EDITED BY
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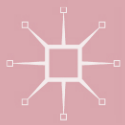
AND CHRIS SAUER

OUTSOURCING AND OFFSHORING BUSINESS SERVICES



Outsourcing and Offshoring Business Services

Leslie P. Willcocks • Mary C. Lacity • Chris Sauer
Editors

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palgrave
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ISBN 978-3-319-52650-8
ISBN 978-3-319-52651-5 (eBook)
DOI 10.1007/978-3-319-52651-5

Library of Congress Control Number: 2017940798

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

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1

Introduction

Leslie P. Willcocks, Mary C. Lacity and Chris Sauer

Overview

Modern organizations and their IT functions are increasingly choosing to rely on external service providers for IT hardware, software, telecommunications, cloud computing resources, and automation tools, a practice known as information technology outsourcing (ITO). Meanwhile

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L.P. Willcocks et al. (eds.), *Outsourcing and Offshoring Business Services*, DOI 10.1007/978-3-319-52651-5_1

especially since 1999 and several landmark human resource outsourcing deals, business process outsourcing (BPO), has also increasingly spread across fundamental back office functions like finance and accounting, procurement, legal, real estate, human resources, insurance claims and general administration. By early 2014, global outsourcing contracts for ITO and BPO services exceeded US$648 billion (ITO $344 billion; BPO $304 billion), according to HFS Research. By the beginning of 2015 the combined total exceeded US $700 billion (Fersht and Snowden 2014). By the end of 2016, the global ITO and BPO services market was estimated to be US$1,007 billion (ITO $657 billion; BPO $322 billion) (Snowden and Fersht 2016). There are many, often wildly diverging, estimates on market growth. Much depends on the assumptions made. However, taking a conservative route through many estimates, we follow Snowden and Fersht (2016) in seeing the market experiencing a 2.2% ITO and a 4.0% BPO compound annual growth through 2016 to end of 2020, reflecting more activities being outsourced, and new service lines and delivery locations added.

Within these overall figures sits an offshore outsourcing market in which 2013 revenues exceeded US$100 billion in revenues. Estimates based on evidence from a variety of research analyst reports suggest this market will grow by 8–12% per year in the 2013–2018 period (Cullen et al. 2014). Offshore outsourcing revenues were estimated to exceed US$140 billion by end of 2016. Interestingly, despite the steady growth of outsourcing to become a globally recognized practice, satisfaction levels from these types of services remain quite mixed, and have done so across the evolution of the ITO, BPO and offshore markets (Lacity and Willcocks 2015).

Outsourcing has many definitions, but perhaps the simplest is: 'The handing over to a third party of the management of activities, assets and/or people to achieve required outcomes' (Cullen et al. 2014). Outsourcing does not exhaust the ways of using external service suppliers. An alternative is to buy in resources which we define as 'employing external third party-resources to work under your management and control to achieve outcomes.' (Cullen et al. 2014). There has also been increasing use over the last twenty-five years of software packages, while cloud computing has also added 'rent' as-a-service options to the more traditional make-or-buy choices (see Willcocks et al. 2014.) Then, of course, there is always the in-house sourcing option. Indeed, recent years

has seen a rise in captive centers – increasingly called global in house centers (GICs) – spread across the many now viable international locations (a history of captive center evolution appears in this collection).

In this volume, we as editors draw upon compelling papers selected from the *Journal of Information Technology* to address two major questions. The first is: what theoretical perspectives can be most effectively used for the study of sourcing practices? The second question will be especially interesting to practitioners: how does an organization leverage the ever-growing external services market to gain operational, business, and strategic advantage? But before we present the rich papers that seek to address these questions, a little history is in order. We need to frame and locate the studies within the evolution of the external service provider market that has grown from US$10 billion a year revenues in 1989 to what by 2016 has become nearly a US$1 trillion a year global industry.

