treatment of this topic in our field. Even though Kern and Willcocks (2000) go as far as to claim that “*A successful relationship is identifiable by the way it handles conflict situations,*” the dearth of research exclusively focused on conflict resolution in the IS literature only allows for a superficial analysis of this dimension, which is represented by

the following three overarching dimensions: Communication, Formal Control, and Negotiation Management (bargaining). The first two dimensions (Communication and Contractual Flexibility) have previously been discussed in the analysis of Partnership Quality and Formal Control and therefore, these dimensions will be briefly discussed in order to avoid redundancy.

Contractual Flexibility

Effective Formal Controls, in the form of a detailed contract and SLA, are considered important factors in minimizing conflicts (Lynch, 2000; Natovich, 2003). Natovich and Lynch advocate for flexible contracts that allow for adjustments to respond to changes in an evolving environment and to avoid contract driven management since it leads to the reduction of trust and commitment between parties.

The treatment given to conflict resolution in the context of formal control is basically reduced to simply stating the advantages of formal and informal control, as previously discussed, without actually investigating what should be the best practices for conflict resolution in terms of formal procedures for escalation of conflicts, policies that could be enacted to reduce conflicts, and the effect of penalties and rewards in the prevention of conflicts.

Communication

Good communication can help parties achieve expectations, avoid conflicts, and facilitate solutions to problems (Kern & Willcocks, 2000). Frequent communication can help develop trust between client and vendor, which in turn can improve the formal and informal aspects of the relationship (Anderson & Narus, 1990; Dwyer et al., 1987).

According to Lynch (2000), open and frequent communication is key to avoid problems and unpleasant surprises in the relationship.

Another aspect of Communication applied to conflict resolution is the proper alignment of expectations between client and vendors; the misalignment of expectations is often found to be root cause of problems in relationships (Kern & Willcocks, 2000; Vowler, 1996). The importance of the alignment of expectations between client and vendors was previously discussed during the analysis of Partnership Quality and the Psychological Contract between parties. The observed treatment of the role of communication in conflict resolution does not take into account factors such as proper training, communication tools, appropriate channels of communications for escalation of conflicts, etc.

Negotiation Management

Negotiation Management refers to the bargaining process that occurs during contract negotiations at the beginning of the relationship or when circumstances require adjustments in performance goals, or contractual terms (Klepper, 1995). According to Klepper, bargaining is critical to conflict resolution because it serves as a medium for relationship development, and foments trust and communication between parties (Klepper, 1995). Disagreements between client and vendor are a natural part of the outsourcing relationship. However, these disagreements can become dangerous when the engagement falls into a vicious cycle in which lack of trust leads to a conflict that yields poor performance, which in turn damages the trust even more and causes more conflicts (Natovich, 2003). In addition, the level of interdependence between organizations is likely to influence the potential and source for conflict. The higher the interdependence,

the higher the risk for conflict due to the inherent need for increased coordination that is required to support a highly interdependent relationship (Kumar & van Dissel, 1996; Robey & Sales, 1994). The coordination task can greatly be improved by the development of procedures for information sharing, a clear specification of roles, rights, and obligations, and an appropriate governance structure. The potential risk of conflict is reduced with greater structure (Kumar & van Dissel, 1996).

Another important aspect of the bargaining process that can help with conflict resolution is the achievement of a “fair deal” for all parties. In this context, a degree of cultural similarity can have a positive impact in developing a notion of a fair deal between client and vendor (Fitzgerald & Willcocks, 1994; Henderson, 1990; Lasher et al., 1991). It is worth mentioning that although the concept of cultural similarity has great intuitive appeal and theoretical support, Lee and Kim found that its impact on partnership quality is negligible (Lee & Kim, 1999b). This contradiction in results could be due to the operationalization of the constructs used by Lee and Kim, or as a direct consequence of the study design they used. They did not track outsourcing relationships over time, which would make it very difficult to assess whether improvements in cultural similarities over time had a positive impact on conflict resolution and partnership quality.

IT Outsourcing Governance Framework

Based on the results of the argument map methodology, we can summarize the relevant dimensions surrounding the discourse on IT Outsourcing Governance with a framework that highlights the dual nature of Outsourcing Governance (formal/objective, and informal/subjective), along with the different dimensions that comprise this concept.

Based on the discourse analysis, the different dimensions have been positioned within the

framework so as to reflect their formal or informal nature. The framework, along with a brief discussion of its components, is described below.

- *External Environment and Business Environment* reflects the socio- and geopolitical conditions in which organizations exist and the market conditions under which they perform their activities. These factors are not studied in this work, but are included in the framework to show the awareness of their existence.
- *Governance Structure* refers to the hierarchies that are used to delegate decision-making rights within an outsourcing arrangement. Therefore, this dimension is predominantly managed through formal control.
- *Service Quality* is inherently subjective. As depicted in the argument maps, this dimension focuses on trust building, mutual understanding, and fostering the development of the relationship into a partnership.
- *Relationship Management* highly overlaps with Outsourcing Governance, and it spans across the formal/informal dimensions. This is to be expected based on the dual nature of outsourcing governance/relationship management. *Conflict Resolution and Partnership Quality* have formal and informal components as well. *Conflict Resolution* deals with personality types, escalation procedures, penalties, communication quality, training, monitoring tools, etc. *Partnership Quality* focuses on Service Level Agreements (SLAs), communication channels, monitoring tools, and culture matching, to name a few.

This framework summarizes the major areas that were identified during the literature review and discourse analysis stage.

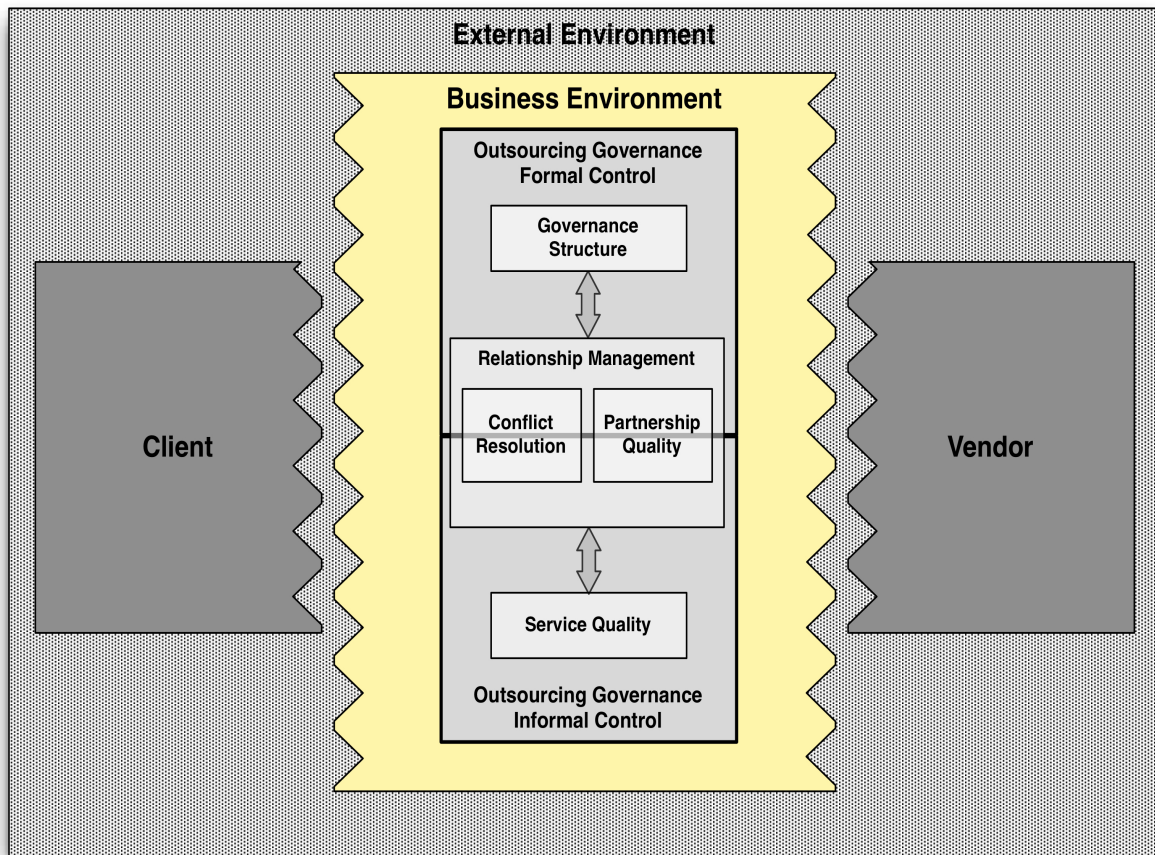


Figure 6 - IT Outsourcing Governance Framework

The main goal of the framework is to highlight the dual nature of IT Outsourcing Governance (ITOG) and how the major dimensions that relate to this concept fit within the formal/informal aspects of ITOG. A potential shortcoming of a framework developed from a literature review is that it might reflect a less-than-current understanding of IT Outsourcing Governance, since it can take several years for an academic article to be published. Thus, in order to capture the most current understanding of this topic, a social representations survey of practitioners and academics was performed. This survey provides another source of data that can be used to elucidate the key concepts comprising IT Outsourcing Governance.

Social Representations

The core/periphery analysis used in this study is based on the criteria described by Abrie (2001) that posits that a core element can be determined on the basis of symbolic value, expressive value, and associative value, as described in Chapter 4. In this work, we are only concerned with the measurement of expressive and associative values.

Tables 3 and 4 summarize the results obtained for expressive and associative values along with the level of coreness of each topic. The level of coreness, and the classification of each topic into the core or periphery category, were obtained by performing a core periphery analysis which was developed by Borgatti and Everett (1999). This technique simultaneously takes into account expressive and associative values when determining the coreness of a topic, and was developed to detect a core and periphery structure in network data, which consists of values that represent strengths of relationships among items where coreness is considered a function of the closeness (either correlation or Euclidean distance) of an element to the center of the network.

A software package for statistical analysis, developed by Borgatti and his colleagues, called UCINET was used in this work. UCINET includes routines to perform categorical and continuous core/periphery analysis. The difference between categorical and continuous core/periphery analysis is that the categorical analysis allocates topics in either core, or periphery, while the continuous analysis provides the level of coreness for each topic. In this work, both techniques were employed to obtain the coreness values and the allocation of topics to the appropriate category. It is worth mentioning that although the saliency and the sum similarity of each topic plays an important role determining the coreness level, they are not the only factors considered in the calculation.

In order to confirm the results of the core/periphery analysis, a hierarchical cluster analysis was also performed on the same data set, with the results showing the same allocation of topics into two distinct categories (Core and Periphery). As can be observed in the tables below, although there is considerable overlap between the conceptualizations of IT Outsourcing Governance among academics and practitioners, there are still significant differences in the results obtained that merit further exploration. These differences might indicate a disconnect between the academic knowledge and how IT practitioners actually work.

Table 3 - Core and Periphery Membership - Academics

Topics		Salience (Frequency)	Sum of Similarity	Coreness	Membership
T2	Contract Management	11	1.069	0.473	CORE
T1	Relationship Management	11	1.155	0.470	
T6	Difficult to Implement	7	0.867	0.342	
T4	Performance Control	12	1.062	0.315	
T3	Conflict Resolution	2	0.534	0.219	
T8	Communication	2	0.767	0.208	
T11	Inter-organizational Structure	8	0.766	0.208	
T5	Organizational Capability	2	0.653	0.205	
T18	Service Quality	2	0.867	0.189	
T10	Internal Organizational Structure	4	0.705	0.167	
T9	Psychological contract	4	0.843	0.155	
T19	Partnership Quality	2	0.677	0.153	
T13	Policies	4	0.868	0.152	
T12	Accountability	4	0.427	0.136	
T7	General Management	4	0.569	0.097	
T16	Important for Business	5	0.071	0.024	PERIPHERY
T14	Outsourcing Management	4	0.000	0.004	
T15	Academic Topic	2	0.000	0.003	
T17	Human Resources Management	3	0.000	0.002	
T20	Security	0	0.000	0.000	

Table 4 - Core and Periphery Membership - Practitioners

Topics		Salience (Frequency)	Sum of Similarity	Coreness	Membership
T18	Service Quality	8	1.545	0.534	CORE
T4	Performance Control	11	1.426	0.502	
T6	Difficult to Implement	9	1.161	0.335	
T1	Relationship Management	5	1.271	0.314	
T9	Psychological Contract	5	0.881	0.260	
T17	Human Resources Management	9	0.765	0.257	
T2	Contract Management	7	0.800	0.151	PERIPHERY
T8	Communication	1	0.644	0.145	
T16	Important for Business	7	0.476	0.144	
T12	Accountability	2	0.626	0.142	
T11	Inter-organizational Structure	2	0.702	0.120	
T3	Conflict Resolution	1	0.644	0.110	
T20	Security	3	0.367	0.085	
T7	General Management	2	0.000	0.001	
T13	Policies	2	0.000	0.001	
T19	Partnership Quality	1	0.000	0.001	
T5	Organizational Capability	1	0.000	0.000	
T10	Internal Organizational Structure	0	0.000	0.000	
T14	Outsourcing Management	0	0.000	0.000	
T15	Academic Topic	0	0.000	0.000	

In order to better understand the relationship among topics, a graphical representation of the network of topics was developed that shows their differences and similarities. By looking at the network and the position and connections of a particular topic, one can infer the different conceptualizations that academics and practitioners might have on a particular topic. The network diagrams for academics and practitioners are shown below. Each node in the diagram corresponds to a topic, with orphan nodes grouped on the upper left corner of the figures. These nodes are not connected to any other nodes in the network and as expected, were classified as peripheral topics during the core/periphery analysis. The connections between nodes depict the degree of similarity among topics, which is one of the determinants of coreness levels. The network

figures provide greater insight into the difference in conceptualizations of each topic, and thus the core/periphery structure of the social representation. For example, there are considerable differences in the connections and strengths of the links for “contract management” between both graphs. These differences seem to indicate, for instance, that practitioners consider Communication, Service Quality and Psychological Contract to be important concepts that relate to Contract Management, while academics seem to emphasize Accountability, Performance Control, and Difficulty of Implementation when referring to Contract Management. The same analysis could be performed for each topic of interest, to form what is called an “ego network.” The ego network allows for a closer inspection of the individual connections that each topic possesses. An analysis of the ego networks (not performed here) may serve as a foundation for further research.

