IT-Outsourcing maturity

How to measure maturity in an outsourcing relationship with focus on the most critical aspects.

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Abstract

This paper covers an absence in current research, concluding there is a need for future research to investigate further critical aspects, regarding outsourcing relationship maturity. The research has been carried out based on four critical aspects of relationship maturity, competence, culture, governance, and security. The key dimensions comprising each critical aspect has been constructed through literature studies comprising well-established maturity models and successful outsourcing practices to increase relationship maturity. The construction of the key dimensions is adjusted through iteration in collaboration with consulting experts within the field of outsourcing, who constituted a vital contribution to the research. Data collection was conducted through simultaneously performed semi-structured interviews and associated surveys with purpose of testing the key dimensions for validation with related findings. The research was carried out in relation with some of the larger organizations in the Swedish industry in Stockholm and Gothenburg, and the respondents who participated holds executive positions within the organizations. Concluding remarks prove support to construct key dimensions in this paper, based upon theoretical best practices from the literature and contribution of the focus group. Illumination of the correlation between each critical aspects effect on relationship maturity is supported with limitations, as the measurement of each aspect does not sufficiently cover the organization's overall strategy regarding outsourcing relationship maturity. However, the key dimensions is sufficient in generating a notion of current relationship maturity that would give guidance on what to improve. Finally, this paper suggests future research on further development of the key dimensions, including detailed studies of relationship maturity effect on outsourcing collaboration.

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1. Introduction

This master thesis aims to develop the field of IT outsourcing. IT outsourcing has been widely expanding over the last couple of years and involves big actors on the market, therefore, a lot of investments and resources. Since the field of outsourcing is too wide to cover in a master thesis, we will narrow our research and focus on the relation maturity between a client and vendor in an outsourcing collaboration. To create a contribution to the field, we have carried out this thesis in cooperation with professionals in the field of outsourcing. This study is, therefore, conducted in cooperation with the consulting firm, Opticos, a consulting firm specialized in outsourcing. All the respondents participating in this study possess key positions concerning outsourcing in their respective organization; furthermore, their organizations are involved in globalization and are major players concerning outsourcing in Sweden.

With this thesis, we aim to contribute theoretically and practically to the field of outsourcing. The academic contribution will be presented as further aspects to measurement of maturity in the outsourcing relationship. The practical contribution will be presented as a diagnostic measurement and evaluation tool, which could be used by consultants, and as a change management tool for the organization.

1.1 Background

The phenomenon of outsourcing is far from something new, according to Kakabadse and Kakabadse (2002). They explain that outsourcing has been around since the Roman empire and the work of tax collecting was made through systematic contracting. Later, during the industrial era, there are several reports of outsourcing in England, where the government contracted maintenance work of public roads. There are also several reports of mail management and construction of railroads contracted as outsourced work during the same era in USA, Australia, and France. But it was not until the twentieth century that outsourcing really blossomed in relation to the increased need for production of technology. Initially, outsourcing initiatives were primarily focused on cost savings, and the economic argument was strong. The growing market for outscoring resulted in fierce competition among the vendors, who specialised their experience. Later, the narrow economical life cycle and rising quality demands increased the pressure, making firms rethink their outsourcing initiatives, creating new strategies and types of cooperation, like joint ventures, to achieve better results (Kakabadse & Kakabadse, 2002).

In a similar sense, outsourcing has become a strategic tool when managing the organizational IS, according Gonzalez, Gasco & Llopis (2006). But this had not been the case earlier, according to Lacity, Kahn & Willcocks (2009), a fact they illuminate in their literature review of outsourcing. In beginning of the modern era, outsourcing was a 'game for losers', where the companies that were unsuccessful desperately tried to lower costs to survive. However, the successes of outsourcing initiatives have led to outsourcing as a basic strategy today for organizations trying to gain a competitive advantage.

There are mixed arguments for successful outsourcing, which have led to disillusionment when engaging in an outsourcing incentive, according to Levina and Ross (2003). This is because firms who fail to attain value often fail in the long run, when it comes to outsourcing. Levina and Ross (2003) conclude that managers must study a potential client

or vendor's core competence to find a match between them. It is not simply the neoeconomy classic argument that will prevail in the long run, according to the authors. Focusing only on economy of scale benefits would be irrational for a larger firm, since they could achieve this themselves. To attain value and competitive advantages, there is a need for a deeper form of cooperation or alignment between the client and vendor (Levina & Ross, 2003).

A holistic view of this historical change, with focus on IT outsourcing, is described by Hirschheim, Heinzl & Dibbern (2013). They explain that outsourcing for simple tasks and low-quality work is a thing of the past. The modern form of outsourcing involves a higher integration in cooperation and, at the highest level, an alliance or partnership. There is also a broader variety of services offered on the market for outsourcing, where parts of the IT portfolio could be strategically outsourced, which according to Hirschheim et al. (2013), makes us rethink the role of the IT manager.