Origins of the Modern ITO and BPO Services Industry

The landmark 1989 Eastman Kodak large-scale outsourcing arrangement with suppliers is usually pinpointed as marking the beginning of modern IT and business service outsourcing. From that date ITO accelerated. It reached $50 billion revenues in 1994, over US$152 billion in 2000, and over $344 billion by 2014. The early 1990s debate about the core competence of the corporation provided a context in which organizations increasingly sought to outsource 'commodity' IT, the main objectives then being to reduce costs, access expertise, and, if possible, catalyze performance.

The period 1989–1997 is often mistakenly characterized as a period of large-scale, long-term, single supplier, IT outsourcing deals. While there were several examples of these which all gained high profile, e.g., Commonwealth Bank, General Dynamics, Xerox, and UK Inland Revenue – in fact most deals were not like this, and few were single supplier – even at Eastman Kodak there were in fact three suppliers. By 2000 there were just over 120 so called IT outsourcing 'strategic alliances,' but the dominant practice (as it has continued to be) was multiple supplier outsourcing that used mid-term length (3–7 years) contracts (Lacity and Willcocks 2001). Such deals tended

to focus on outsourcing stable, discrete activities that were well understood, and for which detailed contracts could be written. While this mitigated many of the risks that went with outsourcing, this did not mean that clients and suppliers had yet learned how to manage outsourcing arrangements effectively. Managing outsourcing remains a problem for many to this day, with the difficulty heightened by increasingly volatile business contexts and fast changing technologies and services.

The IT outsourcing market grew apace in the 2000s. As suppliers matured their ability to deliver IT services, more global locations became viable. At the same time clients built their confidence and competence. From around 2005 a more strategic interest in multi-sourcing also developed. Here ABN Amro set a new landmark. After cancelling prematurely a single supplier deal with EDS, the bank's deal with four suppliers in 2005 was portrayed as the dominant future pattern for strategic sourcing to follow. At the same time the period 2005–2016 saw more, smaller, shorter term contracts driving market growth. With the economic downturn from 2008, an interest in consolidating supplier numbers took place. As a result of this, the management and economic advantages of 'bundled' outsourcing – going with one supplier for several different IT and also business process services – grew. Another reason for this interest lay in the administrative and management costs of multi-sourcing models and the pressure to develop integrated technology platforms more closely aligned with business needs (Cullen et al. 2014).

So far we describe a largely IT outsourcing trajectory. Business process outsourcing (BPO) and offshoring/offshore outsourcing have been late-comers within the outsourcing phenomenon. The 1990s saw pioneering developments in both areas. As one example, in 1991 BP Exploration, the oil major, outsourced all European accounting operations to one supplier, Andersen Consulting. Accounting processes were consolidated in a single site at Aberdeen, Scotland. In 1996 BP did the same thing with its upstream, downstream and chemical businesses in the US, then moved to two outsourcing suppliers in 1999. The Aberdeen shared services center was interesting in that it attracted other oil industry clients, including Britannia Operator and Conoco. With offshoring, the 1990s saw several American and West European firms develop

'captive centers,' while others outsourced some IT activities offshore to India and elsewhere. Early examples included Baan and GE. Meanwhile Indian suppliers began to develop their capabilities and markets, examples being TCS, Infosys and Wipro. But the turning point came with the Y2K problem that materialized from 1996 onwards. To prepare for Y2K, companies needed low cost, trained resources for its resolution up against a 'drop dead' deadline. North American and European companies increasingly and successfully used Indian suppliers and locations to handle the Y2K problem, and this really did begin to put offshore models on the map from around 2000 (see Lacity and Rottman 2008; Willcocks and Lacity 2006). Offshoring remains a growing phenomenon to this day, and several chapters in this volume focus on offshoring practices, reflecting the considerable interest in academic research on this subject over the last 15 years.