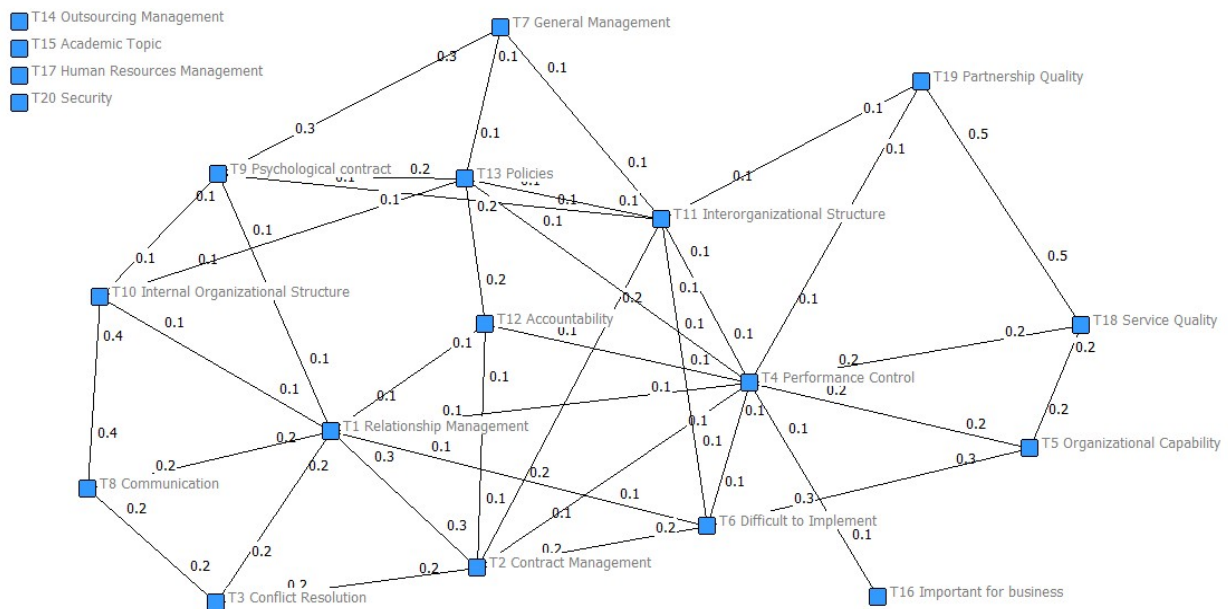


Figure 7 - Topic Network - Academics

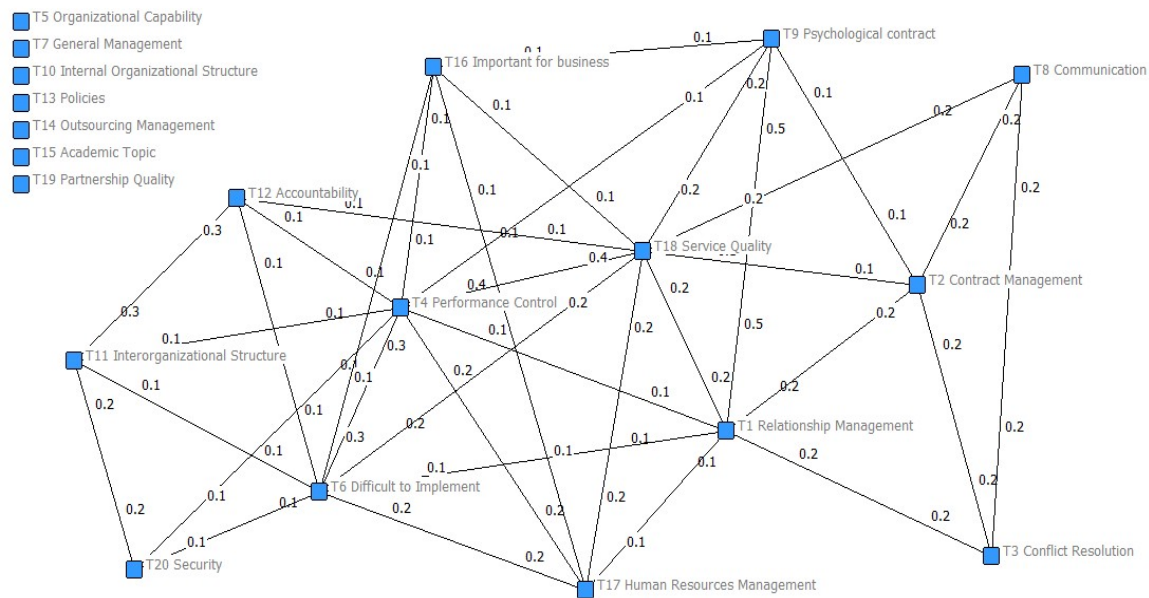


Figure 8 - Topic Network - Practitioners

The results of the social representations survey, coupled with the framework developed through Argument Mapping, provide a greater understanding of the relevant concepts for IT Outsourcing Governance. Another important aspect of outsourcing arrangements worth exploring is how they are managed, and in particular, which tools are used (described below), and how these tools' feature sets fit with the relevant core concepts of IT Outsourcing Governance.

Outsourcing Relationship Management (ORM) Tools Analysis

One of the most interesting, yet shocking, results from the survey performed for the Cutter Consortium (complete results are included in Appendix D) was that very few organizations have adopted ORM tools to manage and evaluate contractual relationships. As it can be seen in Figure 9, only 7% of the 45 organizations surveyed used ORM tools to measure and evaluate performance of the contract after execution.

In order to better understand the results of the survey, an analysis of several ORM tools has been performed to compare the functionality that they provide. The tools included in this analysis are Janeeva, Enlighta Govern, EquaSiis, and Hisperos. These tools are a subset of the tools included in the IAOP report (IAOP, 2011) and were selected based on accessibility to data (demo, user accounts, etc.) and their specific focus on relationship management. The results of the analysis of the ORM tools are shown in Tables 5 and 6. The categories used for comparison are Performance Management, SLA Management, Change Management, Conflict Resolution, and Project Management. These categories were selected because they represented the logical arrangement of functionality or modules for most of the tools analyzed. In addition, the contents of these modules resemble the dimensions of the outsourcing governance framework previously developed.



Which of the following measures are used to evaluate the performance of the contract after execution?

Figure 9 - ORM Adoption among surveyed companies (Hirschheim et al., 2009)

Table 5 - Comparison of ORM Tools

Module	Janeeva	Enlighta Govern	EquaSiis	Hiperos
Performance Management	<ul style="list-style-type: none"> - Automated web-based data collection - Personalized dashboards - Automatic scorecard generation - Easy-to-use self-serve report creation - Share reports and templates - Flexibility to easily add and change project, providers and metrics - Trending and predictive modeling - Alerts and notifications - Provider-to-Provider comparisons - Validate, approve, and analyze invoice data - Drill down to supporting data for problem diagnosis 	<ul style="list-style-type: none"> - Aggregate, validate and summarize data from diverse sources (excel, supplier feeds, ticketing systems, emails, etc.) - Executive dashboard that summarizes aggregated data - Near real-time insight into engagement performance - Ad hoc reporting and analytics - Multi-dimensional drill-down - Invoice validation and approval - Service pricing modeling - Automatic notifications 	<ul style="list-style-type: none"> - Financial reporting - Operational management and analytical tools - Business intelligence database - Invoice error verification and recovery - Financial Modeling 	<ul style="list-style-type: none"> - Data collection and aggregation - Customizable reports - Alerts and notifications - Provider comparison based on customizable impact categories
SLA Management	<ul style="list-style-type: none"> - Record SLAs and store contract terms for multiple towers, agreements, and projects - Automatically capture and calculate SLA metrics - Define multiple targets for each SLA - Define and manage performance-based pricing models - Log changes to definitions, metrics, and incentive structures - Track events and generate reminders of key contractual obligations - Automatically generate service level default notifications - Drill down to supporting data for problem diagnosis 	<ul style="list-style-type: none"> - SLA Monitoring and reporting - Contract change management - Compliance scorecards and monitoring - Executive dashboards for actionable insight - Automatic notifications 	<ul style="list-style-type: none"> - Contract monitoring - Compliance scorecard - Holistic view to facilitate action 	<ul style="list-style-type: none"> - Contract and provider monitoring - Compliance scorecard - Automated scoring logic of weighted categories to track compliance

Table 5 - Comparison of ORM Tools (Continued)

Module	Janeeva	Enlighta Govern	EquaSiis	Hiperos
Change Management	<ul style="list-style-type: none"> - Manage scope changes and new service requests - Manage additional resource charges (ARC), scope changes, and new service requests - Built-in best practices - Automatic approval tracking and routing - Automatic notifications - Flexible form and process definition - Easily searchable record of agreements - Secure, auditable history 	<ul style="list-style-type: none"> - Tracking and reporting of change requests for application and infrastructure changes - Automation of multi-level approval process - Automatic notifications 	<ul style="list-style-type: none"> - Transition management - Automation and workflow management - Operational management 	<ul style="list-style-type: none"> - Tracking and reporting of change requests - Automation and workflow management - Automatic notifications
Conflict Resolution	<ul style="list-style-type: none"> - Assign client and provider issue owners - Easily track resolution activities - Assign and track specific action plans - Structured meeting planning and follow-up processes - Built-in best practices - Clear escalation process - Easily searchable knowledge base of solutions - Secure, auditable history 	<ul style="list-style-type: none"> - Issue management and escalation - Automated alerts to stakeholders 	<ul style="list-style-type: none"> - Issue Management 	<ul style="list-style-type: none"> - There is no dedicated control for conflict resolution.
Project Management	<ul style="list-style-type: none"> - Corporate-wide view of all outsourced processes and providers - Tracking of provider capacity, key performance and financial metrics, buyer satisfaction, and reliability - Easy provider and project comparisons - Drill-down to detailed performance data - Communication forum that allows providers to share news and innovations - Repository for provider agreements and audits results 	<ul style="list-style-type: none"> - Work order automation - Snapshot view of the actual versus total approved spend for work orders by owner, by supplier, by region and by business unit - Service request automation - Automated assignment, estimation, approval, escalation, delivery, acceptance and feedback. - Tracking and reporting of milestones, deliverables, issue escalations, risks, schedule, budget, quality and volume metrics by request category and supplier 	<ul style="list-style-type: none"> - Knowledge management - Resource allocation - Seamless interface with Microsoft Office, Outlook, SharePoint, Biztalk, and SQL 	<ul style="list-style-type: none"> - Snapshot of all outsourced processes and providers - Tracking of provider capacity, key performance and financial metrics - Easy provider and project comparisons - Drill-down to detailed performance data - Communication forum that allows providers to share information

CHAPTER 6: DISCUSSION

In this section, the results obtained from the argument mapping methodology, social representations survey, and ORM Tools analysis are further explored in order to understand their meaning and plausible causes or factors that might have contributed to the observed outcomes.

Argument Mapping

Perhaps the most salient outcome from the argument mapping processes is that IT Outsourcing Governance seems to have a dual nature with a formal dimension related to the governance structure, and an informal dimension that covers relationship management. This apparent duality is discussed below.

Outsourcing Governance or Relationship Management?

During the argument mapping process, it was observed that the terms “outsourcing governance” and “relationship management” were used interchangeably. A potential explanation for this apparent confusion may be that academics, by and large, do not have a clear understanding of the difference between the concepts of governance and relationship management. Although it is certainly plausible that some academics could confuse both terms, this phenomenon is only observed when dealing with IT Outsourcing Governance. In the IT Governance literature the difference between governance and relationship management is clear and beyond dispute. Therefore, it is reasonable to assume that the cause of the interchangeable use of these terms when talking about IT

Outsourcing Governance might be related to the nature of this concept, and not an inherent misunderstanding of the topic.

It is worth mentioning that IT Outsourcing Governance is different from its close relative “IT Governance.” Unlike IT Governance, IT Outsourcing Governance cannot exist if there is no relationship between client and vendor, and at the same time, a relationship between client and vendor cannot prosper without establishing decision rights and accountability. This apparent circular dependence between IT Outsourcing Governance and relationship management is an example of what Giddens terms the “duality of structure.”

In his Theory of Structuration, Giddens claims that it is improper to conceive of a social system merely as the product of either deliberate human action or institutional forces. The duality of structure refers to the notion that the structure or institutional properties of social systems are created by human action and then serve to shape future human action. As Roberts and Scapens (1985) note: *“Through being drawn on by people, structures shape and pattern interaction. However only through interaction are structures themselves reproduced.”*

Consequently, if structuration is used to better understand the relationship between governance and relationship management, the underlying duality of IT Outsourcing Governance arises as it can be conceived of as both the product of relationship management and the very medium by which the relationship exists. In other words, using the terminology described by Orlikowski and Robey (1991) this duality is expressed in its *constituted* nature; IT Outsourcing Governance is the social product of subjective human interaction within specific structural and cultural contexts - and its

constitutive role - IT Outsourcing Governance is simultaneously an objective set of rules and resources involved in mediating (facilitating and constraining) human action, and hence contributing to the creation, recreation, and transformation of these contexts. Thus, IT Outsourcing Governance is both an antecedent and a consequence of relationship management.

Looking at IT Outsourcing Governance from a structuration standpoint focuses attention on the social factors related to the development, evolution and implementation of IT Outsourcing Governance among clients and vendors.

In the traditional conceptualization of IT Governance, exemplified in the popular work of Weill and Ross (2008), the locus of attention is to align different governance structures with the intended goals of an organizations. The constitution of the governance structure however, is taken for granted since organizations can unilaterally decide what governance structure to adopt. Since IT Outsourcing Governance is inherently a social process where relationship management, and therefore social interaction, takes a more prominent role, the locus of study should shift towards the understanding of how relationship management, social interaction and organizational context help shape, and are affected by, the governance structure agreed upon among parties of the sourcing arrangement. In this context, the following factors appear to gain importance when looking at IT Outsourcing Governance through structuration theory.

- *Governance structure constitution*: The most popular perspectives into governance structures are derived from the work of Sambamurthy and Zmud (Sambamurthy & Zmud, 1999, 2000; Schwarz & Hirschheim, 2003; Webb et al., 2006) and Weill and Ross (2008) where the governance structure can take

different forms based on who holds the decision rights. These views however, seem to neglect the relationship management aspect of governance in an outsourcing relationship. More recently, Schwarz and Hirschheim (2003) used an extended platform logic model to study IT Governance that embraces a relationship-based view of governance. In this context, the structuration approach to IT Outsourcing Governance not only provides further support to Schwarz and Hirschheim's views, but also locates relationship management at the center of the discussion. By focusing on the social aspect of ITOG, academics will increase the understanding of how governance structures arise and how they impact the underlying working structures within the client and vendor organizations.