Important factors in the growth of outsourcing, mainly offshoring, could be found in the increased modularity in software productions. Not only will this factor decrease the cost of coordinating the workload between customer and supplier in an offshore assignment, but it will also reduce the need for monitoring, communication, and feedback between both paties. Other aspects that increase the efficiency of outsourcing can be found in evolving technologies for global collaboration, which reduce communication problems. Another reason for increased outsourcing is the improved quality delivered by offshore suppliers (Carmel & Agarwal, 2002).

1.2 Problem Description

Modern, widely used, maturity models, applied when conducting IT outsourcing, are often vague in the measurement to determine the initial stage of maturity. They are consistent when it comes to a detailed description of the stages, but lack a rigid approach for making it easy to apply. For example described by Curtis, Hefley & Miller (2009), the CMM maturity model is detailed in development of the internal cultural approach towards outsourcing, which includes development of competence and skills, regarding cooperation in group and individual knowledge development. Curtis et al. (2009) argues it is easier for managers to measure the performance when there is a foundation for knowledge, skills, and fixed standardized processes, integrated with the firms' infrastructure in a convenient way.

But there is an absence of a 'hands on' approach in the earlier stages of maturity, where the need and support of a maturity model is strongest. There is, therefore, a need for development of such a tool that is easy to use when evaluating maturity stage achieved. The tool could also be used in a pedagogic way of displaying and explaining the need for development of the current outsourcing incentive the organization has attained. Research to cover the absence of hands- on measurements in relation to maturity has been further investigated by Gottschalk and Solli-Saether (2006, 2008).

The first article proves there is a need for deeper research focusing on the clarification of theoretical and empirical contributions, regarding the field of IT outsourcing relationship maturity. Recommendations are given by Gottschalk and Solli-Saether (2006) to *"more*

carefully develop and explain the issues important in each stage" (Gottschalk & Solli-Saether, 2006, p. 12). The second article found support for three out of 11 benchmarking variables, regarding IT outsourcing relationship maturity. It is suggested in the article to identify alternative benchmarking variables considered a further development of the research scope.

1.3 Purpose / Research question

To get a deeper understanding of the current level of maturity in an outsourcing relationship between the client and vendor, this study aims to verify different criteria that may affect the outsourcing relationship. These criteria can be good or bad, but as mentioned in the problem description, there is a need for the organization to measure and grade their effect on the relationship. By illuminating the criteria effects on the relationship, the study also aims to engender an analytic management tool, filling a gap in the existing research. The criteria focus on clarity of soft and hard aspects of the organizational structure, since a relationship between organizations is driven by both informal and formal forces.

RQ: How can maturity be measured in an outsourcing relationship, with focus on the most critical aspects of the relationship?

1.4 Expected Results

From the collected data, this paper aims to cover the gap in current research about measurement ability in correlation with IT outsourcing relationship maturity. Therefore, the expected result is to showcase supplementation to cover theses gaps based on existing arguments and best practises for nurturing the relationship between client and vendor. Validation of the different critical aspects are important to construct a key dimensions that, after being tested, should prove whether it has support. The aim of the research is to present validation of the key dimensions, but also new findings and recommendations for further research. As it is expected in this paper to showcase different aspects in outsourcing and relationship maturity, there is an intention to develop the key dimensions to a point where there the measurements can exhibit how efficient the outsourcing relationship is.

1.5 Target Audience

This paper is a contribution to the field of IT governance, change management, to some extent, and IT outsourcing. The submitted result and conclusion seeks to be beneficial for organisations to determine current level of maturity. Applying the key dimensions aims to be beneficial in all sections of the organization, but especially these with close collaboration with a vendor. The key dimensions can be applied to illuminate current relationship maturity level and to act as a visual tool suitable for developing outsourcing projects in pursuit of higher maturity. Contributed theoretical findings to the field serves for researchers to investigate the impact of the critical aspects. The paper's target audience, therefore, is organisations involved in outsourcing with focus on top management, but

applicable to other segments of organisations with researchers in the same field and the field of informatics.