Both BPO and offshoring opened up the global outsourcing market in the first decade of the new century, offering new and genuine routes to cost savings, and greater value from outsourcing. BP pioneered human resource outsourcing in 1999 in a deal with newly founded technology provider Exult. Its subsequent history suggests that this BPO arrangement went through a number of difficult challenges from which later BPO suppliers and clients learned a great deal. Another new BPO 'pure play' – Xchanging – signed similar deals, though on a joint venture basis, with The London Insurance Market and Lloyds of London (insurance administration) and BAE Systems (previously British Aerospace) (HR and indirect procurement) in 2001. Meanwhile Bank of America outsourced multiple HR activities to Accenture. From 2000 the BPO market picked up considerably. The key BPO issue was whether clients had enough confidence to outsource, even transform, their back offices against a background of a global supplier market still developing its BPO capabilities. By 2010 there had been rapid BPO expansion – the market was exceeding US$135 billion in revenues by end of that year – but there still remained massive untapped potential growth for the BPO market (Willcocks et al. 2011).

Of all the outsourcing variants offshore outsourcing saw much the fastest growth in the 2000–2010 period. India had a head start; it had developed scale and a group of major suppliers, and by 2010 dominated

the global offshore market. At the same time many other countries have been actively offering services, and developing their outsourcing services industries, often most successfully with local government backing. By 2016 one could count viable offshore locations in over 120 countries worldwide, with India earning over 65% of the revenues, and the Philippines having the second largest industry, with both countries offering multiple ITO and BPO services.

One small market that began in 1997 – that of Application Service Provision (ASP) – is also worth commenting on here. This market grew during the e-business bubble of 1995–2001 and at one stage had over 300 suppliers serving mainly small and medium sized enterprises. Concerned with delivering applications, infrastructure and services on a rental basis over the Internet, this phenomenon was dubbed 'netsourcing,' (Kern et al. 2002). It grew rapidly across the 1997–2001 period, but then fell away with the bursting of the Internet bubble. However, it began to be resurrected from 2008, now with the nomenclature of 'cloud computing.' Cloud sourcing by 2016 had become a potentially massive market for as-a-service external service provision. Potentially cloud sourcing is also enormously disruptive of more traditional outsourcing models that had developed over its brief 26-year history as an industry). One reason for this is that cloud computing enables and amplifies the effects of other emerging technologies, and in particular Blockchain, social media, analytics, the internet of things, digital fabrication, robotics and the automation of knowledge work. Such developments raise fundamental questions for researchers and practitioners alike about the future shape and trajectory of the global sourcing phenomenon, and for client and service provider strategies.

The years 2015–2016 also saw the development of service automation – estimated to be a small market of less than US$5 billion in revenues to service providers by the end of 2016. However, as Willcocks and Lacity (2016) discuss, robotic process automation and cognitive automation has the potential to be very disruptive of the more conventional people-centric outsourcing model that offshore outsourcing vendors and captive centers were based on. Looking across these technological developments in cloud

computing and service automation, it is probable that the speed with which they will eat into traditional ITO and BPO models and markets has been over estimated. As Snowden and Fersht (2016) suggest, it is likely that there will be a huge amount of legacy enterprise ITO and BPO business in play for a decade or more, not least to enable organizations to move increasingly in the direction of more digital operations.

On the Global Sourcing Learning Curve

When we review this rapid growth, we see that it has had several major impacts. The first is that clients and suppliers have all had to run very fast to stay up with the latest market twists, players, technologies, and potential new sources of competition and of value. Looking over this history, senior executives in both client companies and service providers have been, on the whole, short on time to think through long-term issues and requirements. The effort in getting deals done, and running them, has focused attention primarily on operations, and the day-to-day issues. This has left little energy and time for strategizing and innovation even though that is precisely what sourcing strategy and innovation require.

Secondly and relatedly, finding out what works and what does not has been, perhaps too often, a 'hard learning' experience. 'Suck-it-and-see' is not necessarily the optimal way to proceed, especially if committing to large-scale, possibly 10-year contracts, and potentially transformational activities. As a third point, much has been achieved, but the creation of a body of knowledge about outsourcing, covering such issues as strategizing, governance, contracting, pricing, relationships, measurement, process optimization, is still very much work in progress. As we said, this is not helped by dynamic business contexts, rapid changes in the supply industry and the speed with which new technologies emerge.