- *Influence of human interaction:* As previously stated, the interaction among subjects has not been considered a major factor for traditional governance research. Since IT Outsourcing Governance is inherently a social concept, structuration theory brings focus to the conditions within which human interaction reinforces, or changes the governance structure of the relationship.
- *Organizational context:* This factor describes the organizational contexts in which relationships between client and vendors are fostered in order to shape ITOG.

The above-referenced topics could be further scrutinized with additional research focused on the impact that relationship management has on the governance structure of the sourcing arrangement.

Defining IT Outsourcing Governance

Based on the IT Outsourcing Governance framework developed by the argument mapping analysis, coupled with the relevant topics identified by the core/periphery

methodology and the theoretical foundation provided by Giddens' structuration theory, a new definition for IT Outsourcing Governance is proposed in order to reflect its dual nature in a succinct way. Thus, one could define IT Outsourcing Governance as *the process of defining decision rights within an accountability framework that is continuously shaped by social interaction. It determines the rules, processes, performance metrics, roles and organizational structures needed for effective management of the client-vendor relationship*. It is worth highlighting that IT Outsourcing Governance is conceptualized as both a process and an outcome with relationship management playing a key role.

Emphasizing the social aspect of the relationship between client and vendor to study the governance structure of a sourcing arrangement would represent a shift in the focus of the research on this topic.

Social Representations of IT Outsourcing Governance

The social representations survey that was administered to academics and practitioners, along with the core/periphery analysis, showed that both groups have different conceptualizations of IT Outsourcing Governance. Although the conceptualizations from the respective groups contain some overlap, there are significant differences that warrant further exploration. The table below summarizes the core/periphery results obtained, sorted by level of coreness (from most core to least). The concepts in bold, underlined font, indicate key differences in the conceptualizations of IT Outsourcing Governance between academics and practitioners. These are explored further in the following sections.

Table 6 - Differences in Conceptualization of ITGO Between Academics and Practitioners

Analysis of Academic Responses	Analysis of Industry Responses
Core Concepts	Core Concepts
<u>T2 Contract Management 0.473</u>	T18 Service Quality 0.534
T1 Relationship Management 0.470	T4 Performance Control 0.502
T6 Difficult to Implement 0.342	T6 Difficult to Implement 0.335
T4 Performance Control 0.315	T1 Relationship Management 0.314
<u>T3 Conflict Resolution 0.219</u>	T9 Psychological contract 0.260
<u>T8 Communication 0.208</u>	<u>T17 Human Resources Management 0.257</u>
T11 Inter-organizational Structure 0.208	
T5 Organizational Capability 0.205	
T18 Service Quality 0.189	
T10 Internal Organizational Structure 0.167	Peripheral Concepts
T9 Psychological contract 0.155	<u>T2 Contract Management 0.151</u>
T19 Partnership Quality 0.153	<u>T8 Communication 0.145</u>
T13 Policies 0.152	T16 Important for business 0.144
T12 Accountability 0.136	T12 Accountability 0.143
T7 General Management 0.097	T11 Inter-organizational Structure 0.120
	<u>T3 Conflict Resolution 0.110</u>
Peripheral Concepts	T20 Security 0.085
T16 Important for business 0.024	T19 Partnership Quality 0.001
T14 Outsourcing Management 0.004	T13 Policies 0.001
T15 Academic Topic 0.003	T7 General Management 0.001
<u>T17 Human Resources Management 0.002</u>	T5 Organizational Capability 0.000
T20 Security 0.000	T14 Outsourcing Management 0.000
	T15 Academic Topic 0.000
	T10 Internal Organizational Structure 0.000

Contract Management

The different levels of importance conveyed to contract management by academics and practitioners is perhaps the most surprising finding of this study. As one would expect, academics consider contract management a core concept when discussing IT Outsourcing Governance. Practitioners, on the other hand, consider contract management a peripheral concept. A possible explanation for this difference can be found by looking at the results of the Cutter survey discussed in Chapter 4. As shown in Figures 10 and 11, IT practitioners indicated that contract negotiation and management are largely handled by

the procurement department or high level executives that are unlikely to participate in the day to day management of the relationship. This could explain why practitioners that are actually in charge of managing the client-vendor relationship do not consider it to be a core concept, as they have little to no participation in the contract management process.

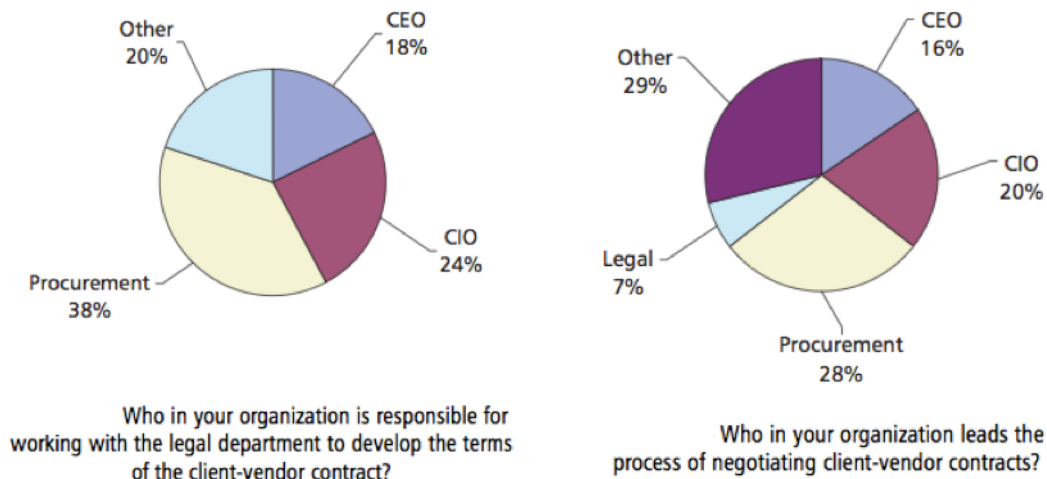


Figure 10 - Summary of results regarding contract management (Hirschheim et al., 2009)

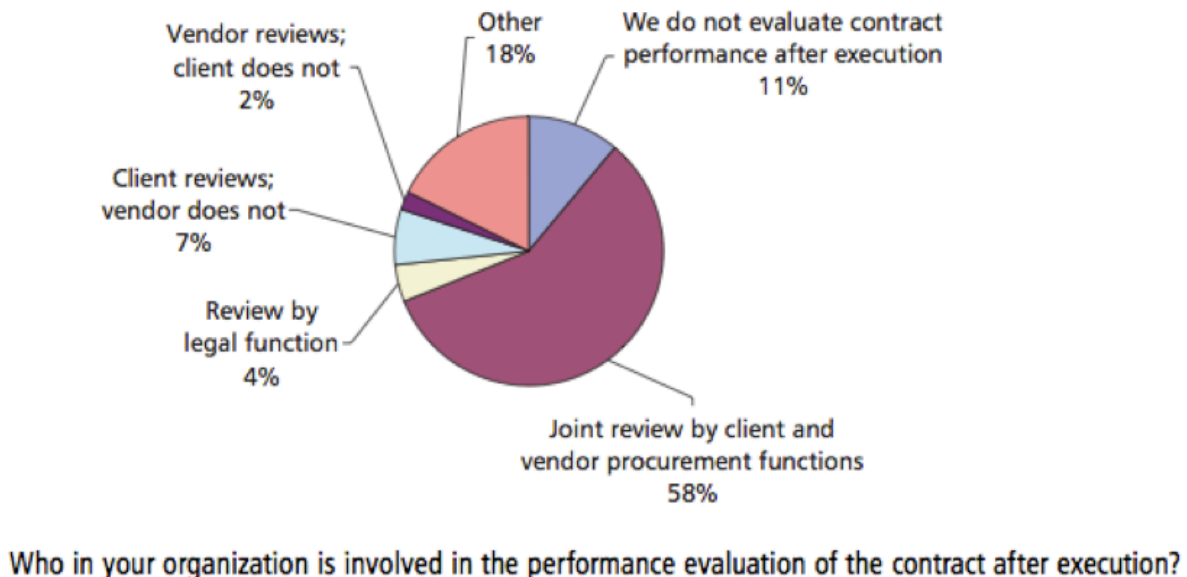


Figure 11 - Summary of results regarding contract management (Hirschheim et al., 2009)

These results seem to indicate that contract management may not be as important to practitioners directly involved in the management of the client-vendor relationship as academics think. This by no means implies that contract management is not an important contributor to the success of a sourcing arrangement, but it could shift the focus of study from contract characteristics (such as length, level of detail, etc.) to understanding who is participating in the contract management process and how that participation correlates with the success level of the sourcing arrangement.

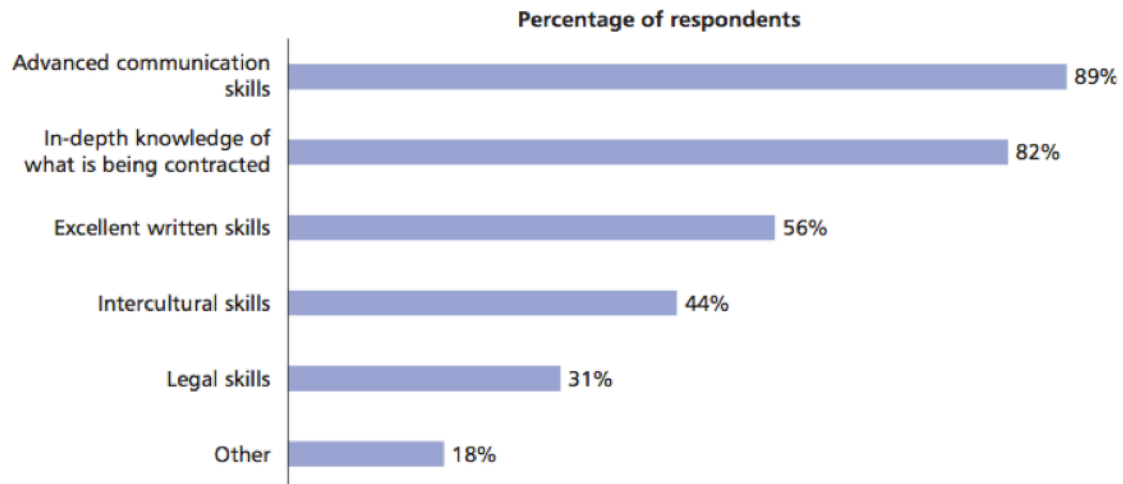
Human Resources

One would expect that human resources are an important concern for practitioners when managing outsourcing arrangements. It is surprising that academics almost completely ignored the topic when responding to the survey. A potential explanation for this difference could be that human resources are typically studied within management disciplines, rather than in IS, and research in that area could be considered peripheral to our discipline. Given the fact that practitioners consider human resources a core concept, and since IT Outsourcing Governance is inherently a social process, human resources should take a heightened role in academic research of IT Outsourcing Governance.

Communication

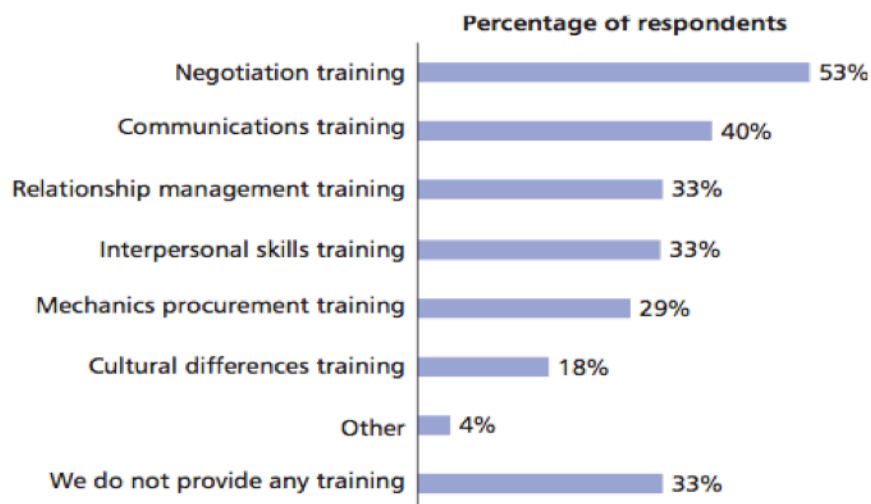
Common sense dictates that communication should be an important factor when carrying out an outsourcing arrangement. However, practitioners consider communication a peripheral concept of IT Outsourcing Governance, while academics consider communication to be a core factor. Once again, the results of the Cutter survey can be used to try to understand the reasoning behind this classification. Figures 12 and 13

below summarize the responses of practitioners when queried about the importance of communication for the success of the sourcing arrangement.



Which skills do you believe are required for an individual to manage the client-vendor relationship successfully?

Figure 12 - Summary of results regarding the importance of communication in the client-vendor relationship (Hirschheim et al., 2009)



What type of training does your organization provide to develop the skills required for an individual to manage the client-vendor relationship successfully?

Figure 13 - Summary of results regarding the importance of communication in the client-vendor relationship (Hirschheim et al., 2009)

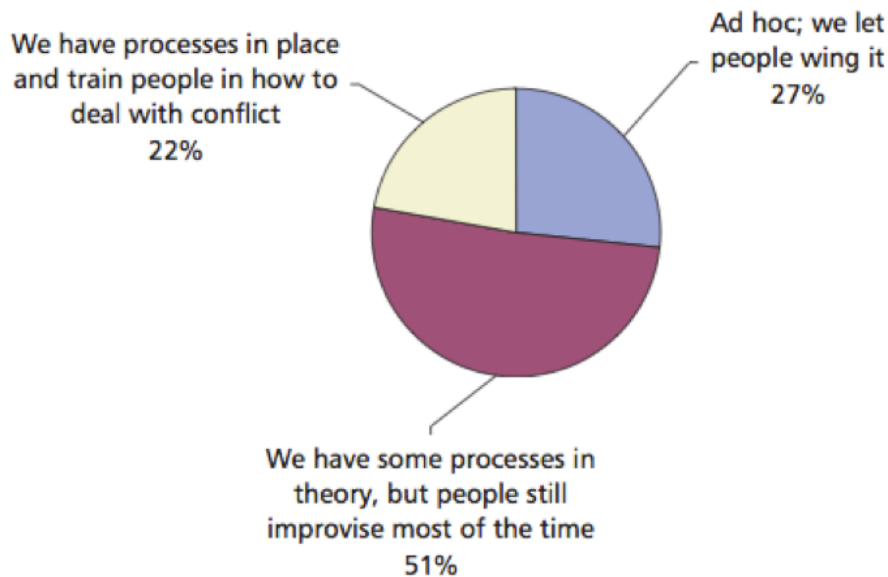
As the figures show, although practitioners consider communication to be a key factor for the success of a sourcing arrangement, only 40% of surveyed companies actually trained their employees to improve their communication skills. One could infer that practitioners are possibly taking communication skills for granted, rather than assigning it the level of importance that it should have. In this context, academics should strive to make their research regarding the benefits of effective communication more accessible to practitioners since communication is paramount for relationship management, and thus for IT Outsourcing Governance.