1.6 Delimitation

The result in this paper is not presentable for a larger population and should, therefore, not be applicable. However, the aim of the research is not to find validity for a larger population of organisations regarding outsourcing strategies. The aim is to find validity for the critical aspects, competence, culture, governance, and security, to find support for the aspects' ability to measure maturity. A key dimensions is, therefore, constructed to increase duplicable for future research and testing with the purpose to evaluate and assist organizations in reaching a higher level of relationship maturity in relation to outsourcing. The research has also suffered from loss due to the role of the respondents who represented the vendor's perspective. According to Bryman (2011), data losses are to be avoided, but if there is no clear correlation with the research, this may be considered. The loss was based on difficulties with integration of existing collected data. Suggestions are made to study relationship maturity from vendors' perspective to cover the perspective as well (see fig 1). The figure below is a representation of the focal points of the research, for example, the overall strategy tangent the research, but is not the main focus as it would have required much more in-depth studies for each specific organization. Nor does this paper emphasise hard and soft values more than awareness of its impact on the organization's development. The main focal point is to verify validation of the different critical aspects from clients' perspective to determine measurement of relationship maturity for each one the critical aspects presented below.
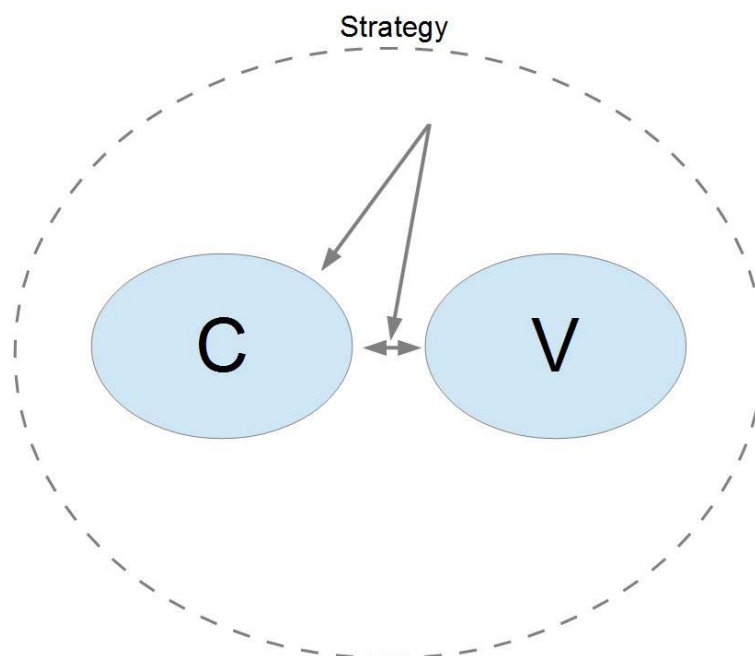
Figure 1: Focus model

1.7 Outline

Tabell 1: Disposition

Chapter 1: Introduction	A quick introduction followed by background, problem description and the purpose of the study.
Chapter 2: Method	Presentation of our research process and method process followed by type of data collection.
Chapter 3: Theoretical framework	The theoretical framework of the study consiting of an introduction to IT outsourcing, maturity models and four critical aspects of IT outsourcing
Chapter 4: Empirical data	Emperical result presented according to the four critical aspects. The emperical data consists of interview with focus group and organisation respondents.
Chapter 5: Theoretical discussion	Comparison of our literature and the different respondents. Preperation for the upcoming discussion.
Chapter 6: Practical discussion	Discussion strutured according to the four critial aspects. Aims to validate presented elements.
Chapter 7: Conclusion	Conclusions from our thesis followed by contribution to informatics and practitioneers.

2. Method

In this section, the motivation of scientific approach is described with description of the research processes. The data collection process is also described, including explanation of applied methods and confirmation of validity and reliability by combining different data collection methodologies. Selection of respondents and conduction of workshop/interview with the focus group is also explained. The section aims to give the reader an overview of practical execution or process and research approach.

2.1 Scientific theoretical approach

In this paper the scientific hermeneutic perspective is applied, in order to manage and analyse the contributed theory. There are different research perspectives, such as phenomenology, interpretivism, hermeneutic, and others, described by Bryman (2011). Phenomenology attains an individual focused approach that aims to study human behavior and how they interpret the world that surrounds them. Interpretivism, within qualitative research's aims, is to illuminate the subjective social acts or what Max Weber explains as *Verstehen* (cited by Bryman, 2011). According to Bryman (2011), there is still an ongoing debate about the foundation of social scientific research as the phenomenology and hermeneutic approach favors Weber's description of *Verstehen* that means comprehension in German. The definition of the scientific approach aims to find a causal explanation of the course of action and its effects. The term *Verstehen* is a central perspective in the hermeneutic epistemology, primarily used when analysing different forms of texts. By applying a hermeneutic approach, the researcher intends to analyze and seek meaning from the perspective of the originator. In this paper, the hermeneutic cognitive circle, described by Holme and Solvang (1991), is partly applied when constructing the key dimensions. The systematic approach of interpretation of theory intends to reduce bias from the researcher and increase the study's validity. Maturity model literature reviews were utilized to assess the most commonly used models that tangent the research focus.