Fourthly, even by 2017 the outsourcing industry was still at the early stages of professionalizing itself. Professionalization brings with it the benefits of such things as codes of conduct, minimum standards of competence, standardized practices, a coherent career structure and an

understanding of key roles required and what it takes to fill them. While client retained capabilities have become, generally, more mature, and more relevant to the tasks in hand in recent years, the benefits of global sourcing becoming a profession on both client and service provider sides are not with us yet.

Throughout this relatively brief history there has been much learning and evolution by clients and suppliers alike. The voyage of discovery that client organizations have been through is captured in a four-phase model into which one can also read developments on the supply side. The model was devised from research by Lacity and Rottman (2008) (Fig 1.1).

Phase 1 – An organization looking at its first-generation outsourcing contract(s) tends to fall on one side of a hype-fear divide. Our research shows that clients at this stage believe too much in suppliers' marketing promises, and the power of outsourcing, or, conversely, are very dubious about what outsourcing can deliver. If the client proceeds to outsource, invariably it is with insufficient managerial competence, not realizing that outsourcing tends to require different management capabilities and

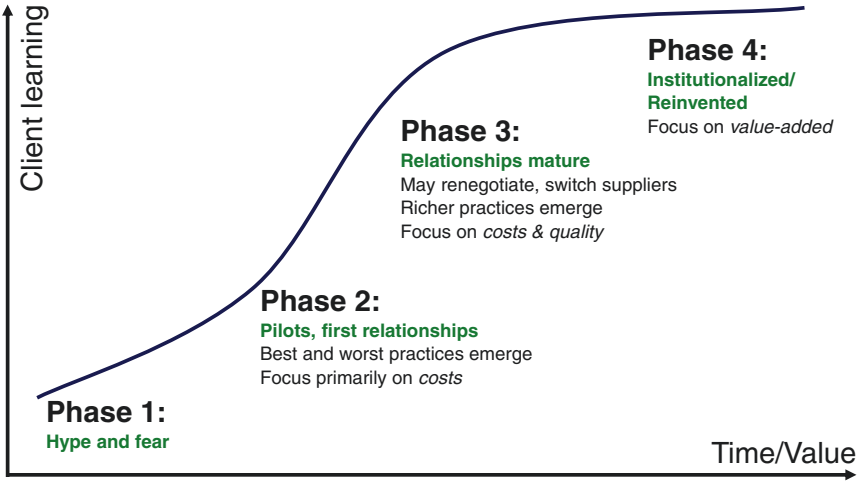

Fig. 1.1 Outsourcing learning curve (Lacity and Rottman 2008)

ethos from managing in-house resources. Neither approach adds up to a resilient way of trying to leverage outsourcing.

Phase 2 – After some hard learning through their first-generation outsourcing experiences, clients then tend to focus primarily on cost, becoming skeptical about how much can be really achieved, though often still insisting on benefits beyond cost and service improvements. The outsourcing literature sees phrases like 'your mess for less' as clients focus on the cost-service trade-off in their discussions and disputes with their suppliers.

While this sounds a limited set of objectives, nevertheless we have found a surprising number of outsourcing deals have been quietly successful at this relatively low level of ambition. Their characteristics included: cost and service objectives, retaining a lot of in-house capability; outsourcing 20–30% of activities; and outsourcing stable, and discrete activities they understood and could write detailed contracts for. They chose multiple suppliers and tended to use relatively short-term contracts of between 3–5 years in length. This approach tended to work and reflected that clients were 'smart in their ignorance,' that is did not try to step beyond their capabilities, but instead evolved their knowledge incrementally through the actual experience of outsourcing, while mitigating the risks of learning from experience (Lacity and Willcocks 2001, 2009).