Conflict Resolution

This is another area in which there is a significant difference between academic and practitioner perspectives. One would expect that conflict resolution would be of particular importance in practice, although the results seem to contradict that assumption. Looking at the results from the Cutter survey once more could provide some illumination. Figure 14 summarizes the results obtained regarding conflict resolution.

As the results show, the majority of surveyed participants do not provide formal training to improve conflict resolution skills. Similar to the case with communication, conflict resolution skills might be another area that practitioners assume are unnecessary to develop in employees. The difference in the perceived importance of conflict resolution is an important finding that could indicate a disconnect between academic research and practice. The disconnect could be caused by a dearth of research in this area, coupled with practitioners not having access to articles that highlight the importance

of conflict resolution for the development of a successful relationship in a sourcing arrangement.



How do you currently address conflicts that arise between your organization and the other party?

Figure 14 - Summary of results - Conflict Resolution
(Hirschheim et al., 2009)

Argument Mapping vs. Social Representations

The results of the argument mapping methodology and the social representations surveyed proved to be fairly consistent. Argument mapping is a valuable tool for discourse analysis that facilitated the identification of relevant topics or dimensions. However, one cannot infer importance of a concept through argument mapping. In this context, the use of the core/periphery analysis filled that void by eliciting the degree of coreness of each concept. Although there is not a perfect match between the results of both methodologies, the high level of consistency between them is significant.

Taken together, the results gleaned from each technique provide a much richer insight into the nature of IT Outsourcing Governance. Argument mapping provides a summary of the discourse surrounding IT Outsourcing Governance in the academic literature, while core/periphery analysis not only provides validation to the argument mapping results, but also enhances those results by adding levels of importance or coreness to each concept. Consequently, academics can use these results to help guide the development of new research strategies that would focus on the understanding of the elicited core/periphery structure for IT Outsourcing Governance.

ORM Tools and IT Outsourcing Governance

Outsourcing Relationship Management (ORM) tools offer monitoring capabilities and analytics tools that organizations utilize to measure the performance of the outsourcing arrangement and manage the client-vendor relationship. However, as shown in Chapter 5, the adoption of these tools remains surprisingly low.

The ORM tools analyzed in the work (Janeeva, Enlighta, EquaSiis, and Hiperos) proved to be extremely sophisticated and powerful tools. Reviewing the list of features and capabilities of the respective tools, one finds that they cover most of the topics that were found to be relevant for IT Outsourcing Governance that were identified through argument mapping and social representations. Since the features offered by the ORM tools seem to match the dimensions found to be relevant for IT Outsourcing Governance, it is worth discussing possible explanations as to why their adoption in industry is so low (Hirschheim et al., 2009).

As one would expect, the features of the tools are developed around functions that can be easily quantified and automated. Thus, most of the functionality found revolves

around contract management, compliance, and progress reports. This level of functionality, coupled with the fact that the procurement department plays a major role in the management of these functions, could provide some insights into the low level of adoption of ORM tools. There seems to be a disconnect or mismatch between the target audience for these tools (personnel in charge of the day-to-day management of a sourcing arrangement) and the functionality provided. One could make the argument that ORM tools are better suited to support of the procurement department operations, and not the needs of an IT manager.

Although all the tools analyzed had some functionality aimed at improving communication between client and vendor, relationship management is a highly subjective, informal process that cannot be packaged into a software module. Thus, IT managers whose jobs are focused on the management of the relationship between client and vendors might see little value in using one of these tools to perform their jobs. If, on the other hand, an IT manager has a larger role in contract negotiation and management, and handling conflict resolution, these tools could offer added value since they provide a snapshot view of the sourcing arrangement.

Theoretical/Philosophical Foundation to Justify the Development of Partnerships in Outsourcing Arrangements

As shown in the literature review, there appears to be a consensus that developing partnerships when entering an outsourcing arrangement is the strategy that promotes the most ideal conditions for a successful client-vendor relationship. However, these findings have been largely based on empirical findings with little theoretical support.

One theoretical lens that could explain why partnerships are the most successful type of relationship is Habermas' Theory of Communicative Action (Habermas, 1984b). When we apply Habermas' theory to IT Outsourcing Governance we find that an outsourcing arrangement that is not established as a partnership is built on the foundation of *strategic action*, where ego, self-interest, and hidden agendas are the drivers of the communication between client and vendor. As such, client and vendor will soon find themselves "misaligned" regarding goals, expectations, culture, et cetera. On the other hand, an outsourcing arrangement that is established as a partnership is developed upon *communicative action*, where the goal is the achievement of understanding where "to reach understanding means that the partners in interaction set out, and manage to convince, each other, so that their action is coordinated on the basis of motivation through reason" (Brand, 1990).

The coordination mechanism of communicative action differs from that of strategic action in that the latter is based on egocentric calculations and is coordinated on the basis of a communion of interests (as is exemplified in market economies), whereas the former is based on the pure force of the better argument. Not that communicative action nullifies individualistic motivations, but in communicative action, these ends are subjugated to the use of language in a manner that is oriented towards achieving understanding. The essential difference is that in strategic action, ego influences the choice/decision not through criticizable claims couched in language but by sanctions, or gratifications, force, or money.

Therefore, by moving from strategic action to communicative action, the emphasis of the relationship moves from one of pure financial consideration to the

achievement of common understanding, all while supporting individualistic motivations. This change in focus helps us understand why outsourcing arrangements that have developed into partnerships have been found to be more successful than those that have not developed into partnerships. Consequently, it may be worth exploring which organizational contexts and communication techniques promote the development of communicative actions between parties engaged in a sourcing arrangement.

CHAPTER 7: CONCLUSION

The objective of this study is to improve our understanding of IT Outsourcing Governance, which has become an increasingly significant topic in recent years (Dibbern et al., 2004). To better understand this phenomenon, a comprehensive framework for IT Outsourcing Governance was created and then used to analyze how academics and practitioners conceptualize IT Outsourcing Governance through the use of core/periphery analysis. In addition, a review of existing technology (ORM tools) developed specifically to manage outsourcing arrangements has been performed in order to better understand the alignment between technology and management practices.

An extensive literature review was performed and analyzed with argument mapping in order to create the comprehensive framework for IT Outsourcing Governance. Argument mapping proved to be a very useful discourse analysis tool that was perfectly suited for the objective of this work. As the results showed, the process of argument mapping helped elicit the different factors that academics considered relevant when discussing IT Outsourcing Governance. One of the most striking outcomes of the argument mapping process was the uncovering of the dual nature of IT Outsourcing Governance, which is composed of a formal dimension dealing with governance structures and control, and an informal dimension that deals predominantly with relationship management. The observed duality of IT Outsourcing Governance is a key finding of this work because it provides a better understanding of the concept and presents a sharp contrast to the traditional view of IT Governance. Consequently, a new definition of IT Outsourcing Governance has been proposed in order to reflect the dual nature that was uncovered by the IT Outsourcing Governance framework. The new

definition proposes that *IT Outsourcing Governance is the process of defining decision rights within an accountability framework that is continuously shaped by social interaction. It determines the rules, processes, performance metrics, roles and organizational structures needed for effective management of the client-vendor relationship*. This conceptualization of IT Outsourcing Governance represents a shift in the focus of IT Outsourcing Governance and a departure from the traditional governance approach championed by Weill and Ross (2008), which is based on a structure-goal alignment perspective, to a relationship-centric perspective that focuses attention on the social aspect of governance and how human interaction and organizational contexts influence relationship management and governance structures.

In addition to the argument maps, a social representations survey was performed in order to elicit differences in the conceptualization of IT Outsourcing Governance between academics and practitioners. The results of the survey were used to perform a core/periphery analysis in order to determine core and peripheral concepts used by academics and practitioners when discussing IT Outsourcing Governance. The core topics identified by the analysis show a high degree of overlap with the framework that was developed from the findings resulting from the argument mapping technique. In addition, several differences in conceptualization were observed between academics and practitioners that could give rise to new research opportunities. In particular, the differences observed with respect to contract management, and the role of IT practitioners in their crafting, negotiation, and management, is worth further exploration.

The widespread adoption of outsourcing as a common management practice has created, as a byproduct, a new market of tools designed to aid organizations in the

management of outsourcing arrangements. These tools, collectively categorized as “Outsourcing Relationship Tools,” have been analyzed in this work in order to better understand their capabilities. The results of the analysis show that ORM tools have been designed to mainly address the formal dimension of IT Outsourcing Governance, as they focus on the development of status reports, compliance, automated notifications, etc., rather than on the informal aspects of relationship management, such as informal communication and informal resolution of conflicts. According to the results obtained from the Cutter survey, a previous study that explored the intricacies of the client-vendor relationship, (Hirschheim et al., 2009) these tools seem better suited to manage the functions performed by the procurement department, than to support the day-to-day management of the client-vendor relationship.

Implications for Research

This work has several implications for research that have been briefly discussed in previous chapters.

First, argument mapping has been demonstrated as a useful tool to elicit relevant dimensions of a concept through the analysis of existing literature. Argument mapping is a discourse analysis tool that researchers should consider adding to their set of tools for discourse analysis.

Second, the results from the core/periphery analysis highlighted significant differences in conceptualization between academics and practitioners. These differences are worth exploring with further research into the topics of contract management, communication, and conflict resolution. The difference in conceptualization surrounding

the importance of contract management is one of the most relevant results of this work and could create a new stream of research focused on exploring the role that IT managers and other personnel involved in the day-to-day management of the client-vendor relationship have during contract negotiation, management, execution and evaluation.

Third, a new definition for IT Outsourcing Governance has been provided based on the results of the argument mapping analysis. This new definition, based on Giddens' structuration theory, proposes a new perspective to understand IT Outsourcing Governance, with relationship management at its core. In this context, academics might embark upon new streams of research focused on how human interaction and organizational contexts help shape the governance structure of an outsourcing arrangement. For example, academics could better study the dynamics between the IT and the procurement departments of an organization during the negotiation and management of a sourcing arrangement. The findings of this work seem to indicate that in actuality, the procurement department dominates contract negotiation, execution and evaluation with limited participation from the IT department.

Fourth, a new theoretical lens has been provided to better understand the evolution of a relationship into a partnership. This new lens is Habermas' theory of communicative action. Using this lens, the conditions for the creation of a partnership are met when the parties achieve communicative actions as opposed to strategic action, which dominates most commercial transactions. Thus, academics may wish to study which social interactions, cultural factors, and organizational contexts promote communicative action, which in turn will lead to development of a partnership. For instance, academics could study the impact of communication training, and partnership-

building activities, such as inter-organizational cross-training of employees, in companies engaged in sourcing arrangements.

Finally, academics might investigate factors surrounding the adoption of the ORM tools used to manage outsourcing relationships. The results of this work indicate that there might be a lack of alignment between the features offered by ORM tools and the functions performed by IT managers. In this context, further studies are necessary to better understand the reasons underlying the observation that the adoption of ORM tools is low among practitioners.

Implications for Practice

The results of this study may be highly relevant to practitioners involved in outsourcing arrangements. The implications for practice can thus be summarized as follows.

First, practitioners may want to review the role of the procurement department. As the results show, the procurement department may be impeding effective management of the client-vendor relationship by taking responsibilities that are better suited to IT managers.

Second, managers in charge of the client-vendor relationship should emphasize skill development for relationship management, particularly since it is at the core of IT Outsourcing Governance. In particular, practitioners should emphasize communication and conflict resolution skills that are often taken for granted or assumed to exist.

Finally, the utilization of ORM tools may be beneficial for managers that actively participate in contract management, conflict resolution, and performance evaluation.

Limitations of the Study

The limitations to this study are placed in the following categories:

- Scope
 - The different dimensions of IT Outsourcing Governance were elicited from the academic and practitioner literature using an approach other than the traditional method of administering surveys to key stakeholders and performing a factor analysis to elicit relevant dimension of the latent construct. Although the conceptualizations of practitioners and academics were captured in the core/periphery analysis and were used to “validate” the framework, this limited participation of key stakeholders could be seen as a limitation since the social representation technique used to elicit core and peripheral concepts produces extremely short responses that require the interpretation of the responses from the researchers.
 - The analysis of ORM tools is limited to the consideration of how their respective features cover the different dimensions of IT Outsourcing Governance. Other possible reasons that could hinder the adoption of ORM tools, such as price, ease of use, compatibility with existing systems, etc. were not included in this study. Additionally, only a subset of ORM tools was analyzed, rather than all available ORM tools in the market.
- Generalizability
 - The study takes a novel approach to identifying the different dimensions of IT Outsourcing Governance. This predominantly interpretivist approach, based on

argument mapping, and validated by core/periphery analysis, may not be well received by an audience with a more positivistic viewpoint.

- The survey performed for the social representations analysis only included 31 academics (considered experts in their field), and 29 practitioners that are actively working on outsourcing arrangements. This sample may not be representative of the whole population, and thus, the results might not generalize in the positivistic sense.

Concluding Thoughts

As the use outsourcing continues to grow and evolve, there is a clear and increasing need to better understand how to effectively govern the increasingly complex set of vendors, clients, users, etc., who are involved in and affected by an outsourcing arrangement.

Hopefully, this study has articulated why IT Outsourcing Governance is an important area of study, and what concepts/constructs need to be examined in order to better understand it.

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APPENDIX A – SOCIAL REPRESENTATIONS SURVEY

Survey Instrument

The instrument used in this study is shown in the figures below.

Q5 This is a voluntary survey. Please click here in order to read the consent form. By answering yes to this question, you agree to voluntarily participate in this study.

- ☐ Yes
- ☐ No

Answer If Consent Form - Outsourcing Governance - Fall 2011<o:p><... Yes Is Selected

Q1 What best describes your Job?

- ☐ Academic
- ☐ IT Manager Professional
- ☐ Other _____

Answer If Consent Form - Outsourcing Governance - Fall 2011<o:p><... Yes Is Selected

Q8 What is your primary role in the client-vendor relationship within Outsourcing Arrangements?

- ☐ Client
- ☐ Vendor
- ☐ Researcher
- ☐ Other _____

Answer If Consent Form - Outsourcing Governance - Fall 2011<o:p><... Yes Is Selected

Q3 How long have you been involved in outsourcing in your present and past organizations?