Within the hermeneutic approach, the positivism view has been applied when conducting the research. According to Bryman (2011), positivism has been practiced both in social sciences and natural sciences, but has been heavily criticized in natural science, since social scientists argue the value of studying social patterns is problematic to strictly quantify, as required in the natural sciences. However, since positivism is commonly used in social science, it has become a target of criticism and has been heavily criticized by natural scientists. Positivism allows both deduction and induction and clearly differentiates the theory and research. Roughly defined deduction means theory tentatively and induction theory generation.

In this paper, both are applied when first defining the key dimensions through induction by collection of data from the theory generation, first specifications of categories then further elaboration in collaboration with the focus group through a workshop. Deduction is later applied when testing the categories, which has strong support from previous research. By utilizing the positivist perspective, the opportunity clearly differentiates from the theory and conducted research has been enabled. The positivistic approach allows the researcher to test and practice theory when collecting the data, as Bryman (2011) explained, which has been a favorable approach in this paper and has enabled testing the

constructed research categories in an objective way intending to extend existing laws to reach epistemological status higher than current theory. The critical testing of existing theory is in the analytical parts of this paper within the scope of the ontology constructionism (Bryman, 2011).

Strauss et al. (cited by Bryman, 2011) example of constructionism that, unlike objectivism, question the organization's structure with insight into how social the patterns can influence the structure. Constructionism also assumes that the social order is in constant reform and can be developed in different ways, described as a constant negotiation between the parties. The approach is especially applied when analysing the collected data to measure the maturity of the relationship between the client and vendor.

Despite the different scientific perspectives applied in this paper's different stages, grounded theory has been partly applied when conducting the research. In order to fully make use of grounded theory as developed by Glaser & Strauss (cited by Bryman, 2011), states that the researcher must follow the steps strictly. As grounded theory is commonly used within social science, it has also been heavily criticized. The approach is hard to practice, since it takes time to transcribe the recorded interviews because of the iteration when collecting and analysing the data, which takes time. It has also been criticized for not generating theory every time; even if the metology attains several rigorous step, it can sometimes be difficult to clarify conclusions by studying social patterns. However, according to Bryman (2011), grounded theory represents one of the most influential approaches to analyze data in qualitative research and many steps are representable keystones in social science research (Bryman, 2011).

The methodology has, therefore, been customised accordingly to fit the focal point for this research by combining qualitative interviews and qualitative surveys as data collection methodologies (see description in section). The iteration between theory and practice is mainly applied according to grounded theory's structure during the initial stages of the study in development of the key dimensions. The framework was adjusted based on the contribution of the focus group, who helped to develop the concepts of elements and critical categories further. For example, thematic analysis has been applied, instead of grounded theory strict requirements around discourse analysis, especially in the later parts of the work. Thematic analysis is, according to Bryman (2011), one of the most commonly used methodologies to analyse data in qualitative research. Applying thematic analysis is wide, which is both a strength and weakness of the methodology. The analysis of the collected material, notes, transcripts, and surveys, collected in this study is synthesized and then presented in categories and matrices to generate the transparency of the material collected. Allocating the data makes it presentable, similar to an SPSS page constituents of main themes and subthemes. The researcher then examines the data to find the similarities, differences, transitions, and connections in the data, but also intends to discuss the lack of data (Bryman, 2011).

2.2 Method process

During initial stage of the research, literature regarding outsourcing relationship were studied. Fairly quickly, we realized that the maturity model was a way to measure the maturity by examining literature reviews regarding the field of outsourcing relationship. More detailed studies were made, focusing on maturity models, to get a more detailed perspective about the outsourcing relationship. There is an absence of measurement variables stated in the literature regarding relationship maturity. Based on this research gap, categories were constructed and a first version of the key dimensions for this paper was made. The initial framework, comprising culture, knowledge, contract, and security, were further tested and elaborated with the focus group's input, who readjusted the theoretical approach and made it more realistic customized. The theoretical frame was readjusted by adding more theoretical support from the literature in scoping the main categories, competence, culture, governance, and security. During this stage, the support for the different subcategories, or as referred to in the presented key framework below elements, were shaped based on the contributed literature for each of the main categories.