Throughout the 2000s many clients were on their second or even third generation outsourcing deals. Often there was a transfer of learning into the new deals, but often also clients could react adversely to poor experiences and try to do something quite different the second or third time, thus pushing them down the learning curve as to these new arrangements, suppliers, and ways of operating. Our research shows most clients staying with existing suppliers – by the mid-2000s about 65% of deals went with incumbent service providers, though on changed contracts and scope; 30% were switching suppliers, and under 10% were bringing activities back in-house (Willcocks et al. 2011). Our research showed that many Phase 2 clients were getting smarter on contracts, including seeing the need to work with suppliers rather than having 'at-a-distance' relationships, building up more retained capability, and getting more realistic about what could be achieved through using the global external services market. Interestingly, we found quite

often that the earlier learning on ITO arrangements did not always pass on into newer deals involving business process outsourcing or offshore outsourcing, raising question marks on whether client organizations place enough emphasis on organizational learning and its transfer (Willcocks and Lacity 2009).

Phase 3 – We have found many clients make it through to Phase 3 usually in their third or fourth generation outsourcing deals. These clients tend to look for value-added rather than just cost savings, and are searching for multiple business benefits from closer relationships with their service providers. At the same time they frequently look to reduce the number of their suppliers, and control them more closely on outcomes. Such clients have learned a great deal from previous outsourcing experiences, have built strong retained management capabilities, and are able to get the balance of contract and relationship management right. They have focused on leveraging the relationship with their suppliers for mutual business benefit.

Phase 4 – Few organizations have reached Phase 4 of their journey. In research into high performance in outsourcing, Lacity and Willcocks have found some 20% of BPO arrangements putting in 'world class' performance as at 2015. These achieve significant cost savings and service improvements on an ongoing basis, achieve multiple business benefits and innovation, and record high client satisfaction. They have inculcated management practices distinctively different from the 25% 'Good' outsourcing arrangements, and the 40% 'Doing OK' ones. Meanwhile as at this date 15% of arrangements still have to be classified as 'Poor' (no cost savings; costs could even increase; poor service performance; low client satisfaction). Briefly these management practice attributes were multiple: they included leadership pairings across client and supplier; a primary focus on business and strategic benefits; strong transition change management and transformation capabilities; a partnering approach; the retained organization aligned to business goals and its supplier; issues and conflicts resolved collaboratively with the provider; the use of technology as an enabler, deployment of domain expertise and business analytics; and prioritization of and incentives innovation (Lacity and Willcocks 2015).

Looking across these four phases, outsourcing performance is invariably better in Phases 3 and 4. While this is down to requisite client

management capabilities, this also reflects maturing in service provider learning and capabilities over the years. Nevertheless one has to ask: why have so many organizations progressed quite slowly, often painfully, up their learning curves? One truth is mundane, which is that key people learn, then leave, in order to practice their learning elsewhere, at a higher price. But we find that while service providers frequently try to institutionalize their learning on managing outsourcing and on sector specific know-how, clients all too frequently have not. Moreover, as we pointed out above, learning on one type of outsourcing e.g., ITO, multi-supplier sourcing is not routinely transferred and applied to another e.g., BPO multi-supplier sourcing. Objectives change quite quickly in modern business environments, and new contract forms, new sourcing arrangements and new suppliers bring new unknowns into the picture requiring ever new learning, as do new technology innovations like cloud computing, business analytics and service automation. Global sourcing has become a fast-moving, dynamic high profile and impactful set of activities that remain difficult to deliver on. More reason, then, for even more studies of the kind we find in this volume.

The Papers in This Volume

This brief review of the first twenty-six years of the modern global sourcing industry sets the context in which the papers in this volume have been developed. There seems to be a fundamental practical question embedded in all these studies and that is: under what conditions can outsourcing, or other forms of sourcing contribute to organizational objectives? The answer will need a theoretical lens and, indeed, several papers provide detailed examples of attempts to develop and use different theoretical perspectives. The answer also needs to be evidence-based, and a range of papers show that academics continue to be very good at providing robust, rigorous, independent empirical research that is increasingly needed in such subject areas where so much information is being made available that does not have these qualities.