- ☐ Between 1 and 5 years
- ☐ Between 6 and 10 years
- ☐ More than 10 years

Figure 15 - Survey Instrument - Part 1

Answer If Consent Form - Outsourcing Governance - Fall 2011<o:p><... Yes Is Selected

Q7 What type of IT Outsourcing services do you have experience with? (Select all that apply)

- ☐ Application/software development
- ☐ Web development/hosting
- ☐ Application support or management
- ☐ Technical support/help desk
- ☐ Database development/management
- ☐ Telecommunications
- ☐ Infrastructure
- ☐ Other _____

Answer If Consent Form - Outsourcing Governance - Fall 2011<o:p><... Yes Is Selected

Q2 Please write down three words or phrases that come to mind when you hear the term "Outsourcing Governance"

First word or phrase
Second word or phrase
Third word or phrase

Answer If Consent Form - Outsourcing Governance - Fall 2011<o:p><... Yes Is Selected

Q6 What do you consider to be the most challenging aspect(s) of IT outsourcing governance?

Figure 16 - Survey Instrument - Part 2

Summary of Results

A summary of the responses to the survey is given in the tables below. The summary includes type of job, years of experience, role performed in the outsourcing arrangement, types of services used/provided, or research areas in the case of academics.

Table 7 - Job Description

#	Answer		Response	%
1	Academic		31	52%
2	IT Professional		15	25%
3	Other		14	23%
	Total		60	100%

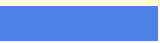

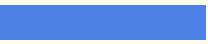
Table 8 - Role in Outsourcing Arrangement

#	Answer		Response	%
1	Client		18	30%
2	Vendor		7	12%
3	Researcher		30	50%
4	Other		5	8%
	Total		60	100%

Table 9 - Areas of Expertise/Research

#	Answer		Response	%
1	Application/software development		46	77%
2	Web development/hosting		29	48%
3	Application support or management		31	52%
4	Technical support/help desk		21	35%
5	Database development/management		26	43%
6	Telecommunications		22	37%
7	Infrastructure		27	45%
8	Other		6	10%

Table 10 - Years of Experience in Outsourcing

#	Answer		Response	%
1	Between 1 and 5 years		20	33%
2	Between 6 and 10 years		14	23%
3	More than 10 years		26	43%
	Total		60	100%

APPENDIX B – IAS MATRICES

The IAS matrices used for the core/periphery analysis are shown in the tables below.

Table 11 - IAS Matrix - Academics

	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	T12	T13	T14	T15	T16	T17	T18	T19	T20	Total
T1	1.000	0.333	0.167	0.118	0.000	0.133	0.000	0.167	0.077	0.083	0.000	0.077	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.155
T2	0.333	1.000	0.167	0.118	0.000	0.214	0.000	0.000	0.000	0.000	0.154	0.083	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.069
T3	0.167	0.167	1.000	0.000	0.000	0.000	0.000	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.534
T4	0.118	0.118	0.000	1.000	0.167	0.143	0.000	0.000	0.000	0.000	0.067	0.067	0.067	0.000	0.000	0.071	0.000	0.167	0.077	0.000	1.062
T5	0.000	0.000	0.000	0.167	1.000	0.286	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.200	0.000	0.000	0.653
T6	0.133	0.214	0.000	0.143	0.286	1.000	0.000	0.000	0.000	0.000	0.091	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.867
T7	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.333	0.000	0.111	0.000	0.125	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.569
T8	0.167	0.000	0.200	0.000	0.000	0.000	0.000	1.000	0.000	0.400	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.767
T9	0.077	0.000	0.000	0.000	0.000	0.000	0.333	0.000	1.000	0.111	0.100	0.000	0.222	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.843
T10	0.083	0.000	0.000	0.000	0.000	0.000	0.000	0.400	0.111	1.000	0.000	0.000	0.111	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.705
T11	0.000	0.154	0.000	0.067	0.000	0.091	0.111	0.000	0.100	0.000	1.000	0.000	0.143	0.000	0.000	0.000	0.000	0.000	0.100	0.000	0.766
T12	0.077	0.083	0.000	0.067	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.427
T13	0.000	0.000	0.000	0.067	0.000	0.000	0.125	0.000	0.222	0.111	0.143	0.200	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.868
T14	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
T15	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000
T16	0.000	0.000	0.000	0.071	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.071
T17	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000
T18	0.000	0.000	0.000	0.167	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.500	0.000	0.867
T19	0.000	0.000	0.000	0.077	0.000	0.000	0.000	0.000	0.000	0.000	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.500	1.000	0.000	0.677
T20	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000

Table 12 - IAS Matrix – Industry

	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10	T11	T12	T13	T14	T15	T16	T17	T18	T19	T20	Total
T1	1.000	0.182	0.222	0.077	0.000	0.077	0.000	0.000	0.455	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.091	0.167	0.000	0.000	1.271
T2	0.182	1.000	0.222	0.000	0.000	0.000	0.000	0.222	0.091	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.083	0.000	0.000	0.800
T3	0.222	0.222	1.000	0.000	0.000	0.000	0.000	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.644
T4	0.077	0.000	0.000	1.000	0.000	0.308	0.000	0.000	0.077	0.000	0.091	0.091	0.000	0.000	0.000	0.083	0.182	0.417	0.000	0.100	1.426
T5	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
T6	0.077	0.000	0.000	0.308	0.000	1.000	0.000	0.000	0.000	0.000	0.111	0.111	0.000	0.000	0.000	0.100	0.200	0.154	0.000	0.100	1.161
T7	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
T8	0.000	0.222	0.200	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.222	0.000	0.000	0.644
T9	0.455	0.091	0.000	0.077	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.091	0.000	0.167	0.000	0.000	0.881
T10	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
T11	0.000	0.000	0.000	0.091	0.000	0.111	0.000	0.000	0.000	0.000	1.000	0.333	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.167	0.702
T12	0.000	0.000	0.000	0.091	0.000	0.111	0.000	0.000	0.000	0.000	0.333	1.000	0.000	0.000	0.000	0.000	0.000	0.091	0.000	0.000	0.626
T13	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
T14	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
T15	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000
T16	0.000	0.000	0.000	0.083	0.000	0.100	0.000	0.000	0.091	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.125	0.077	0.000	0.000	0.476
T17	0.091	0.000	0.000	0.182	0.000	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125	1.000	0.167	0.000	0.000	0.765
T18	0.167	0.083	0.000	0.417	0.000	0.154	0.000	0.222	0.167	0.000	0.000	0.091	0.000	0.000	0.000	0.077	0.167	1.000	0.000	0.000	1.545
T19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.000	0.000
T20	0.000	0.000	0.000	0.100	0.000	0.100	0.000	0.000	0.000	0.000	0.167	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000	0.367

APPENDIX C – IRB APPROVAL

The authorization form for the collection of data from human subjects is found in the figure below.

Unless qualified as meeting the specific criteria for exemption from Institutional Review Board (IRB) oversight, ALL LSU research/projects using living humans as subjects, or samples or data obtained from humans, directly or indirectly, with or without their consent, must be approved or exempted in advance by the LSU IRB. This Form helps the PI determine if a project may be exempted, and is used to request an exemption.

203 B-1 David Boyd Hall
Baton Rouge, LA 70803
P: 225.578.8692
F: 225.578.6792
irb@lsu.edu | lsu.edu/irb

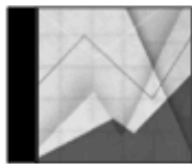
- Applicant, Please fill out the application in its entirety and include the completed application as well as parts A-E, listed below, when submitting to the IRB. Once the application is completed, please submit two copies of the completed application to the IRB Office or to a member of the Human Subjects Screening Committee. Members of this committee can be found at [http://appl003.lsu.edu/osp/osp.nsf/\\$Content/Humans+Subject+Committee?OpenDocument](http://appl003.lsu.edu/osp/osp.nsf/$Content/Humans+Subject+Committee?OpenDocument)
- A Complete Application Includes All of the Following:
 - (A) Two copies of this completed form and two copies of parts B thru E.
 - (B) A brief project description (adequate to evaluate risks to subjects and to explain your responses to Parts 1 & 2)
 - (C) Copies of all instruments to be used.
 - If this proposal is part of a grant proposal, include a copy of the proposal and all recruitment material.
 - (D) The consent form that you will use in the study (see part 3 for more information.)
 - (E) Certificate of Completion of Human Subjects Protection Training for all personnel involved in the project, including students who are involved with testing or handling data, unless already on file with the IRB.
Training link: (<http://cme.cancer.gov/clinicaltrials/learning/humanparticipant-protections.asp>.)

<p>1) Principal Investigator: <u>Santiago Pena</u> Rank: <u>Ph.D. Candidate</u></p> <p>Dept.: <u>ISDS</u> Ph: <u>2258102370</u> E-mail: <u>santiago@cct.lsu.edu</u></p> <p>2) Co Investigator(s): please include department, rank and e-mail for each If student, please identify and name supervising professor in this space <u>Professor Dr. Rudy Hirschheim - ISDS Department - rudy@lsu.edu</u></p> <p>3) Project <u>Social representation of Outsourcing Governance</u> Title: _____</p> <p>4) LSU Proposal?(yes or no) <u>no</u> If Yes, LSU Proposal Number _____ Also, if YES, either <input type="radio"/> This application completely matches the scope of work in the grant OR <input type="radio"/> More IRB Applications will be filed later</p> <p>5) Subject pool (e.g. Psychology Students) <u>Outsourcing Professionals</u> • Circle any "vulnerable populations" to be used: (children <18; the mentally impaired, pregnant women, the aged, other). Projects with incarcerated persons cannot be exempted.</p> <p>6) PI Signature <u>[Signature]</u> ** Date <u>8/21/2011</u> (no per signatures) **I certify my responses are accurate and complete. If the project scope or design is later changed I will resubmit for review. I will obtain written approval from the Authorized Representative of all non-LSU institutions in which the study is conducted. I also understand that it is my responsibility to maintain copies of all consent forms at LSU for three years after completion of the study. If I leave LSU before that time the consent forms should be preserved in the Departmental Office.</p> <p>***Effective August 1, 2007, all Exemptions will expire three years from date of approval, unless a continuation report, found on our website, is filed prior to expiration date***</p>	<p style="text-align: center;">Study Exempted By: Dr. Robert C. Matthews, Chairman Institutional Review Board Louisiana State University 203 B-1 David Boyd Hall 225-578-8692 www.lsu.edu/irb Exemption Expires: _____</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>IRB# <u>ES012</u> LSU Proposal# _____</p> <p><input checked="" type="checkbox"/> Complete Application</p> <p><input checked="" type="checkbox"/> Human Subjects Training</p> </div>
<p>Screening Committee Action: Exempted <input checked="" type="checkbox"/> Not Exempted _____ Category/Paragraph <u>2</u></p> <p>Reviewer <u>Matthews</u> Signature <u>[Signature]</u> Date <u>8/24/11</u></p>	

Figure 17 - IRB Exemption Form

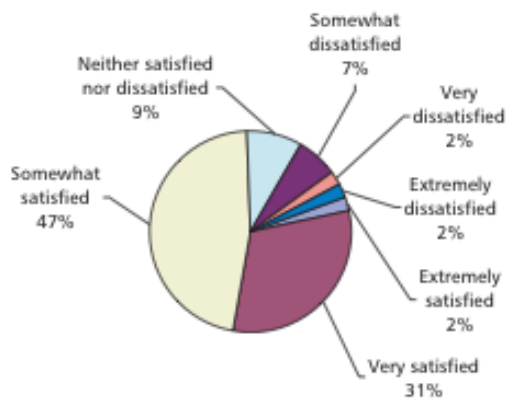
APPENDIX D – CUTTER SURVEY

The results of the survey performed in partnership with the Cutter Consortium, along with the authorization to use the results are shown in the figures below.

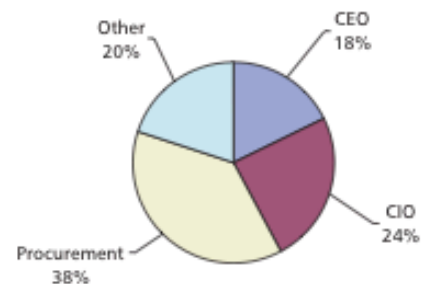


SURVEY DATA

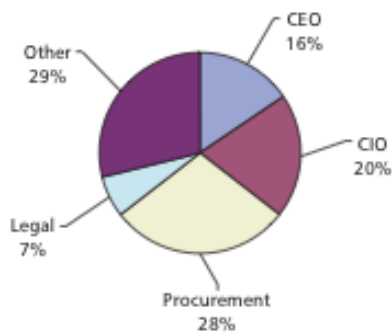
Client-Vendor Relationships



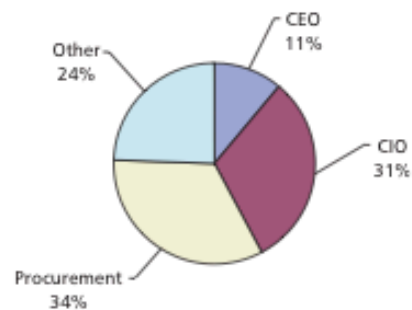
Graph 1 — How satisfied are you with your current client-vendor relationship?



Graph 2 — Who in your organization is responsible for working with the legal department to develop the terms of the client-vendor contract?



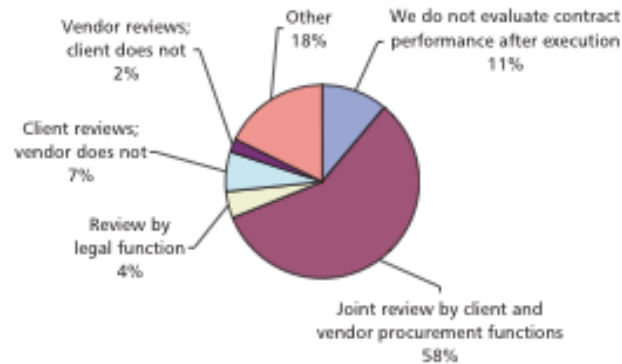
Graph 3 — Who in your organization leads the process of negotiating client-vendor contracts?



