Managing Complex IT Outsourcing - Partnerships

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Abstract

This article discusses the management of complex IT-outsourcing partnerships from the perspective of both outsourcing companies and IT-suppliers. The research project included 24 interviews with business and IT-executives of outsourcing companies, executives of IT-suppliers and experts. This article aims to provide a better understanding of managing complex IT-outsourcing partnerships by proposing a descriptive framework containing relevant governance factors. The investigated cases and expert interviews and IT outsourcing literature are used to evaluate the framework. The results of the analysis and the framework itself illustrate the various complex issues arising in managing of complex IT outsourcing -partnerships.

1.   Problem Specification

The question how large organizations manage and cope with the complexity from global business operations and IT infrastructures remains one of the most pressing issues facing management [1][4]. Most of the literature about how to organize IT focussed on choices between centralization, decentralization and federal models. More recently Sambmurthy and Zmud focused on co-ordination, by introducing the issues of relational architectures and integration architectures as building blocks for the Organizing Logic for IT activities [1]. The problem is pertinent when IT and it's department form a legal part of the (business-) organization, it is even more complex when IT is largely outsourced to one or more IT services suppliers.

This paper describes a study on management practices for managing complex IT outsourcing partnership relationships in European-based companies with global and pan-European operations. Management attention for IT-outsourcing partnership is becoming more and more important because many companies have decided to outsource their IT-services to external IT-suppliers. The relative proportion of the global total IT-spend outsourced is growing fast. International Data Corporation expects for 2002 a growth of 10% in the global IT-outsourcing market of 142,2 billion US $ [10].

Most of the research on outsourcing until today has focussed on the feasibility of IT-outsourcing [12][14] [15]. The research attention for the management of complex IT-outsourcing partnerships has been limited up till now. In this paper we propose a conceptual model which contains governance factors applicable to IT outsourcing partnerships. The model is rooted in organization design theory; and comparative case study analysis in multi national European based firms provides support. With the study we aim at developing a better understanding of the management issues that surrounds the development of complex IT-outsourcing partnerships in general, form both the outsourcing company's and IT services supplier's perspective.

The structure of the paper is as follows. In section 2 the descriptive framework is developed. Section 3 discusses the characteristics of the investigated cases and the profiles of the experts who have been interviewed. In section 4 cases and expert opinions are analyzed based on the proposed framework, and propositions are developed. Conclusions are discussed in section 5.

Governance factors for managing complex IT-outsourcing partnerships	Managing sub activities of Fayol [8]				
	Plan	**Organize**	**Target**	**Motivate**	**Control**
1. IT-strategy	X		X		
2. Information Management		X			X
3. Contracts					X
4. Contract management	X		X		
5. Availability of human resources				X	

Figure 1: Plot of five governance factors for managing complex IT-outsourcing partnerships and sub activities of managing from Fayol

2.   Descriptive framework

Complex IT outsourcing-partnerships are defined as multi site IT-outsourcing partnerships - the underlying contracts include service delivery commitments for the IT-supplier in more than one site -, involving multiple services and concern a contract value of at least 20 million USD. Both the outsourcing company and the IT-supplier(s) share the responsibility for managing the IT-outsourcing partnership relationship. In general it is the outsourcing company that decides to start a contractual relationship with one or more external IT-suppliers to provide all or part of their IT-services, which results in long-term relationships with the IT-supplier(s). In many outsourcing companies external IT-suppliers only provide parts of the IT-services. The internal IT-department keeps responsibility for the remaining IT-services. This definition is based on Willocks [20], and Currie [5] and Lacity [14].

Managing an inter-organizational partnership relationship is basically a management problem. In order to understand the issues surrounding the management of these relationship frameworks from general management theory and insights developed in the IT literature provide guidance. First we looked at Fayol's almost a century old framework in which the total management activity (or cycle) has been divided into the sub-activities plan, organize, target, motivate and control. Also the more specific theoretical and empirical studies of managing IT-outsourcing partnerships [5] [12] [15] [16] [19] formed input. In a previous study [3] we identified governance factors for managing IT-outsourcing partnership. Case studies gave support to the governance factors identified. In this paper we focus on factors which we propose to be relevant for the management of in particular complex IT partnership relations. Each of these factors can be positioned in one or more of Fayol's basic framework. Although, together the proposed factors cover the entire management cycle, we however do not claim to be complete. *Figure 1* provides a classification. The proposed factors are: IT-strategy, Information Management, Contracts, Contract Management and Availability of human resources.