Having, as it were, 'framed' the volume, let us now look at the content. The volume includes interesting and compelling articles from

the *Journal of Information Technology* pertaining to theoretical perspectives and studies of IT Outsourcing, Offshoring and BPO.

Introduction to Section 1: Theoretical Perspectives

Nearly twenty-five years of research on outsourcing has been framed and guided by many theoretical perspectives. Lacity and Willcocks (2009) examined 20 such theories from economics, strategy, sociology, and systems science. They showed that each theoretical tradition has explicit and implicit assumptions about the nature of human agency. Theories from economics, most notably Transaction Cost Economics (TCE) and Agency Theory (AT), assume that human agents make rational outsourcing decisions and engage in contracts to minimize total costs and to mitigate risks, such as the risk that an agent will behave opportunistically by hiding data, lying, or even threatening other agents. Theories from strategy, such as the Resource-Based View (RBV), Resource Dependency Theory (RDT), Game Theory, and Auction Theory, assume that human agents build or acquire resources to execute strategies that lead to 'winning'. Theories from sociology, including Social Exchange Theory (SET), Relational Exchange Theory (RET), Social Capital Theory, Institutionalism, Power Theories, and Innovation Diffusion focus on the *relationships* among human agents involved in sourcing, including levels of trust and power and the influence of social norms to elicit desired behaviors. Systems sciences have had as yet a minor influence, but this tradition views organizations as organisms that exchange resources across organizational boundaries and that learn through feedback.

For this volume, we sought to select papers that represent the breadth and depth of theoretical perspectives (see Table 1.1). Chapter 2, 'Theoretical perspectives on the outsourcing of information systems,' by Myun J. Cheon, Varun Grover, and James Teng initially appeared in the first *Journal of Information Technology* special issue on IT outsourcing published in 1995. These authors quite early on recognized the limitations of any one theory to make sense of the rich and nuanced reality of outsourcing. These authors integrated four theories, namely

RBV, RDT, TCE, and AT into a coherent framework of outsourcing decisions. Over twenty years later, this paper's influence is evidenced by over 400 citations by 2016.

Chapter 3, 'The information technology outsourcing risk: a transaction cost and agency-theory based perspective,' by Bouchaib Bahli and Suzanne Rivard applied two theories from economics (TCE and AT) to deeply assess the risks associated with outsourcing and to identify risk mitigation strategies suggested by the theories. Specifically, the authors examined how ten risk factors lead to supplier lock-in, costly contractual amendments, unexpected transaction costs, disputes and litigation. They identified nine specific risk mitigation strategies, including mutual hostaging, dual sourcing, sequential contracting, contract flexibility, clan mechanisms, use of external expertise, and alternative methods of dispute resolution such as arbitration.

Chapter 4, 'Moments of governance in IS outsourcing: conceptualizing effects of contracts on value capture and creation,' by Shaila Miranda and C Bruce Kavan used the theoretical lenses of promissory contracts, psychological contracts, and inter-organizational rents to ascertain appropriate governance structures for each outsourcing phase. During the contract negotiation phase, the authors posited that promissory contracting theory informs how structures give rise to commitment among parties. During the contract execution phase, psychological contracting theory suggests how structures build social capital to coordinate work and to resolve conflicts. Finally, inter-organizational rents theory suggests how the structures of intellectual and economic capital lead to value among partners.

Introduction to Section 2: From IT Outsourcing to Offshoring and BPO

The papers in Section 2 capture the breadth of coverage from empirical outsourcing research spanning ITO, offshoring, and BPO. These studies draw from and extend the theoretical perspectives covered in the first three chapters and several chapters build bespoke models on supplier management practices, structures, processes, and

capabilities (see Table 1.1). Chapters 5 through 11 empirically examine the context of the outsourcing of information technology services, either to domestic or offshore suppliers or both. Chapters 12, 13, and 14 extend the empirical reach from exclusive ITO to include captive centers and BPO services.