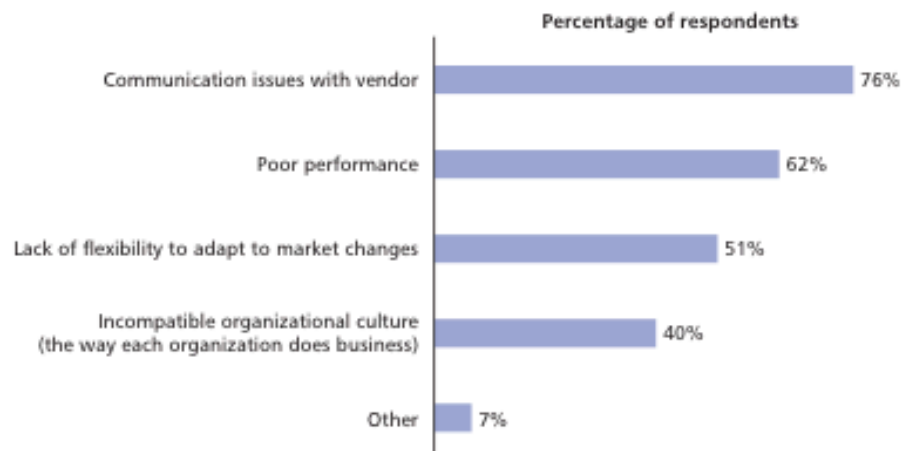
Graph 4 — Who in your organization is responsible for the execution of client-vendor contracts?

Figure 18 - Cutter Survey - Part 1

SURVEY DATA



Graph 5 — Who in your organization is involved in the performance evaluation of the contract after execution?

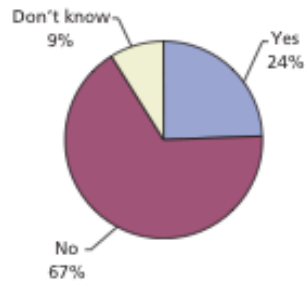


Graph 6 — What are the most common problems your organization has encountered in its client-vendor relationships?

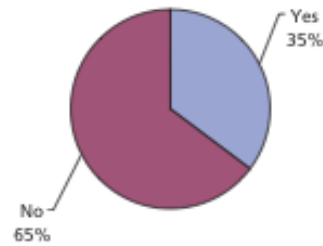


Graph 7 — What type of training does your organization provide to develop the skills required for an individual to manage the client-vendor relationship successfully?

Figure 19 - Cutter Survey - Part 2



Graph 8 — Do any of your organization's contracts contain provisions that would allow the vendor to share in client profits that are associated with vendor performance of the agreement?



Graph 9 — Would your organization consider contracts containing provisions that would allow the vendor to share in client profits that are associated with vendor performance of the agreement?



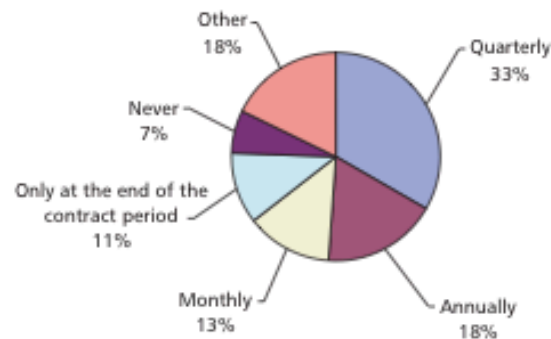
Graph 10 — Which of the following measures are used to evaluate the performance of the contract after execution?

SURVEY DEMOGRAPHICS

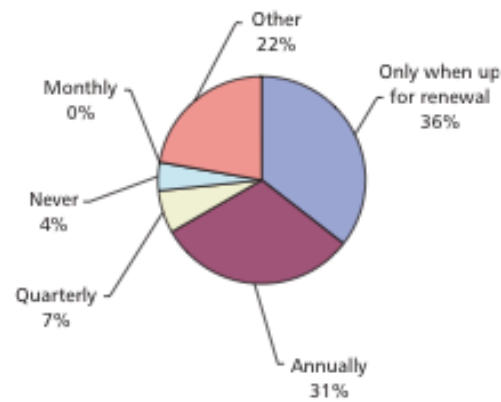
This survey investigated client-vendor contract and relationship management. Eleven percent of the 45 responding organizations have more than 50,000 employees, 7% have between 10,000 and 50,000 employees, 27% have between 1,000 and 10,000 employees, 36% have between 100 and 1,000 employees, and the remaining organizations have 100 or fewer employees. Fifty-eight percent of the responding organizations are headquartered or based in North America; 16% in Asia; 13% in Europe, the Middle East, and Africa; 11% in the Australia/Pacific area; and 2% in South America. Nine percent of the responding organizations have annual revenues of more than US \$10 billion, 22% have annual revenues between \$1 billion and \$10 billion, 11% have annual revenues between \$100 million and \$1 billion, 31% have annual revenues between \$10 million and \$100 million, 16% have annual revenues between \$1 million and \$10 million, and the remaining 11% have annual revenues less than \$1 million. Annual IT budgets range from less than \$100,000 (11%) to more than \$100 million (9%). Fifty-one percent of the respondents hold senior management/policy making or IS/IT management titles; 22% hold project management titles; and consulting, software engineering/programming, and marketing/sales are among the other titles held.

Figure 20 - Cutter Survey - Part 3

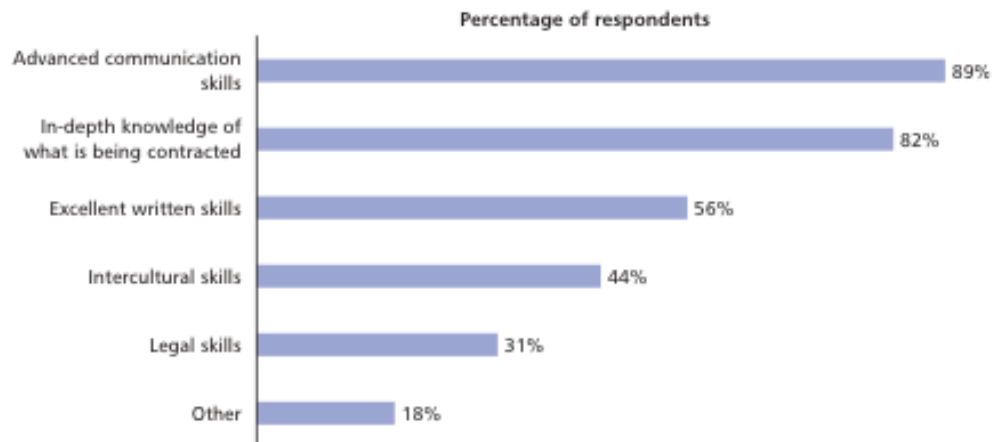
SURVEY DATA



Graph 11 — How often do both parties meet to evaluate the contract?

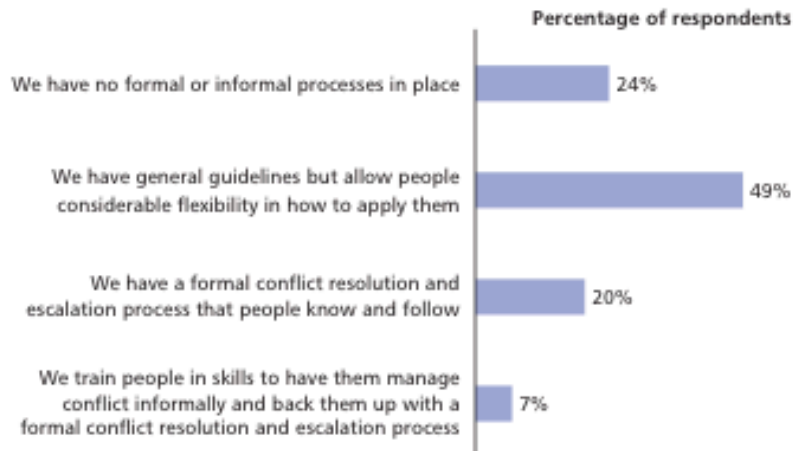


Graph 12 — How often is the contract modified to reflect changes in the business environment or overall business strategy?

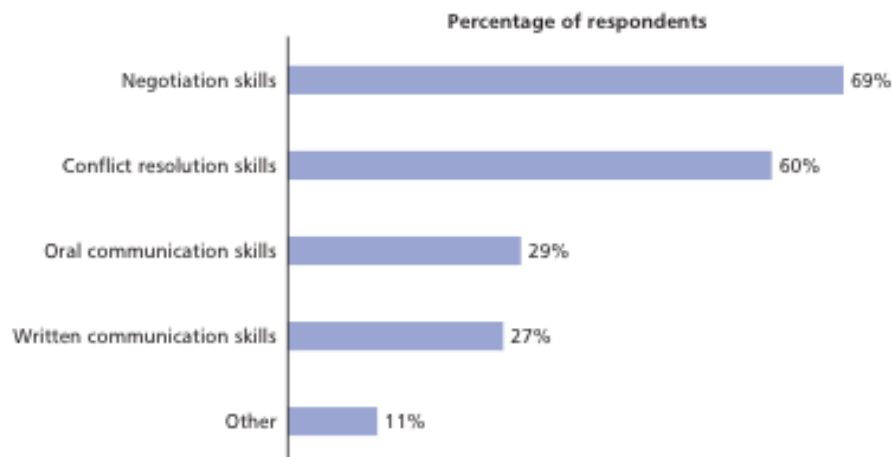


Graph 13 — Which skills do you believe are required for an individual to manage the client-vendor relationship successfully?

Figure 21 - Cutter Survey - Part 4



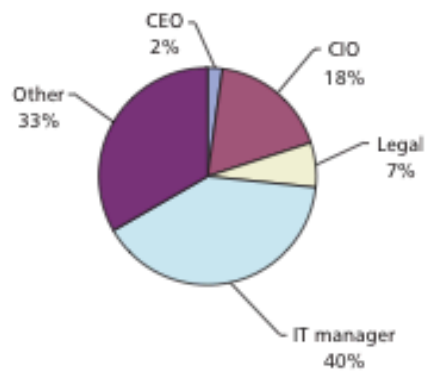
Graph 14 — What formal and informal processes, escalation paths, or other mechanisms do your people have access to in order to help them manage conflicts?



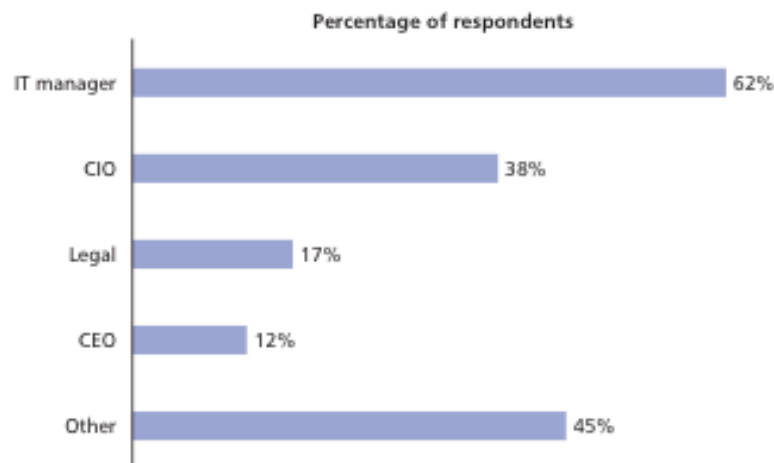
Graph 15 — Based on your organization's experience so far, which client-vendor relationship management skills do your employees still need to improve in the most?

Figure 22 - Cutter Survey - Part 5

SURVEY DATA



Graph 16 — Who in your organization is responsible for monitoring the performance of the contract after it is executed?

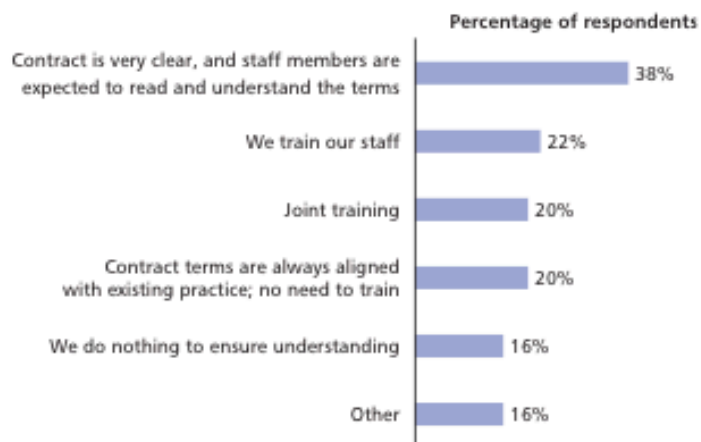


Graph 17 — Who are the key participants in these bipartisan meetings?

Figure 23 - Cutter Survey - Part 6



Graph 18 — How do you currently address conflicts that arise between your organization and the other party?



Graph 19 — How does your organization ensure that the terms of a newly signed contract are mutually understood and uniformly interpreted by both organizations' staff who were not party to the contract negotiations?

Figure 24 - Cutter Survey - Part 7

Cutter shall have the right to copyedit and to add to or delete any portion(s) of submitted manuscripts and other written materials to be supplied by you under this agreement for the purpose of fitting the manuscript, or correcting the grammar or improving the clarity of the text. Cutter shall retain ownership of all data collected in efforts pertaining to CBR, whether or not it is published in the journal. Cutter will make the data available to you, and to contributing authors, for use with proper attribution in research, publications, presentations, etc. outside the scope of CBR.

You agree that content you write per this agreement is work for hire and that Cutter owns the copyright to this content in all of its published forms including but not limited to print and online versions. You warrant and represent that all materials submitted to Cutter pursuant to this agreement are written solely or otherwise edited by you as works for hire and that you have full authority to make this agreement and to grant the rights granted in the above paragraph.

If you understand and agree with the terms set forth in this letter of agreement, please sign a copy and return it to me. We very much look forward to working with you!

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Fine Coburn". The signature is fluid and cursive, with the first and last names being more prominent.