IT-strategy
IT-strategy is defined the long term vision on how to optimize the use of IT for the outsourcing company. As proposed by Henderson and Venkatraman alignment of IT-strategy with business strategy is important [10]. The importance of this alignment increases when IT is of more importance to the outsourcing company [6]. In the IT-strategy the outsourcing company needs to pay explicit attention to their sourcing strategy [22] The IT-strategy needs to anticipate also on new technological possibilities and new market developments. Defining the IT-strategy remains the responsibility of the outsourcing company when the outsourcing company signs a complex IT-outsourcing partnership contract [20].

Information Management
Information Management (IM) is a responsibility of the outsourcing company and constitutes the interface between the business processes of the outsourcing company and the IT-suppliers. In general IM has a coordinating role in the management of complex IT-outsourcing partnerships. The IM responsibility needs to be separate from service delivery processes. Combining these responsibilities may result in potential conflicts of interest [17]. IM is headed by the Chief Information Officer (CIO) and consists furthermore of dedicated Information Managers and Business analysts for each of the various business processes of outsourcing companies [22]. In most of todays outsourcing companies the CIO reports to a Board Member [18]. This results in sufficient authority to co-ordinate the complex IT-outsourcing partnership. IM must have business and IT knowledge to fulfill this delegated responsibility [11].

Contracts
Contracts are key in managing complex IT-outsourcing partnerships. But contracts do not replace trust between the outsourcing company and the IT-suppliers. Based on trust outsourcing contracts are signed. Contracts need to be flexible because the decreasing time to market and the fast technological developments such as eBusiness and Application Services Provider-services [11]. Flexibility in the type, the level and the quantity of services is essential. It's not an easy job to build flexibility into the contract [7]. It is also important to clearly describe the agreed service levels and penalties for not meeting the service

Outsourcing company	# interviewees	IT-supplier	# interviewees	Analysts/opinion leaders	# interviewees
Senior Business Manager	1	General Manager	1	Director	1
Purchasing Manager	1	Account Director	1	European expertise center manager	1
Business Manager	2	Service Delivery Director	1	Analyst	1
Chief Information Officer	2	Account Manager	3	Consultant	2
IT-Director	3	Contract Manager	3		
Information Manager	1				
total	10	Total	9	Total	5

Figure 2: Participants' job positions

levels [13]. In order to track the service delivery the IT-supplier must report on a regular basis over the delivered IT-services and the level of the delivered IT-services to the outsourcing company. For most of the outsourcing contracts this means monthly reporting. This report is input for discussions between the outsourcing company and the IT-suppliers and therefore enables managing complex IT-outsourcing partnerships.

Contract and Account management
Contract and account management (CAM) is the responsibility of the IT-supplier. CAM is responsible for fulfilling the contractual obligations to the outsourcing company and for the maintenance of the relationship with the outsourcing company. CAM is the counter part of the IT-supplier for Information Management of the outsourcing company.

Availability of human resources
In todays labor market there is scarcity of qualified IT professionals. Research companies see the shortage of skilled labor as the number one inhibitor for the growth of the market [11]. In order to ensure the availability of human resources there needs to be sufficient management attention for recruiting and turnover of staff [17]. Not only is there an issue in the number of available resources but also in updating the skill sets of the employees involved; the latter due to technological innovations or to market developments of the outsourcing companies.

3. Research method

In the next section the governance factors will be used to describe and analyze the cases and to explore relevant propositions dealing with managing complex IT-outsourcing partnerships. The nature of this type of research is explorative. Case studies can be used for so-called analytical generalization, not statistical generalization [21]. We used the case study method, because it enables "reality" to be captured in considerably greater detail than other methods, and it also allows the analysis of considerable greater number of variables. We

held interviews, analyzed relevant reports and obtained archival data.