Chapter 5, 'Norm development in outsourcing relationships,' by Thomas Kern and Keith Blois, is a detailed case study of BP Exploration's outsourcing of IT. Using the theoretical lens of social norms to diagnose the case, the authors asserted that BP's initial attempt to structure its multi-provider environment using a consortium failed because parties could not establish behavioral norms. Consequently, BP decided to dismantle the consortium in favor of a more traditional command and control structure.

Chapter 6, 'Organizational design of IT supplier relationship management: a multiple case study of five client companies,' by Jasmin Kaiser and Peter Buxmann, applied a strategic framework on organizational design to analyze the strategies, structures, and processes for managing relationships with suppliers in client firms. The authors examined IT outsourcing strategy in terms of degree of outsourcing and number of IT suppliers, the latter of which ranged from one supplier to several hundred suppliers. The authors compared the centralized, decentralized and hybrid structures across the cases and examined the mechanisms for involvement and collaboration.

Chapter 7, 'How do IT outsourcing vendors respond to shocks in client demand? A resource dependence perspective,' by Fang Sui, Ji-Ye Mao, and Sirrka Jarvenpaa, focused on IT outsourcing from the supplier perspective. The authors were interesting in understanding how ITO suppliers react to major drops in client demand, a significant issue after the global financial crisis of 2008. Based on five supplier-client relationships between Chinese ITO suppliers and Japanese clients, the authors found that the power of each explained the supplier's strategy for dealing with demand shocks. When the client was powerful, both weak and powerful suppliers adopted a bridging strategy to strengthen the current relationship. When the supplier was powerful but the client was not, the supplier adopted an 'exploitative buffering' strategy to attract new clients in new markets.

Table 1.1 Chapter overviews

Chapter	Theoretical contribution	Context	Empirical base	Client/Provider location
1	Overview of range of theories, development of practice, and learning over 26 years	ITO, Offshoring and BPO	n/a	n/a
2	Developed a conceptual model of outsourcing decisions based on RBV, RDT, TCE, and AT	ITO	n/a	n/a
3	Developed a risk mitigation framework based on TCE and AT	ITO	n/a	n/a
4	Developed a model of outsourcing governance based on promissory contracts, psychological contracts, and inter-organizational rents	ITO	n/a	n/a
5	Diagnosed supplier management structures and processes using social norms	ITO	One case study	UK
6	Developed an outsourcing framework based on strategic organizational design theory	ITO	Five case studies	Europe
7	Developed four propositions that related power to supplier strategies for absorbing shocks in client demand	ITO/ Offshoring	Five supplier-client relationships	Chinese providers, Japanese clients
8	Developed a process model for building provider capabilities.	ITO/ Offshoring	Four supplier case studies	Chinese providers, Japanese clients
9		ITO/ Offshoring	Five client case studies	

(*continued*)

Table 1.1 (continued)

Chapter	Theoretical contribution	Context	Empirical base	Client/Provider location
	Developed a dynamic model of offshoring, drawing on modular systems theory, knowledge based view, and TCE			American clients, providers based in several countries
10	Identified two types of inter-organizational trust, drawing on theories of modernity and self-identity	ITO/ Offshoring	One case study	Irish client, Indian supplier
11	Applied conversation analysis to understand client and provider interactions	ITO/ Offshoring	One case study	Client employees in UK & US; Indian supplier
12	Developed 14 propositions to examine call center outsourcing decisions and outcomes, drawing from TCE, RDT, institutional theory, industry value system, and a BPO provider capability framework	BPO	Three case studies	Australia
13	Examined four types of captive centers and their evolution over 25 years	Offshoring of IT and BP services	Primary and Secondary data	Global
14	Developed models of sourcing decisions and outcomes derived from empirical studies	ITO, Offshoring and BPO	Literature view of 174 empirical studies	Global; Clients based in 23 countries; providers based in 34 countries