The key dimensions comprising elements and main categories or critical aspects of relationship maturity constructed in collaboration with the focus group were then tested on the respondents. The purpose was to find validation for each element, but above all, the critical aspects. As described in the next section, data collection was made through a multi-method of semi-structured interviews and surveys to strengthen validity and reliability of the data. The data were then analyzed through theme specification analysis by applying color coding and then decomposed vital data into each subcategory. Analyzation of the data through color coding was conducted by coloring different statements from the respondents using four colors of choice, so that the answers clearly connected to each critical aspect of the key dimensions. The data were then compared with the theory to identify findings and validation of the main categories and subcategories in an objective way from a micro and macro perspective. The findings were then discussed in a similar way, focusing on the researcher's perspective of the analysis that culminate into the how well each validation conspires with each element. The outcome of the comprehended findings and validation were then presented as concluding remarks and recommendations for future research.
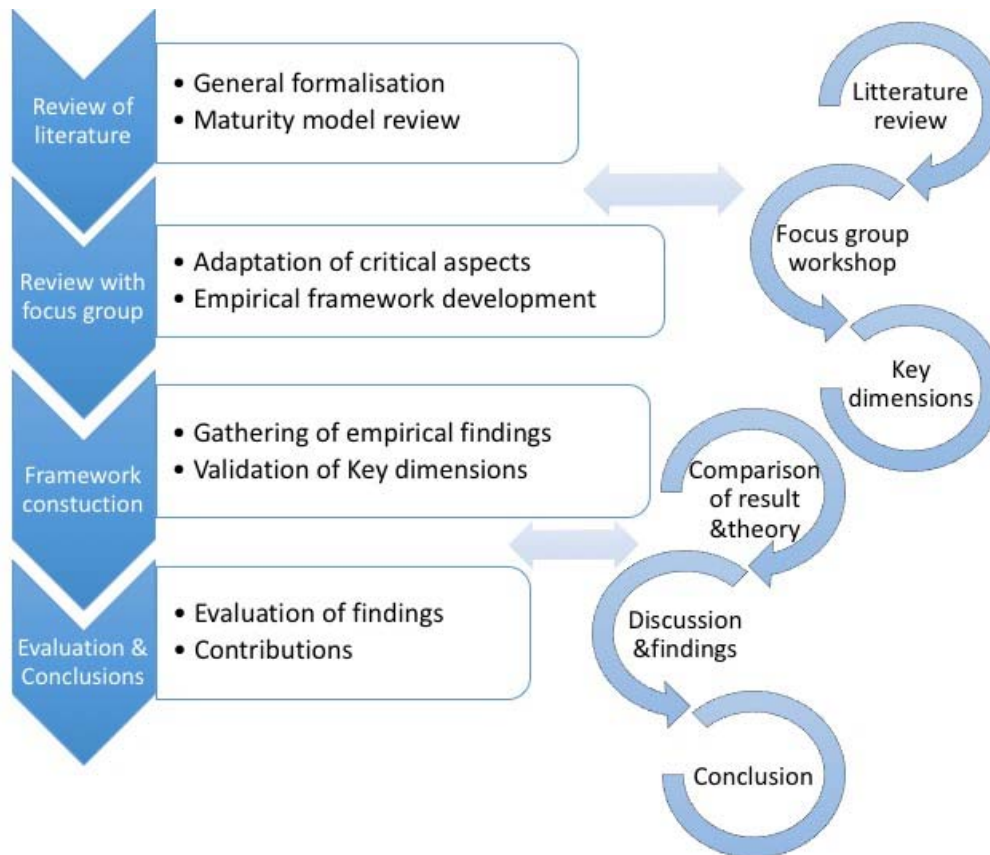
Figure 2: Method model

2.3 Data collection methodology

To collect the data in the study, semi-structured interviews and qualitative surveys were conducted. Both the interviews and the surveys were conducted during the interview with the respondent. The decision to conduct both interviews and questionnaires simultaneously is based on accessibility and practical issues that would, otherwise, been a hindrance in performance, according to expert opinions of professional partners. Therefore, they were conducted during the same session, which also provided us the opportunity to gain a match between the respondents' answers and the survey. The survey's function was reinforced in an objective way as the respondents' answers were measured in real time. This helped the respondents to give a clearer answer, and if they were unsure, they could at least estimate a level of maturity.

2.4 Interview process

There are different forms of interviews commonly used in qualitative research, according to Bryman (2011), structured, semi-structured, and unstructured. A clear definition of the primary interview form used in this study would be the semi-structured interview form with elements of the structured interview approach. The elements of the structured interview approach were mainly based on the question's importance in the interview chart that comprises follow-up questions of a semi-structured form and questions needed to get answered to evaluate the answer with the survey accordingly. These questions were constant and structured, according the description Bryman (2011) presents.

Bryman (2011) describe an unstructured interview approach fit for illuminating complex social structures focusing on the respondent's' perception and motive. The interview form is common in deeper studies in social science, such as sociology and psychology. The interview is often performed as a normal conversation with follow-up questions that interest the researcher, according to Burgess (cited by Bryman, 2011). The need for a combination of the survey and the interviews limited us to a more structured approach to collect and compare the data successfully. Therefore, we considered the semi-structured interview form as an alternative, described by Bryman (2011), as a flexible way to conduct an interview with both structured and unstructured elements. He explains that the researcher may ask follow up questions of interest and when needed to gain deeper knowledge about a specific subject mentioned by the respondent. But the question chart is performed as constructed in this study, and it is this part of the question chart that differs from the semi-structured approach described by Bryman (2011).