For all case studies the same research technique has been used for gathering the data. All interviews were recorded. All interviews are fully written down into separate case write-ups. These transcribed interviews were approved by the interviewees and formed the basis of the presented findings. The duration of the interviews varied from the minimum of one hour to an average of two hours. For all interviews the same protocol has been followed. The focus of the interviews was the verification and completion of governance factors for managing complex IT-outsourcing partnerships. All interviews started with open questions related to managing complex IT-outsourcing partnership. In the second part of the interview all the governance factors of the framework were verified and clarified by the interviewees. For each case at least two interviews, one representative of the outsourcing company and one representative of the IT-supplier have been conducted. For most cases four representatives were interviewed. This really enables to cross check opinions of the interviewees.

In addition to the investigated case studies expert were interviewed. These interviews completed our investigation. With these interviews we were able to check the possible influences of one single IT-supplier for all the outsourcing companies in the investigated cases. The experts have access to many complex IT-outsourcing partnerships with other IT-suppliers. This prevents the bias to draw conclusions only based on the best practises of one IT-supplier.

In addition to the interviews supporting documentation was gathered, such as archival documents, annual reports and organization charts.

4. Case Characteristics and Opinion leaders

For this paper 24 interviews have been conducted, resulting in 6 in depths case studies of managing complex

Firm	Sector	# Employees	Region(s)	Total Contract Value in US $	Start of Contract	Duration of Contract
1	Discrete manufacturing	6200	Europe	30 million	1992 (already renewed)	5
2	Utilities	1800	Europe	23 million	1996	5
3[1]	Discrete manufacturing	200.000	Asia	21 million	1998	5
4[2]	Services	200.000	Europe	40 million	1997	5
5[3]	Process Industry	68.000	Europe/Asia/ North America	Yearly revenues 90 million (750 employees)	1999 onwards	Purchasing of internal IT department
6	Discrete manufacturing	200.000	Europe/Asia/ Americas	Yearly revenues 550 million (initially 1500 employees)	1990 onwards	Purchasing of internal IT department (various contracts)

Figure 4: Case study profiles[4]

1) This Firm is part of the Firm described in the case of Firm 6. 2) This Firm is part of the Firm described in the case of Firm 6, because of the different type of activities of this business unit this case is related to the sector services instead of to the sector discrete manufacturing. 3) This case is investigated in 1994 and 2000. 4) The data are collected ultimo 2000.

Measurable criteria	Soft criteria
1. Realization of goals	6. Customer satisfaction
2. Realization of service levels	7. Active communication
3. Expansion of the scope of the contract	8. Involvement
4. Renewal of the contract	9. Cultural fit
5. Absence of escalation of conflicts	10. Trust

Figure 3: criteria for success of IT-partnership

IT-outsourcing partnerships. These case studies all concern successfully managed complex IT-outsourcing partnerships. In order to determine whether a case was successful 10 criteria of success were applied.

All the investigated cases meet at least 8 of the 10 criteria for success. All interviewees of the outsourcing companies and the IT-suppliers are directly involved in the management of the partnership relationship. Experts we interviewed work for CSC Research Services, Ernst & Young Consulting, GartnerGroup, International Data Corporation and Nolan & Norton. All have an international track record in research or consultancy of over 5 years and have senior positions. The positions of the interviewees are detailed in *Figure 2*. The services in the investigated IT-outsourcing partnerships are including a very broad scope of IT-services. The outsourcing companies of the investigated cases operate in different sectors. The sectors are detailed in *Figure 4*. In *Figure 4* also the details of the investigated cases are shown. The contract values of the investigated cases vary from 23 million USD total contract value to a yearly contract value of 550 million USD. The IT-outsourcing partnership relations of Firm 3, 4 and 6 are related to the same parent company. The IT-outsourcing partnership relations of Firm 3 and 4 concern a complex IT-outsourcing partnership relation of divisions of the

outsourcing company with IT-suppliers. The IT-outsourcing partnership relation of Firm 6 concerns the initial start of the IT-outsourcing partnership. A substantial part of the IT-department was sold to an external IT-supplier in return for a stake in the new company. The outsourcing company agreed on a turnover guarantee for the IT-supplier. The outsourcing company Firm 5 also sold their IT-department to the IT-supplier. Firm 5 didn't take a stake in the IT-supplier and only signed service contracts for the years to come.