Karen Fine Coburn
President
Cutter Information LLC

Figure 25 - Authorization to Use Survey Results

APPENDIX E – ARGUMENT MAPS

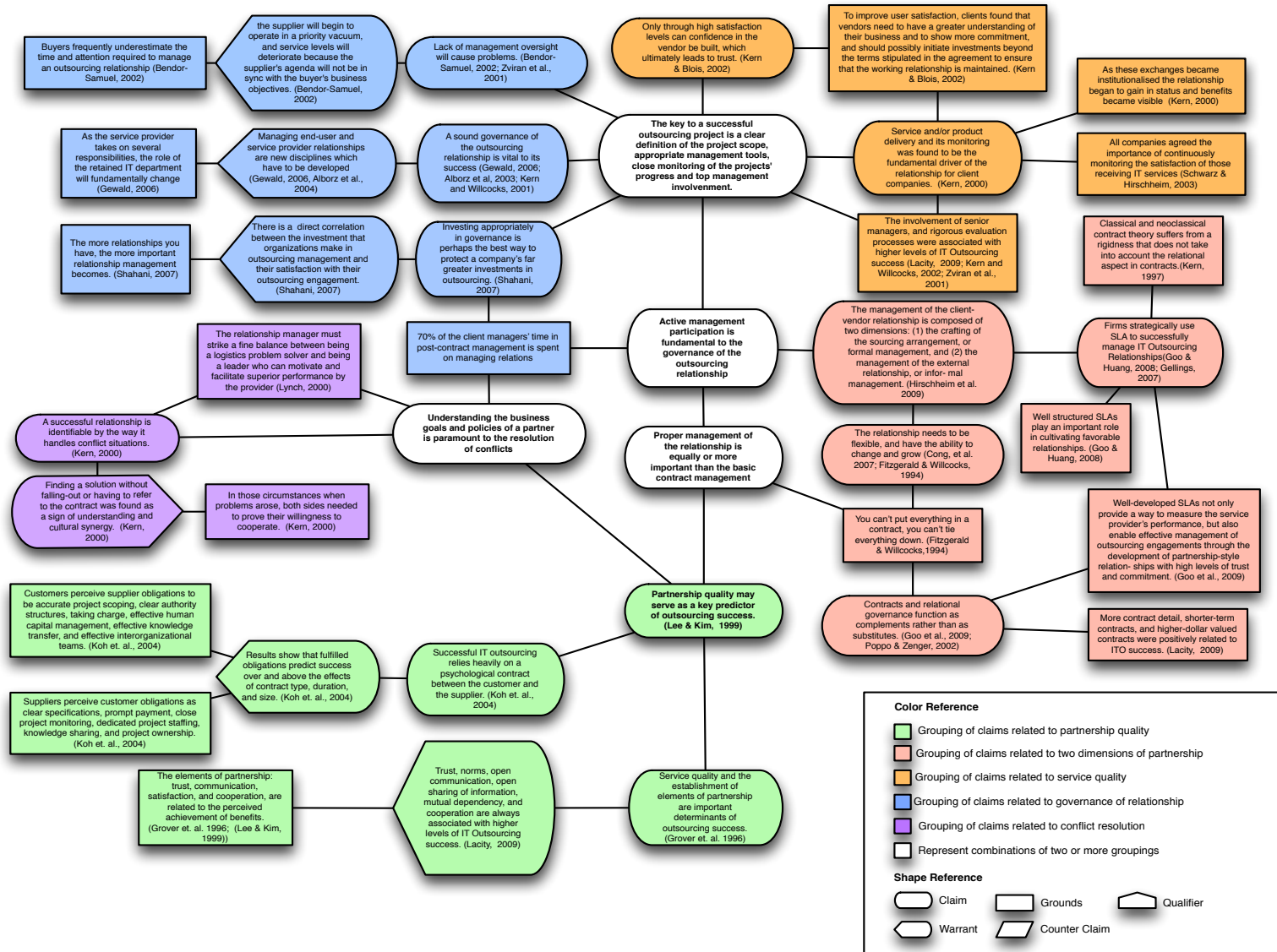


Figure 26 - Governance/Relationship Map

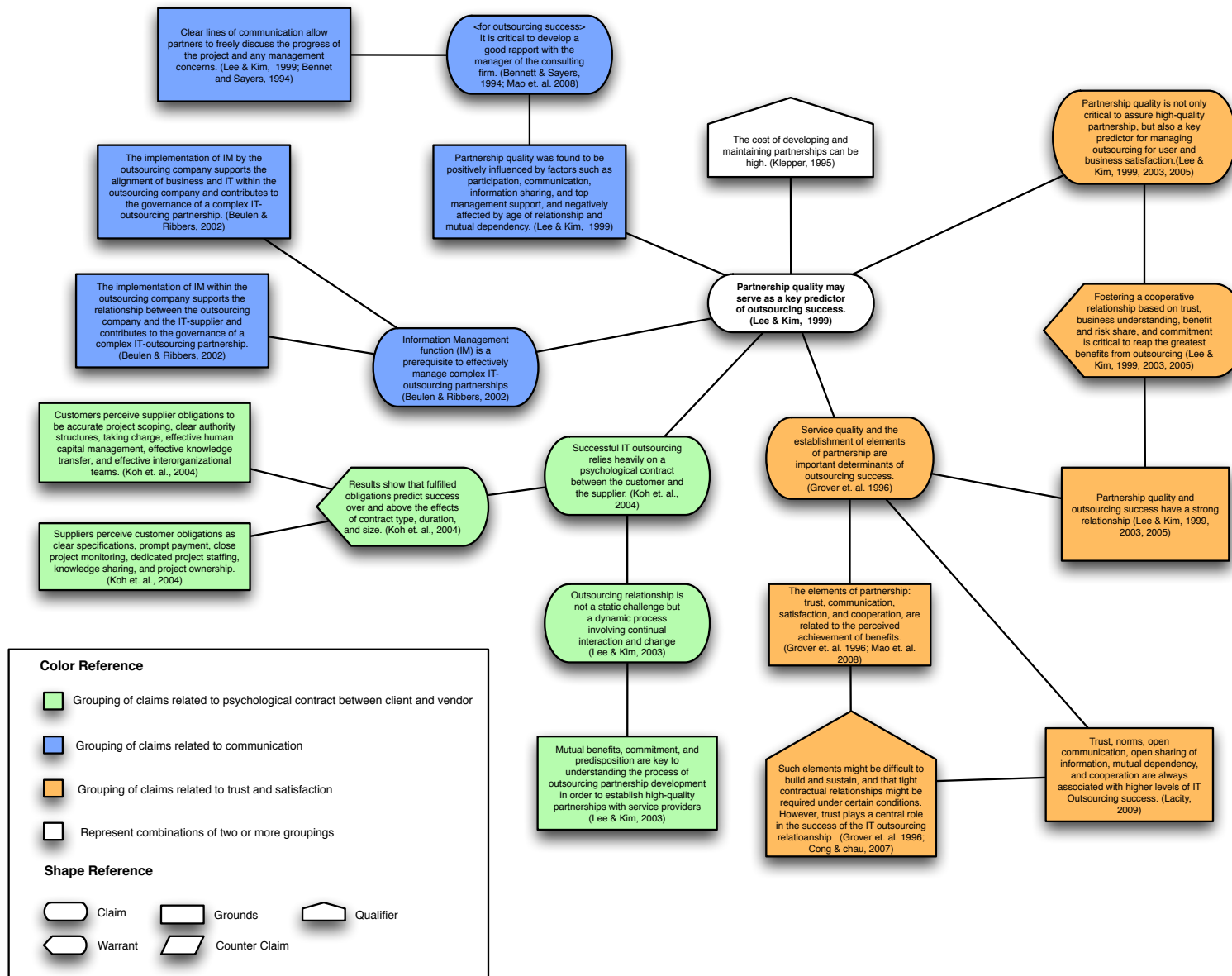


Figure 27 - Partnership Quality Map

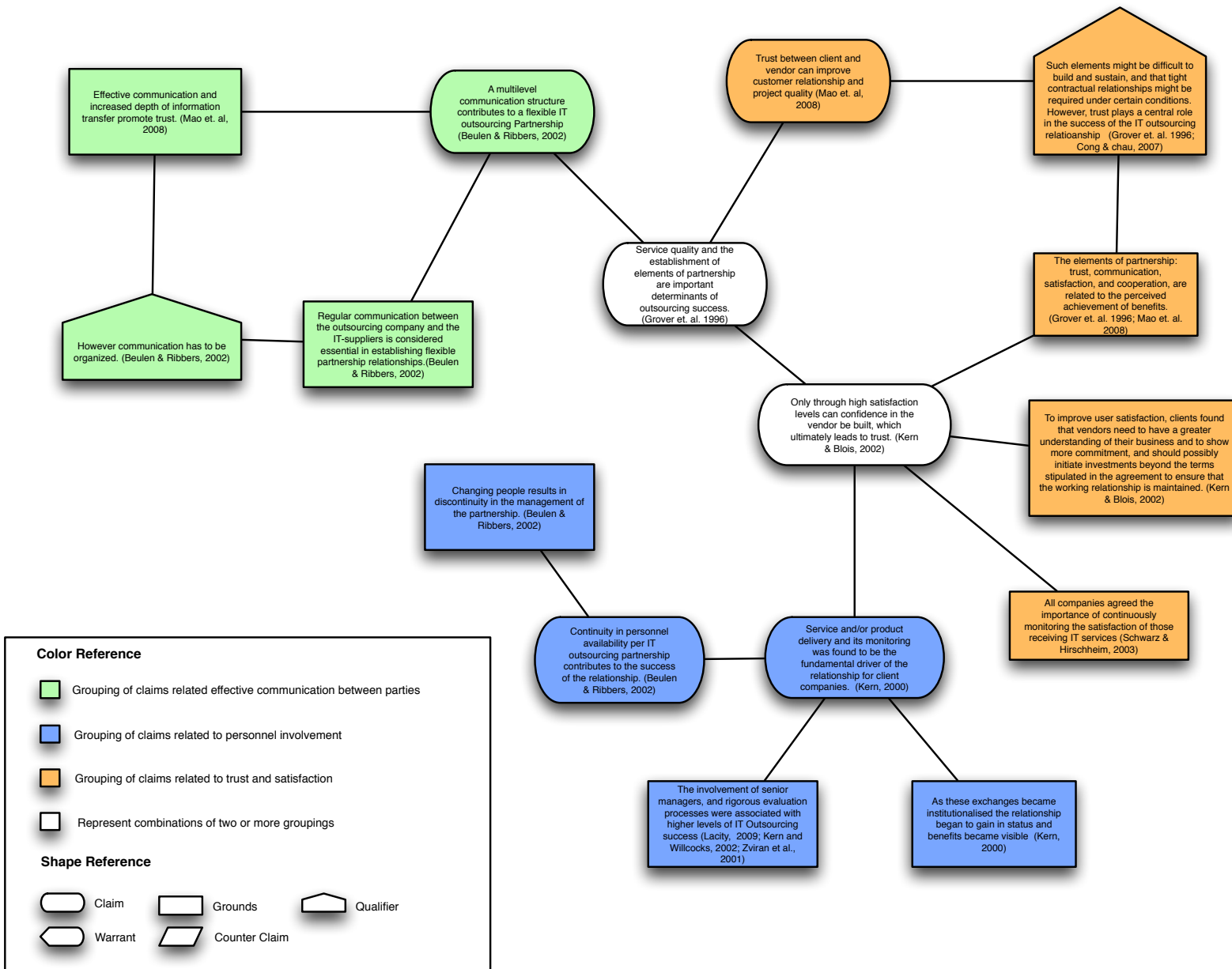


Figure 28 - Service Quality Map

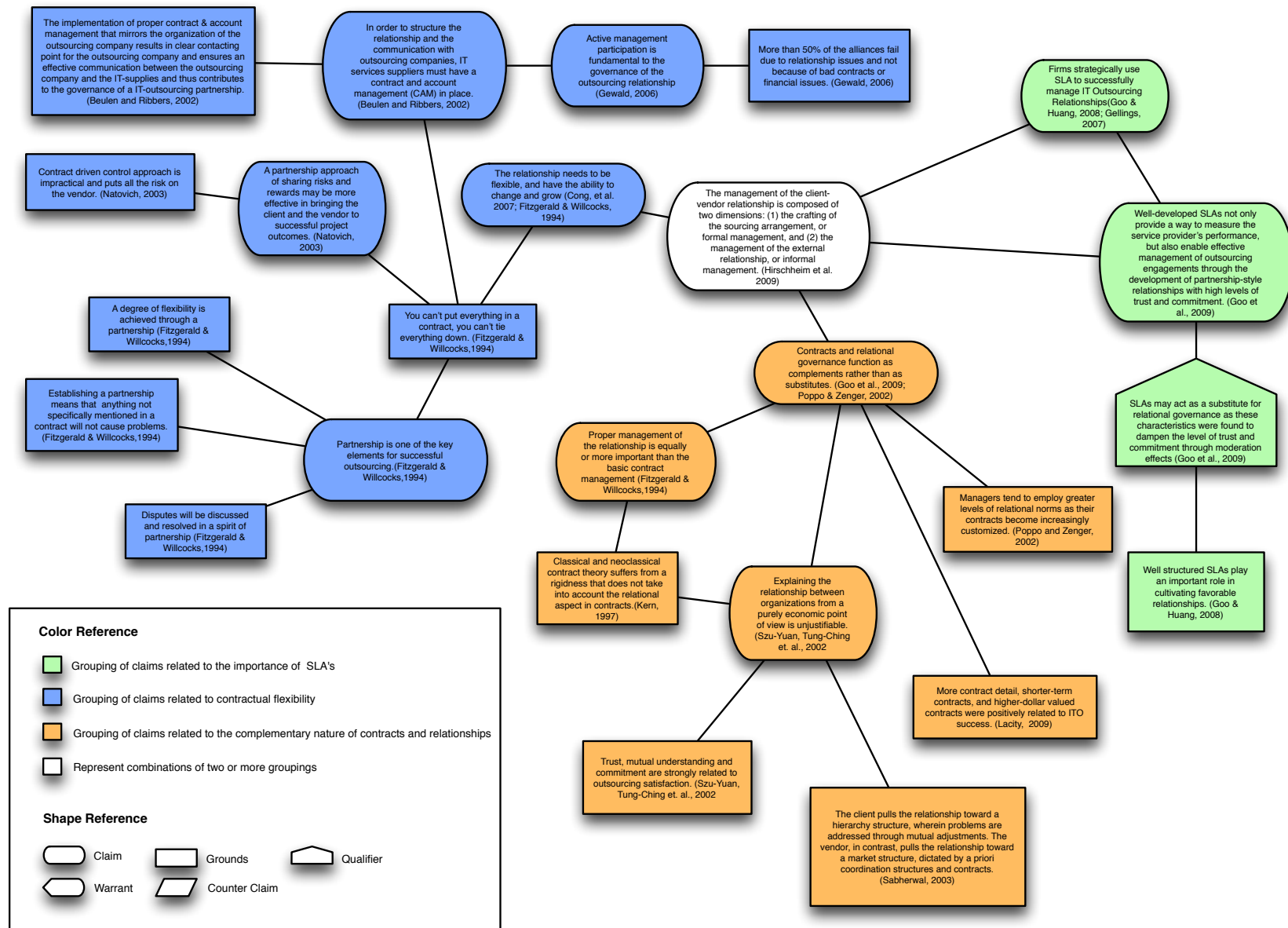


Figure 29 - Formal and Informal Control Map

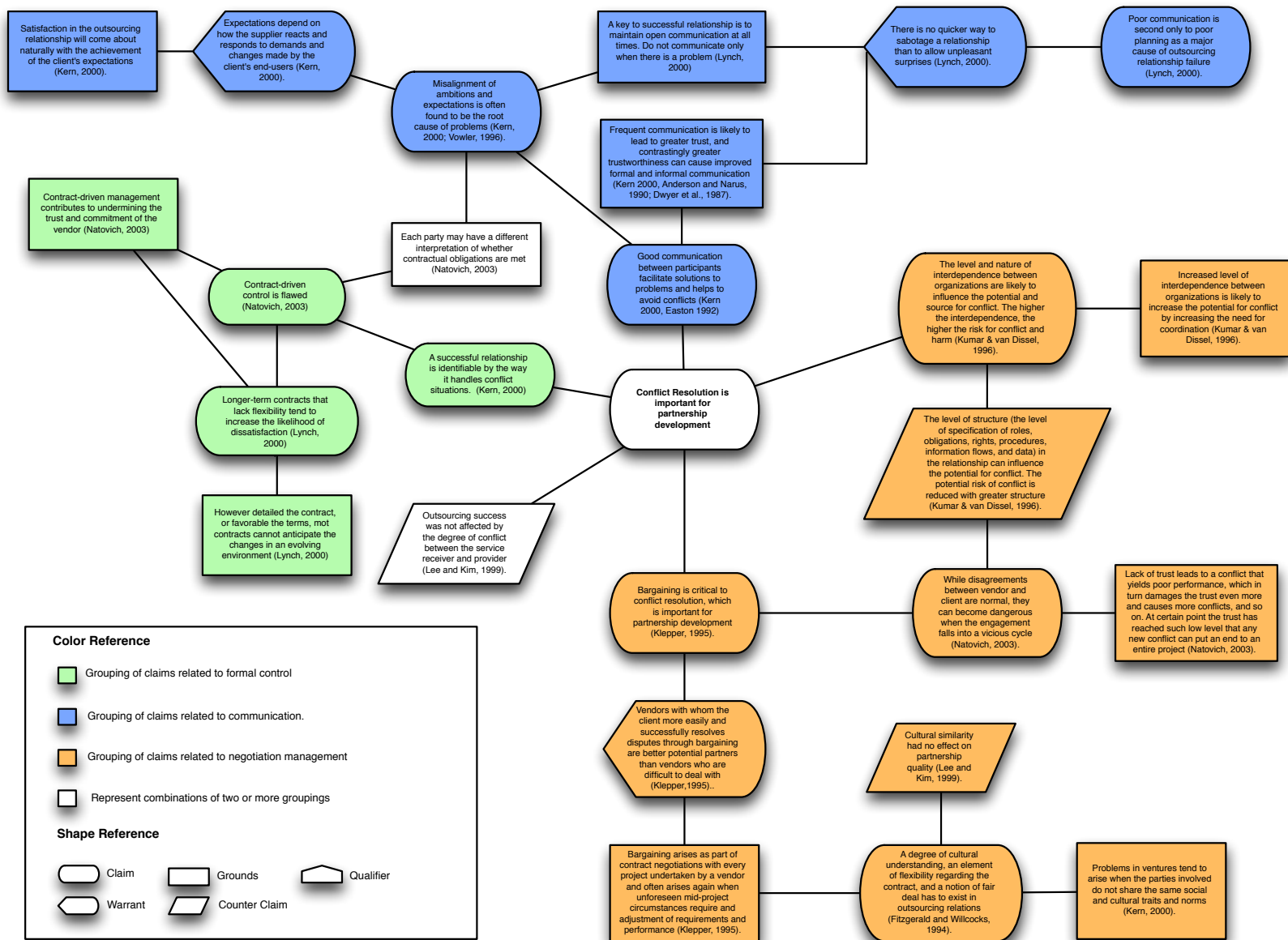


Figure 30 - Conflict Resolution Map

APPENDIX F – EXAMPLE OF ARTICLE ANALYSIS

In order to properly describe the methodology used to develop the argument maps for IT Outsourcing Governance, a step-by-step deconstruction of the arguments included in a paper is shown in order to demonstrate how claims, grounds, warrants and other argument components are identified. The article chosen for this purpose is “IT Outsourcing Success: A Psychological Contract Perspective” (Koh et al., 2004). This particular article was chosen because it presents a good example of a complete argument within a clear, well-defined topic.

Following the methodology depicted by Fletcher and Huff (1990a,b), the deconstruction of the argument occurs in 4 stages.

- First Pass: Read through the whole document, identifying topics, arguments, and the most obvious key claims.
- Second Pass: Mark all claims, and identify grounds for each claim.
- Third Pass: Within each argument, identify sub claims, elaborations and reiterations.
- Fourth Pass: Provide implicit warrants wherever they are not obvious.

First Pass

A comprehensive read of the document yields an obvious topic that is clearly stated in the abstract and introduction. In addition, the main claim of the article is also clearly stated. Relevant sections of the abstract and introduction are included below, with the main topic and claim in underlined text.

“The purpose of the current study is to present a new perspective on managing outsourcing by focusing on both customers and suppliers through the unique lens of psychological contracting. A psychological contract refers to an individual’s mental beliefs about his or her mutual obligations in a contractual relationship (Rousseau 1995). Psychological contract theory offers a highly relevant and sound theoretical lens for studying IT outsourcing management because of its three distinctive principles: (1) its focus on mutual (rather than one-sided) obligations between contractual parties, (2) its emphasis on psychological (as distinct from legal) obligations, and (3) its emphasis on an individual (rather than interorganizational) level of analysis (p. 357).”

After identifying the main topic of the article as described above, the main claim, or purpose of the article was also identified.

“...successful IT outsourcing relies heavily on a psychological contract between the customer and the supplier. These psychological contract obligations may be written into the terms of a legal contract, or based simply on oral promises and other expressions of commitment made by the parties (p. 358).”

One can observe that clear intent of the authors to advance the idea that psychological contracts are important for the success of an IT outsourcing arrangement.

Second and Third Passes

The second and third passes are combined in this analysis in order to provide a more succinct example. The emphasis of this stage is on the identification of grounds that support the claim that psychological contracts are important to the success of a sourcing relationship. The grounds offered to support the main claim are the results of studies performed by the authors. These

results are mentioned in the abstract and are discussed in more detail in other sections of the article.