2.5 Survey conduction

The interviews had a set timeframe and therefore there was a need to fill in the survey for maturity measurement simultaneously. This is because some questions needed to be asked in an unaltered way through every interview to collect measurable data. Bryman (2011) highlights the benefits of a structured interview form as increased duplicability and comparison between the interviews when the questions are standardised. He also argues, when conducting a structured interview, the researcher must follow the question chart strictly, so all the questions get answered. Asking questions in a rigorous sequence exposes the respondent to the same situation and gives the same stimulus every time. This makes it easier to compare and measure the respondents' answers, which has been a vital part in our research to compare the survey's pre-selected options from 0-5 with the interview answers. Surveys are a good way of increasing reliability and duplication, but the structured approach of the questions with pre-selected answers makes it harder to collect information, according to Bryman (2011). Collecting data through surveys has been criticised for not being sufficient, because it is hard to collect the right amount of data, and it can be hard to get fully elaborated answers. To deal with the problematic issue of primary conduct surveys, they were complemented with semi-structured interviews.

The interview chart was constructed to test the different main categories and subcategories to cover the gap. First, there are introductory questions to get a general perspective of the respondents' approach to outsourcing relationship maturity, pitfalls, and achievements. Then primary questions were asked, which were more structured, since we needed to get those answered in order to compare and analyze the data correctly. If there was time left over or if the respondent gave a rapid answer, the follow-up questions were to be asked to gain a better picture. Sometimes, the questions were asked to get the respondent to illuminate the perspectives from different angles or explain it more. Then there was a short, final, open-ended discussion of the respondents' general perception about the questions and relationship maturity

2.6 Validity and reliability

Combining different methodologies is one of many ways to increase/ensure validity and reliability, according to Bryman (2011), who explains that one way to do that is through multi-method. Reliability accounts for the accuracy of measurements and validity refers to checking that they accurately measure what should be measured. Multi-method refers to the application of a combination of methods and data sources to examine a social phenomenon, while ensuring the reliability and validity of what is studied. Bryman (2011) argues that multi-method is appropriate to apply to check the results of both quantitative and qualitative studies. In this paper, multi-method is applied in a way by comparison of the qualitative surveys measurements with the semi-structured interviews.

All the interviews and surveys have been performed aligned with Vetenskapsrådet's (2002) guidelines, comprising four primary guidelines, information requirement, the consent requirement, the confidentiality, and use requirement. Vetenskapsrådet (2002) states that, even if the requirements are applied, they are not claimed to be complete; the scientist is still responsible for judgment and it is his or her responsibility. The requirements serve as guidelines, rather than detailed regulatory requirements.
The information requirements used in this study entail informing respondents about their participation and what it means to participate. It is voluntary to participate and the respondent can at any time discontinue the participation during the process. Information about participation will be given to the respondent, so they can assess consciousness of participation. The second guideline is the consent requirement that comprises the consent of the respondent asked and given during the interviews. The respondent may also decide for themselves for how long they want to participate, which in our case has been the reverse, where we adapt to the respondent's timeframe and availability. The third guideline, the consent requirement comprises confidentiality of the information, for example, storing and sharing the data only with people involved in the project; this applies especially for information of personal and ethnical characteristics. We have been applying this guideline by encoding the data and sensitive information, making it harder to trace. This does not apply for our focus group because of the public cooperation with them and supervision. The fourth guideline is use requirement, which comprises using the data only for research purposes during the process, not to be shared in in a non-scientific purpose. The collected data will not be used in such a way it has direct effect on a specific individual.

2.7 Selection of respondents

The selection of respondents is similar to the technic Bryman (2011) describes as snowball selection, explained as contacting someone in study and then through them getting recommendations on respondents. This is something that has been applied in this paper where, through the focus group, we got contact with the respondents that would have been very hard, otherwise. Through the assistance of the focus group, several respondents that were available and selected contributed to the research from the right organizational perspective. Bryman (2011) explains that the selection of right respondents is key to successful research, but selection of less beneficial respondents can lead to misinterpretation of the data and false conclusions, since these respondents are not representable for the research's focal point. A concluding remark regarding the selection of respondents is their executive positions and top management roles in some of the larger

organizations in the Swedish industry in Stockholm and Gothenburg, with direct effect the on decisions made regarding outsourcing initiatives. This has been beneficial to the research, because it makes it easier to gain a general picture of relationship maturity based on the respondent's expertise. An alternative would have been to interview staff and executives, regarding the matter, but would be more beneficial for deeper studies of different variables of relationship maturity that may affect the relationship on an operational level. This paper focused on the strategic level of abstraction regarding relationship maturity. The interview duration was approximately 120 minutes and six interview were preformed in order to collet data and validating the key dimensions.