The IT-supplier of all cases is Atos Origin. Atos, a French computer services provider and Origin, the Netherlands-based IT-services subsidiary of Royal Philips Electronics merge on the 1st of January 2001. The deal created a group with pro-forma revenue of $2.5 billion, 27.000 staff, which operates in 30 countries. Atos Origin is the seventh-largest IT-supplier in Europe.

5. Analysis

What can we learn from the case studies and expert interviews? In this section the framework of governance factors for complex IT-outsourcing partnerships is confronted with the results of the case studies and the expert interviews. Due to space restrictions the case study characteristics are presented in a summarized format (see Figure 4). First we will present some overall observations. In more detail each governance factor is discussed in separate sections. For each of the governance factors we conclude with propositions. These propositions need to be subject of further investigation in future research.

5.1 General observations

The interviewees recognize the five governance factors for managing complex IT-outsourcing partnerships very clearly. In the interviews the governance factors are

	Scores for the outsourcing companies and the IT-suppliers		Scores for the business managers and IT-managers of outsourcing companies	
	Outsourcing companies	IT-suppliers	Business managers	IT-managers
IT-strategy	100	77.8	100	100
Information Management	100	77.8	100	100
Contracts	100	100	100	100
Contract Management	80	100	75	83.3
Availability of Human Resources	70	100	50	83.3

Figure 5: Scores for the outsourcing companies and the IT-suppliers, and business managers and IT-managers of outsourcing companies in percentage of the maximum score grouped by governance factor

explicitly addressed in the questionnaire that is used for the interviews. In all the interviews these governance factors are rated. Recognition of a governance factor results in positive score of the interviewee on the governance factor. These scores are enclosed in the interview reports. In the interviews only 9 times out of 120 (24 interviews * 5 governance factor for each interview) an interviewee argued that the proposed governance factor did not contribute to the management of complex IT- outsourcing companies and IT-suppliers and between business management and IT-management of the outsourcing company.

The outsourcing company versus the IT-suppliers
We investigated the possible differences in the responses between the outsourcing companies and the IT-suppliers. In *Figure 5* the scores per governance factor for the outsourcing companies and the IT-suppliers are presented. These score are percentage of positive response of the interviewees on the contribution of the mentioned governance factor to the management of complex IT-outsourcing partnerships. Based on the 24 interviews the results show indicative differences in the scores on the governance factors. The scores support the proposed outsourcing company's responsibility for IT-strategy and implementation of Information Management –see figure 5, first 2 columns, and first 2 rows-. As proposed the outsourcing company and the IT-suppliers share responsibility for the contracts –see figure 5, first 2 columns and last 2 rows-. Also, the IT-suppliers appear to be responsible for contract management and availability of human resources –see figure 5, last 2 columns and last 2 rows-.

Business managers versus IT-managers
We investigated the possible differences in responses between business managers and IT-managers of outsourcing companies. In *Figure 5* the scores per governance factor for business managers and IT-managers of outsourcing companies are presented. The results show full support for and agreement on the issues of IT-strategy, Information Management and contracts. There

are some differences in the scores on contact management and human resources. This difference possibly may be explained by larger involvement of IT-managers in managing complex IT-outsourcing partnerships.

5.2   IT strategy

The outsourcing companies have the responsibility to implement their IT-strategy. Outsourcing the development and implementation of the IT-strategy is out of the question [20]. This is supported by all the investigated complex IT-outsourcing partnerships; all of the outsourcing companies do have an IT-strategy in place. All investigated cases, except Firm 1, have an IT-board in place chaired by the CIO to implement the IT-strategy. The board consists of business managers and the IT-managers. Most companies limited the participation of the business to the general managers of the business units. One of the experts suggests to expand the representatives of the business unit with a subject expert: "What you really need is the person who is the subject expert. Who understands how the department really functions. What its purpose and role is, and how it fits within the rest of the business, because that is the thinking that needs to be changed and you need that person to think about that."