Chapter 8, 'Operational capabilities development in mediated offshore software services model,' by Sirkka L Jarvenpaa and Ji-Ye Mao, is another look at Chinese ITO suppliers, but this paper questioned the process by which ITO providers build human resource, process and client-specific capabilities. The authors studied four small Chinese ITO suppliers that service Japanese clients indirectly through a 'mediated model' via a Japanese IT supplier. The IT personnel career development capability was the most difficult for Chinese providers to develop, yet it was the main determinant of the other two capabilities. Chinese suppliers operated at the low end of the value-chain (coding and testing) and therefore opportunities to build client-specific relationships were restricted to the more senior people in Chinese firms.

Chapter 9, 'A dynamic model of offshore software development,' by Jason Dedrick, Erran Carmel, and Kenneth L Kraemer is an important theoretical and empirical contribution to the explanation of ITO decisions and outcomes. The authors criticized static theories of sourcing and instead developed a dynamic model based on their case studies. The authors identified five feedback loops (scramble, snowball, balancing, fundamental, and environmental) among economic factors, activity attributes, and management practices that affected an organization's sourcing mix through time.

Chapter 10, 'Anxiety and psychological security in offshoring relationships: the role and development of trust as emotional commitment,' by Seamas Kelly and Camilla Noonan brought a completely new perspective to the study of offshore outsourcing relationships. The authors applied Anthony Giddens' work on modernity and self-identity to examine how clients adjust to alien work arrangements like offshoring. The authors found two different modes of client-supplier trust that were built during the stages of courtship and cohabitation. The trust established during the courtship phase helped the relationship survive a crisis during the cohabitation phase.

Chapter 11, 'Cross-cultural (mis)communication in IS offshoring: understanding through conversation analysis,' by David Avison and Peter Banks, appropriated from anthropology the method of conversation analysis to study interactions between clients and offshore suppliers. The authors found that American and British client employees

dominated the conversations with Indian supplier employees. Degrees of participation were explained by the lack of shared understanding, perceived hierarchical differences and the lack of cues or responses, all of which prompted US/UK employees to 'hyper-explain'.

Chapter 12, 'Applying multiple perspectives to the BPO decision: a case study of call centres in Australia,' by Mark Borman, is the first chapter in this volume to examine the outsourcing of call centers. The author drew on TCE, RDT, institutional theory, industry value system, and a BPO provider capability framework to develop 14 propositions. Each proposition was assessed using three client-supplier relationships. The author concluded that the multi-theoretical perspective was indeed needed to explain the richness of the cases.

Chapter 13, 'A historical review of the information technology and business process captive centre sector,' by Ilan Oshri and Bob van Uhm is the only paper that examined a special type of *insourcing* model, called a captive center. A captive center is an offshore delivery center owned by the client organization. The authors examined four types of captive center models (basic, hybrid, shared, and divested). Using primary and secondary data, they looked at the evolution of these models over time from 1985 to 2010. Similar to other chapters in this volume, the authors found that insourcing decisions are dynamic, changing with both internal and external influences.

Chapter 14, 'Review of the empirical business services sourcing literature: an update and future directions,' by Mary Lacity, Shaji Khan, and Aihua Yan, aimed to summarize 174 empirical studies on all ITO and BPO studies published in 78 academic journals between 2010 and 2014, thus bringing two prior literatures reviews published in JIT up to date (Lacity et al. 2010, 2011). Compared with the earlier literature reviews, this review found a deeper exploration of the direct effects of transaction attributes, sourcing motivations, client and provider capabilities, and governance on sourcing decisions and outcomes. The authors also assessed the research progress that has been made on ten previously identified gaps in knowledge. The authors proposed a future research agenda that included continued, incremental progress on 'normal science' research questions, as well as novel and ambitious research studies.