2.8 Focus group

The respondents of the focus group were made, based on convenience selection, according to the description of Bryman (2011), due to our contact with a top management position in the consulting firms with expertise in outsourcing. Bryman (2011) defines convenience selection as choosing potential respondents based on availability around the research focal point. Our contact assigned us a mentor who further helped us with the other respondents, who all were experts in outsourcing. Our comprehension of searching for respondents with consulting expertise in outsourcing, which is rare, and that their contributions have had a major positive impact on the research. Kvale and Brinkmann (2009) explain that a focus group is applied on many occasions other than just research. A focus group estimates the questions and valuations adequacy with thoughts about them, before they are applied in collecting the primary data.

3. Theoretical Framework

In this section of the paper the fundamental elements of the maturity models are described which then culminates into examples of the two maturity model primarily applied when constructing the key dimensions. Based on the key aspects of the maturity model and with input from focus group, literature is presented to support the foundation of the critical aspect and elements of the key dimensions. The section also initially aims to give the reader a broad perspective of different definitions of outsourcing and model construction.

3.1 Outsourcing factors

Tafti (2005) defines outsourcing to be the procurement of services and products from an outside supplier or manufacturer to cut costs. Levina and Ross (2003) talk about the phenomenon of IT-Outsourcing, initially having the primary goal of attaining cost advantages from assumed economies of scale and scope possessed by the vendors or from companies that make rational decisions based upon transaction-related factors. Further, they bring up the fact that sourcing decisions might stem from political or institutional factors within or around the organization. Sourcing in relation to IS research to have three prevailing factors: client characteristics, vendor characteristics, and the vendor-client relationship. They talk about the fact there are few in-depth investigations conducted on how firms develop these characteristics; however, their importance is widely accepted (Levina & Ross, 2003).

Levina and Ross (2003) expand upon this statement by bringing forth the fact that informal (interpersonal trust) and formal (contractual) aspects of the relationship are equally important. When looking at the vendor side of sourcing, Levina and Ross (2003) state there is a gap in literature and in-depth research in understanding how the vendor generates value and how this value is then transferred to the client.

The growth of IT-outsourcing, according to Hirschheim et al. (2013), can be accounted to two reasons: first, for the companies to focus on their own core competence by outsourcing IT, and second, a lack of understanding of IT-value; hence, the company understands that IT is essential to the functioning of the organization, but believe IT is a cost that must be reduced.

3.2 Types of outsourcing

IT-Offshoring

Sako (2005) defines offshoring as a phenomenon that happens when private firms or governments import intermediate goods or service from overseas, something previously obtained domestically. Further, offshoring is increasingly made possible with ICT and is, therefore, a way for companies to get more competitive economically, but also a way for companies to gain international connections. As ICT develops, so does offshoring because of the importance of the connection between the two (Sako, 2005).

The work required for offshore projects to succeed is high because of the work dispersed across different development locations. Therefore, certain activities are best performed at

the customers' location, because the hardware and end users can be accessed, according to Ramasubbu, Mithas, Krishnan & Kemerer (2008). The need to be physically present at the customer sites has been something researchers have concluded. They state that the success rate for the entire project increases as the customer contact increases from meetings in person. The need to have personnel physically located at the customer sites further becomes important when hardware and critical failures that must be addressed become a factor in the equation for successful offshore sourcing (Ramasubbu et al., 2008).

The negative factors that arise from work dispersion, states Ramasubbu et al. (2008), have been researched to be, first, difficulty in establishing mutual knowledge to accomplish interdependent tasks, and second, in the coordination and administration of managing distributed resources. The interdependence that arises from the collaboration in offshore relations will lead to fluctuations in resource availability, uncertainty, and goal conflicts. Physical dispersion leads to mutual knowledge being negatively affected by the way it is established because of failure in communication and information handling. Failures also occur in the coordination of interdependent tasks primarily from the use of electronic media (Ramasubbu et al., 2008).

Further, Ramasubbu et al. (2008) state that research argues that even the most advanced communication technology may not be enough to match the same level of efficiency of collocated interactions. Rao (2004) states that IT-outsourcing has become an irreversible trend that will only continue to be a relevant phenomenon from both the vendor and clients' perspectives.

Organizations also look to offshore IT when they find the lack of domestic IT professionals and valuable IT assets to be a hindrance. The offshore organizations not only have competent and skillful personnel, but also state of the art facilities to harness that competence out of their staff. The need for globalization and the ability to address opportunities and threats on a global scale drives organizations to offshore outsourcing. Aside from the aspects related to globalization, offshoring and domestic sourcing has a primary driver in the pressure they are under to cut costs associated with IT. (Hirschheim et al., 2013)

Further, Hirschheim et al. (2013) mentions that offshoring has benefits for the extended work hours companies can incorporate into their routines. The companies finish their work for the day, then the offshore company continues that work and so on. They state this aspect theoretically can lead to projects being finished faster, as long as the work is distributed efficiently.