Despite these case study observations the *interviewed experts* are very sceptic about the quality of the IT-strategy in most outsourcing companies. In their opinions most IT-strategies are limited to the settling of the yearly IT-budgets: "..... IT-strategy has very little to do with strategy quite often. They are more like yearly budgets, save some money and there you go." According to the experts the continuous innovation of services and the absence of a proper business strategy are possible explanations for this situation.

In order to overcome problems related to IT strategy, concultancy firms may support outsourcing companies, as was the case in Firm 1, Firm 2 and 4. The consultancy firms have only a facilitating and supporting role.

With regard to the IT strategy a last important issue we addressed was the possible need for a leading corporate IT strategy vis a vis the business units. Based on our interviews it is clear that the need for a leading corporate IT-strategy increases when there is a very close interaction between the business units. E.g. in the case of the Asian IT-outsourcing partnership, Firm 3, the autonomous position of the business unit involved in the IT-partnerhsip took away the need for a leading corporate IT-strategy.

A leading corporate IT strategy is in most cases related to IT-infrastructure. CIOs of the outsourcing companies in the cases 3, 4 and 6: "Based on our directives we use a global internal back-bone infrastructure for all our business units. In addition to this we have agreements on e-mail standards, EDI formats and security." The corporate IT-strategy of the outsourcing company involved in cases 5 is related to IT-infrastructure, IT-infrastrcuture tooling, IT-security and IT-vendor management.

Based on the corporate IT-strategy the business units need to develop and implement their own IT-strategy. This business unit IT-strategy needs therefore to be aligned with both the corporate IT-strategy and the business strategies. This results in the need for the implementation of a leveled IT-strategy within outsourcing companies.

> **Proposition 1:** *A clear multi leveled IT-strategy that is aligned with the business strategies contributes to the governance of managing complex IT-outsourcing partnerships.*

5.3   Information Management

All investigated cases support and also experts confirm: the Information Management function (IM) is a prerequisite to effectively manage complex IT-outsourcing partnerships. The question addressed by all our interviewees however is "how?".

There is agreement on the need to implement IM autonomously from the internal IT-department and headed by the CIO. In the past many of the internal IT-departments also assumed IM responsibilities. From the investigated cases only Firm 1 still has a combined internal IT-department and IM function. Firm 2 already started to disintegrate their internal IT-department and IM function. In all the other cases the internal IT-department and IM function are separated. The separation prevents possible conflicts of interest in implementing the IT-strategy. The existing resources of the internal IT-department, both human resources and hardware and software platforms, are not necessarily tomorrow's

choices. It is in interest of the internal IT-department to optimize the existing resources.

These goals may conflict with the overall interest of the firm. As one of the experts says: "Investments in hardware platforms and training of employees made by internal IT-departments really stop innovation. This limits companies in utilizing IT. For this reason a lot of companies started outsourcing their IT-services to external IT-suppliers."

In most cases, where firm size permits, Information Management is organized per business unit. Firm 5 is an excellent example of this structure. Each division has a Group Information Officer (GIO). These GIOs report hierarchically to business management and functionally to the CIO. Within the division there are business units and each business unit has its own Information Manager. (S)he reports hierarchically to business management within the business unit and functionally to the GIOs. This structure ensures a proper implementation of the IM by contributing to the alignment of business and IT. Also in the discrete manufacturing case, the Firms 3,4 and 6, a similar structure is implemented. Also in these three cases the reporting lines of the Information Managers are hierarchically to business management and functionally to the CIO. In the cases of Firm 1 and 2 this structure is less integrated with the business processes of the outsourcing company. This may be due to the limited size of the outsourcing companies. One of the interviewed experts reflects on this: "What we see in today's IM departments are very limited organization in terms number staff. This limits the power base of the IM department. Therefore I suggest to increase the number of employees of the IM department to about 10% of the IT-suppliers, including the internal IT-department." Also other experts mentioned a range between 5 and 15% as a ratio for IM staff/IT-suppliers staff. The ratio of Information Managers of all the investigated cases is in this range.