“Qualitative analysis identified six major components of what customers believe are supplier obligations in an outsourcing project. These were (1) accurate project scoping, (2) clear authority structures, (3) taking charge, (4) effective human capital management, (5) effective knowledge transfer, and (6) building effective interorganizational teams. Similarly, six major components representing what suppliers believe are customer obligations in an outsourcing project were determined to be (1) clear specifications, (2) prompt payment, (3) close project monitoring, (4) dedicated project staffing, (5) knowledge sharing, and (6) project ownership (p. 361).”

The previously mentioned grounds highlight the existence of elements that are considered to comprise the psychological contract between customer and supplier. However, the existence of these elements is not enough to convince the reader that they are important for a successful outsourcing arrangement. In order to address this apparent shortcoming, the authors provide an explicit warrant that serves as a logical bridge to justify the claim on the basis of the grounds provided.

Fourth Pass

As stated by Fletcher and Huff (1990), the identification of warrants can be extremely challenging, as most of the time writers do not include them explicitly in their arguments. The purpose of the warrants is to show what the logical connection between the claims and the grounds is. In most cases, this connection is obvious, and therefore warrants can be omitted.

In the analysis of this article, the logical connection between grounds and claims is provided by the statement of an explicit warrant as depicted below.

“...fulfilled obligations predict success over and above the effects of contract type, duration, and size (p. 356).”

This warrant is reiterated in other sections of the article, making the connection between grounds and claim even more explicit.

“Results from our study showed the existence of a psychological contract between outsourcing customers and suppliers, and that fulfilling these obligations explained a significant amount of the variance in out- sourcing success (p. 371).”

Once all the components of the argument were identified, the claims, grounds and warrants were used in the development of the argument maps to graphically depict the different elements of the arguments surrounding IT Outsourcing Governance.

APPENDIX G – SAMPLE SCREEN SHOTS OF ORM TOOLS



Figure 31 - Hiperos Dashboard

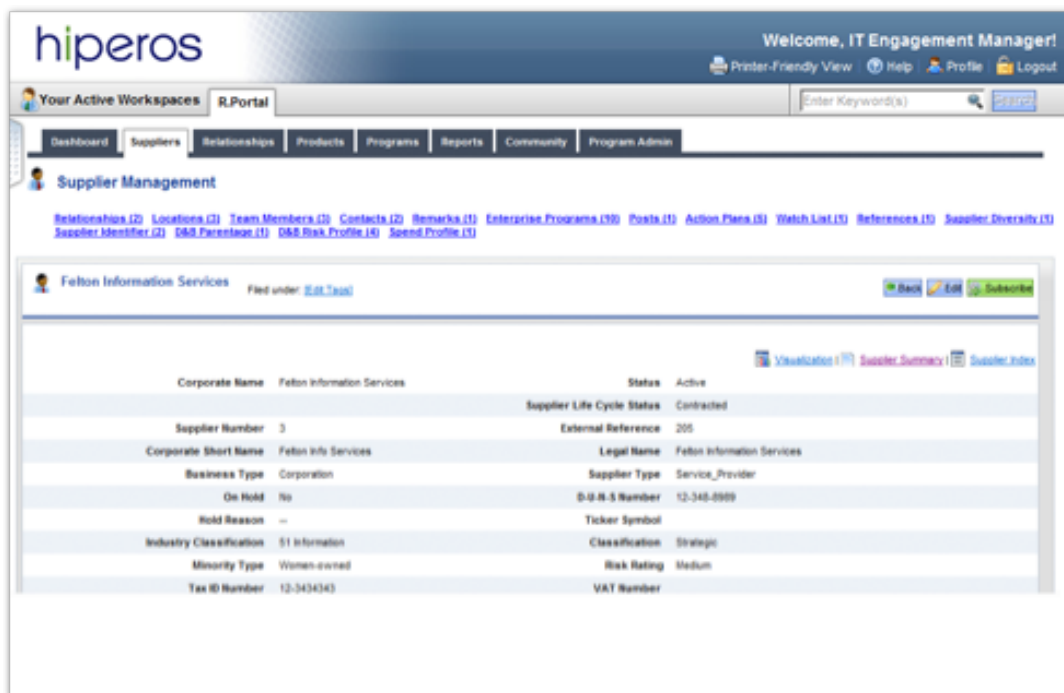


Figure 32 - Hiperos Supplier Management

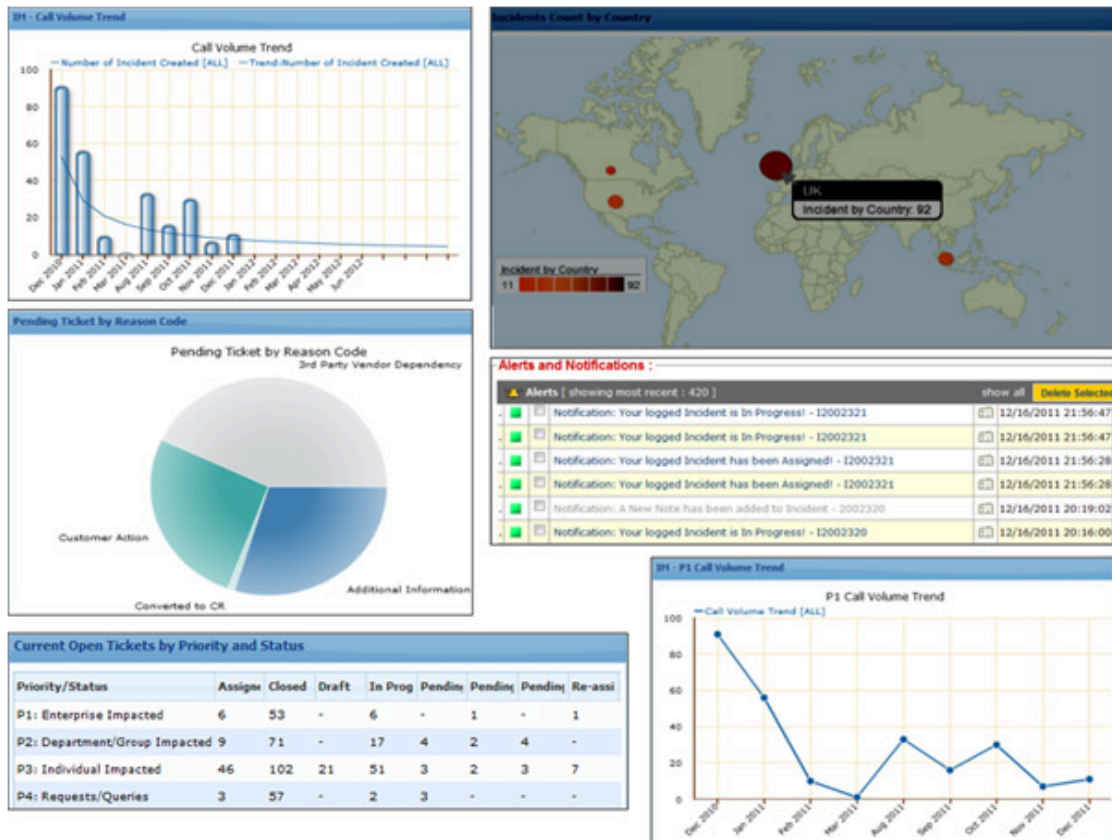


Figure 33 - Enlighta Incident Management

VITA

Santiago Peña is currently serving as Chief Information Officer of a technology company in Baton Rouge, Louisiana. Mr. Peña was born in Argentina, where he completed a Bachelor of Science in Telecommunications Engineering from Universidad Blas Pascal in the province of Cordoba. Upon graduation, Mr. Peña emigrated to the United States to pursue a Master of Science in Physics from the University of Texas at Brownsville. In 2005, after the completion of his master's degree in Physics, Mr. Peña moved to Baton Rouge, where he completed a Master of Systems Science from Louisiana State University under the supervision of Dr. Gabrielle Allen of the Center for Computation & Technology. He is currently completing his doctoral studies at Louisiana State University, E.J. Ourso College of Business, Department of Information Systems and Decision Sciences under the supervision of Dr. Rudy Hirschheim. His research interests include IT Outsourcing Governance, Management Fashions, Qualitative Methods of Research, and IT alignment. Mr. Peña is married to Carrie B. Peña and they plan on staying in Louisiana after his graduation.