Looking at the knowledge base of Information Managers a general finding of our interviews is the need for IM to have both business and IT knowledge. Nearly all interviewees agreed to this. In the Asian IT-outsourcing partnership the outsourcing company replaced their IM because the Information Managers were lacking business knowledge. The business knowledge was especially essential in this case. This outsourcing company transformed the mainframe platform into a client server architecture including the implementation of ERP applications and a Shop Floor Control System. The new Information Managers are more business oriented and were prior to their nomination trained by an intensive management development program.

IM reports to the CIO; to whom does the CIO report? A few years ago it was argued that the CIO should be positioned within the Board of Management of outsourcing companies to ensure attention for and knowledge of IT. Most recent opinions don't agree with this. One focal point for IT within the Board of Management will damage the integration of business and IT. The responsibility for IT needs to be the responsibility of the full Board of Management. This was also our finding in the interviews. One of the experts explains: " I think that Information Technology is an integral part of doing business. Therefore the CIO must report to the Board of Management. The responsibility for IT is the responsibility of the full Board of Management. It is too easy to blame only the board member that has the responsibility for IT."

We conclude with the following propositions:

Proposition 2.1: *The implementation of IM by the outsourcing company supports the alignment of business and IT within the outsourcing company and contributes to the governance of a complex IT-outsourcing partnership.*

Proposition 2.2: *The implementation of IM 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.*

5.4 Contracts

Outsourcing contracts require a proper contract structure. All of the investigated cases have a comparable contract structure. This may be due to the context of the investigated IT-outsourcing partnerships, which are all contracted by one IT-supplier. But our professional experiences indicate that also IT-outsourcing partnerships with other IT-supliers have a comparable structure. The interviewed experts confirm this line of thinking. The structure of most outsourcing contracts is based on a Corporate Framework Agreement (CFA), including the overall conditions and some general terms and conditions. Under this CFA there are Framework Agreements, including all services for specific organizational units or including specific services to all organizational units. One of the experts reflects on this: "The way the contracts are structured must reflect the way the outsourcing company is structured. Therefore centralized outsourcing companies have a service oriented contract structure for all organizational units. A decentralized outsourcing company has a business unit oriented contract structure." In the investigated cases we also find evidence for this statement. For example Firm 1 and 2 are centralized companies and have structured their contracts on services. The Firm 3, 4, 5 and 6 are more decentralized companies and have structured their contract on organizational units.

The contract layer under the Framework Agreements is Service Level Agreements (SLA). These SLAs include the level of the specific services. This part of the contract needs to be the relatively most flexible part and consequently will be most subject to changes. An upcoming mechanism to support adaptations in SLAs is the Balanced Score Card (BSC). One of the experts explains: "The Balanced Score Card is a tool useful for discussions at both tactical and strategic level to implement changes in the contracts. The Balanced Score Card ensure a business discussion and prevents a technical oriented discussion." In none of the investigated cases the BSC was actually in use to implement changes in the contracts. The involved IT-supplier planned to use this experience with the BSC for performance measuring of their IT-outsourcing partnerships. The first step of the implementation will be is the use of it in the bid process of the IT-supplier.

An observation coming out of all the cases concerns the dynamics of complex IT-outsourcing partnerships and the question how to deal with them. The dynamics emanate from both business changes and IT changes. Firm 4 shows that increased competition and increased strategic importance of customer services –the core business processes of this business unit - resulted in a new organizational structure with adapted business processes and changed needs of IT-services. Dynamics coming from innovative technologies include meCommerce, Enterprise Resource Planning (ERP) or Customer Relation Management (CRM). In Firm 3 the implementation of a new Shop Floor Control applications and ERP applications resulted in a complete renewal of the needed IT-services. As a consequence contracts need to be flexible. Regular communication between the outsourcing company and the IT-suppliers is considered essential in establishing flexible partnership relationships. However communication has to be organized.

The communication structure of most of the investigated IT-outsourcing partnerships is similar and organized on three management levels. There is steering committee at the strategic level including general management and IT management of the outsourcing company and general management and account management of the IT-supplier. The steering committee meetings take place once or twice a year. There is management team at the tactical level including the IT-management of the outsourcing company and the account management and contract management of the IT-supplier. These meetings take place monthly. On the operational level the involved employees of the IT-supplier have daily discussions with the Information Managers concerning operational issues. One of the interviewed experts shared an interesting observation with us: "Most of the IT-outsourcing partnership I have looked

at the outsourcing company and the IT-supliers agreed on the communication structure and the meetings are scheduled on a regular basis. But the real issue is the topics on the agenda. Most of the topics, even at the meetings of the steering committee are related to operational problems. This really prevents the IT-outsourcing partnership of becoming a mature IT-outsourcing partnership. It is the Future Mode of Operation that needs to be discussed." This was also observed in the IT-partnernerships of Firm 2 and 4.

Contracts vary in allowed flexibility. There is a maximum of flexibility in the contract of Firm 5. The outsourcing company has no purchasing commitments towards the IT-supplier. Beside the purchasing agreement there is only Concern Framework Agreement and a service catalogue with the possible IT-services including prices. The business units of the outsourcing company have no obligation to contract service from the preferred IT-supplier. The preferred IT-supplier has to prove their added value to each of the individual business units of the outsourcing company. This matches with the decentralized organization structure of the outsourcing company. The CIO of the outsourcing company: "The business units are the real contract partners for the external IT-suppliers. The business units have their own IT-budget."
All the other investigated cases have revenue guarantees for the IT-supplier. But based on our professional experiences we expect that future IT-outsourcing partnerships will include no turnover guarantee for IT-suppliers anymore. Flexibility will be key in future IT-outsourcing partnership contracts.

Proposition 3a: *Flexibility -in the type, the service level and the quantity of the requested services- in the outsourcing contracts contributes to the governance of a complex IT-outsourcing partnership.*
Proposition 3b: *A multilevel communication structure contributes to a flexible IT outsourcing Partnership*

5.5 Contract Management

In order to structure the relationship and the communication with outsourcing companies, IT services suppliers must have a contract- and account management (CAM) in place. This statement is supported by all our interviews. As a linking role, in fact the main contact point, between the business functions of the outsourcing company (represented by their Information Management) and the IT service delivery, CAM has to possess both business and IT knowledge. CAM is basically responsible for realizing what has been agreed on; its orientation is customer satisfaction.

Regarding on how to structure CAM, all the interviewed experts agreed: "The structure of the CAM must be the mirrored structure of the outsourcing company."
The case studies confirm this point: in all of the cases, but one – case 4 - there is a mirrored structure and there is consensus that this mirrored structure contributes to managing IT-outsourcing partnerships. In case 4, CAM is part of a large CAM organization, which is responsible for a large number of large IT-outsourcing partnership contracts amongst the IT-outsourcing partnership with Firm 4. This resulted in a relative lack of attention from the CAM for this IT-outsourcing partnership, which really damaged this IT-outsourcing partnership. Firm 1, Firm 2 and Firm 3, the smaller IT-outsourcing partnerships, have a relatively simple CAM structure. Firm 5 and 6 have fully mirrored contract organizations. The main reason for the mirrored CM in these cases is the decentralized structure of the outsourcing companies. The result is a fragmentation of the CAM structure. In both cases CAM is supported by the CIO of the outsourcing companies to achieve some common understanding among the autonomous business units. The objective is to come to a higher degree of commonality, like shared services and standards for all business units. However in order to meet the requirements of individual business units a decentralized and therefore mirrored C&M structure is considered necessary.

The relationship between CAM and operational service delivery is a point of discussion. Only in the IT-partnerships of Firm 3 and 4 these responsibilities are not split. This may be related to the limited size of the IT-services for these IT-outsourcing partnerships. As the Firm 4 CA manager says: "The responsibilities for the CAM and the service delivery are embedded in one role. This results in possible conflicts of interest. The contract manager is responsible for customer satisfaction and the service delivery manager of utilizing the service delivery capabilities." In the other IT outsourcing partnerships these are split responsibilities.

As a major point of attention for CAM, which came out our interviews, is continuity of personnel in CAM positions. Changing people results in discontinuity in the management of the partnership. In the IT-partnership of Firm 2 the change of CAM resulted in disinterrupting the service delivery and in a serious dip in the relationship between the outsourcing company and the IT-supplier. Attention of senior management of the IT-supplier was needed to solve this issue. Also in the IT-partnerhship of Firm 6 many of contract and account (CA) managers were replaced. This also resulted in discontinuity of service delivery.
Also in this case most of the CA managers were the transferred former IT-exectutives from the internal IT-

department of the outsourcing company. There are pros and cons to offer the transferred former IT-executive the role of CA manager. The arguments pro are that they know the client and the transferred employees, their former colleagues. The arguments against are that this way of working will not contribute to changes expected by the outsourcing company. For the outsourcing company it looks like that everything will remain the same. Which is in fact true. There are some success stories in offering the role of contract manager to the former IT-executive [22]. But this success is based on personal strength of the involved contract manager. Based on the interviews and our personal professional experiences we conclude that resourcing the CAM with experienced managers from the IT-supplier is a better practice.
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> **Proposition 4:** *The implementation of proper contract & account management that mirrors the organization of the outsourcing company results in clear contacting point for the outsourcing company and ensures an effective communication between the outsourcing company and the IT-supplies and thus contributes to the governance of a IT-outsourcing partnership.*

5.6   Availability of human resources

Continuity in service delivery processes require continuity in availability of personnel, which as a result leads to the question which number of employees can possibly be changed in a period of one year without harming the relationship. One of the experts argued that maximum 20% of the employees involved in service delivery can be changed in the course of one year, which in fact did not happen in any of our cases. The percentage averages around 10% - 15%. However some of the IT-services suppliers have an employee turnover of more than 15%. This therefore results automatically in higher percentage of replacements.

Related to this question, three specific problems for IT services suppliers emerge from our interviews: the position of transferred former employees of the outsourcing company, the effect of globalization of service delivery processes, and the question how to retain the most talented people.
 Transferred former employees have understanding of the business in which the outsourcing operates and of the outsourcing company itself. This is definitively an advantage for both the outsourcing company and the IT-supplier. On the other hand the management of the outsourcing company expect changes. Based on research by KPMG it can be concluded that many outsourcing decisions are taken to force changes [13]. This is a strong argument for replacing the former transferred employees of the internal IT-department. In all our investigated cases

a substantial part of the former transferred employees of the internal IT-dpartment have been replaced, with both the outsourcing companies and the IT-suppliers being satisfied with the final replacement.

The implementation of the global service delivery processes also contributes to the replacement of the former transferred employees of the internal IT-department. This implementation is always done by experts of the IT-supplier and results therefore in the replacement of employees.

There is also a need from the employee perspective to replace employees. The most talented former transferred employees of the outsourcing company will leave the IT-supplier if they are not replaced. They want to work for other customers of the IT-supplier. If the IT-supplier keeps these employees on the contract with the outsourcing company they finally will quit.

The experts agree on the importance of staff disposition plans. Starting points for a staff disposition plan are toady's services, an inventory of today's service delivery capability and the future service needs. Staff disposition plan contributes to the transformation to tomorrow's needed skill sets and form a mechanism to retain personnel in a competitive market.

> **Proposition 5a:** *Continuity in personnel availability per IT outsourcing partnership contributes to the success of the relationship.*
> **Proposition 5b:** *A staff disposition plan contributes to continuity of personnel availability in IT outsourcing partnership relationships.*

6. Conclusions

Managing complex IT-outsourcing partnerships is not an easy job. Both the outsourcing company and the IT-suppliers need to do their utmost to turn the co-operation into a continuous success. The investigated cases and the interviews with experts show that bringing in the best people is not sufficient to manage complex IT-outsourcing partnerships successfully. The value of the partnership needs to be established. We proposed a descriptive framework, based on Fayol's general management framework that identifies relevant elements for managing complex IT-outsourcing partnerships. The framework turned out to be useful in the investigated cases. In the analysis of these case studies and the interviews with experts, we identified five propositions relevant for managing complex IT-outsourcing partnerships. They concern IT-strategy, implementation of Information Management, flexible contracts, implementation of contract and account management, and the availability of human resource The next step in our research will be to refine these propositions into variables

and hypotheses. These propositions need to empirically tested outside the investigated branches and with other IT-suppliers than Atos Origin. This will further generalize the results presented in this article.

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8. References

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