Near-sourcing

A beneficial factor to nearshore sourcing, as identified by Rao (2004), is the factor of adding work power to your organization in direct coordination to the organization, such as adding members from a remote location to a project. The overlapping time zones is the main advantage of nearshore sourcing, both from a collaboration aspect and a monitoring aspect. Yet, this might not be the best choice when trying to outsource, as this might mean higher costs or less quality in terms of knowledge and resources. The experience factor also plays a large part in efficiency when picking what countries suit the company's

outsourcing needs the best; therefore, countries in the west might find they have greater success when outsourcing to experienced and well-established outsourcing companies in Asia, despite the time laps (Rao, 2004).

Insourcing

To overcome some of the problematic areas that come with global outsourcing, Rao (2004) states that some corporations try to insource. The benefits can be the low cost offshoring alternative and the internally controlled development environment. The most common method of insourcing, has been to send personnel to the offshore sites to establish offshore IT-centres; doing so will lead to these IT-centres having the same training, software tools, and development guidelines as the company initiating the insourcing to offshore sites. Rao (2004) further talks about ODCs involving dedicating personnel and resources to a single organization; this leads to companies utilizing the benefits that come with offshore outsourcing and insourcing. These benefits involve shared knowledge and resources, greater control over intellectual property, retention knowledge and skills, a common organizational culture, and a sense of belonging for offshore workers (Rao, 2004).

3.3 Maturity models

To achieve a deeper understanding of the concept maturity model, it is essential to grasp the origins of a scientific model. According to Bailer-Jones (2009), a model is an interpretation of a phenomenon with the purpose of facilitating understanding of the observed phenomenon. To facilitate understanding, only limited aspects of the phenomenon will be regarded. This may imply that only an idealization or simplification of the examined phenomenon is presented. The scientific model might be grounded on aspects and ideas of an abstract nature, but the aim is always to enlighten essential aspects of the observed phenomenon. Although the scientific models might be abstract, concrete, idealizations, or simplifications, their sole and common purpose is to gather empirical information to fuel the search of understanding in the respective field of science (Bailer-Jones, 2009).

Hopkinson (2011) states there has been a rapid growth in the application and creation of maturity models over the past years. Maturity, as a concept, has recently been used in business to evaluate ways to improve organization units. This development can foremost be observed in the IT industry to cope with the complexity of software engineering and project management (Crawford, 2015). The purpose of the models called "maturity model" is to increase the maturity of a certain aspect within a corporation. By implementing the maturity model, the corporation should be able to measure what degree of capability the investigated aspect has achieved. Based on this information, an approach that suits the corporation can be determined to secure further progress in the valuated field. The scope of maturity model has been widening over the past years, and maturity models are now being developed in a wide range of contexts and scientific areas (Hopkinson, 2011). Risk management (Hopkinson, 2011), outsourcing (Gottschalk & Solli-Sæther, 2006; 2008), project management (Crawford, 2015), and enterprise architecture (Luftman, 2000) are some fields that have been influenced by the concept of maturity models.

The combination of outsourcing and maturity models are a hot topic that intrigues a lot of researchers today (Carmel & Agarwal, 2002; Adelakun, 2003; Gottschalk & Solli-Sæther, 2008; Curtis et al., 2009). Gottschalk and Solli-Sæther (2008) describe that the importance of the relationship between customer and supplier in an outsourcing assignment is increasing. It is crucial that a strong bond is established to lessen the burden of communication and monitoring between the two parts of the outsourcing collaboration. A strong bond will also open up possibilities for the customer to access skills and competences from the supplier. The maturity model, in relation to outsourcing function, is a tool that measures connection between the client and the vendor. It also describes how the collaboration can evolve to reach higher relationship maturity. When the relationship between customer and supplier evolves, more perks from outsourcing collaboration arise. So to achieve an effective outsourcing that will strive for a long period, you need to establish that the relationship is evolving in the right direction. This is where the maturity model will help the organization evaluate and improve the relationship (Gottschalk & Solli-Sæther, 2008).

Outsourcing maturity models

Gottschalk and Solli-Saethers (2006; 2008), Maturity model for IT outsourcing relationship Gottschalk and Solli-Saether (2006) describe a different model with focus on general stages of maturity with a holistic view illuminating company strategy. Their model is based on relationship evolvement in correlation with time spent on outsourcing and categorized in three stages, cost stage, resource stage, and alliance stage. The aim of the model is to constitute an analytic tool to study outsourcing maturity. The different stages are based on related IT outsourcing research.
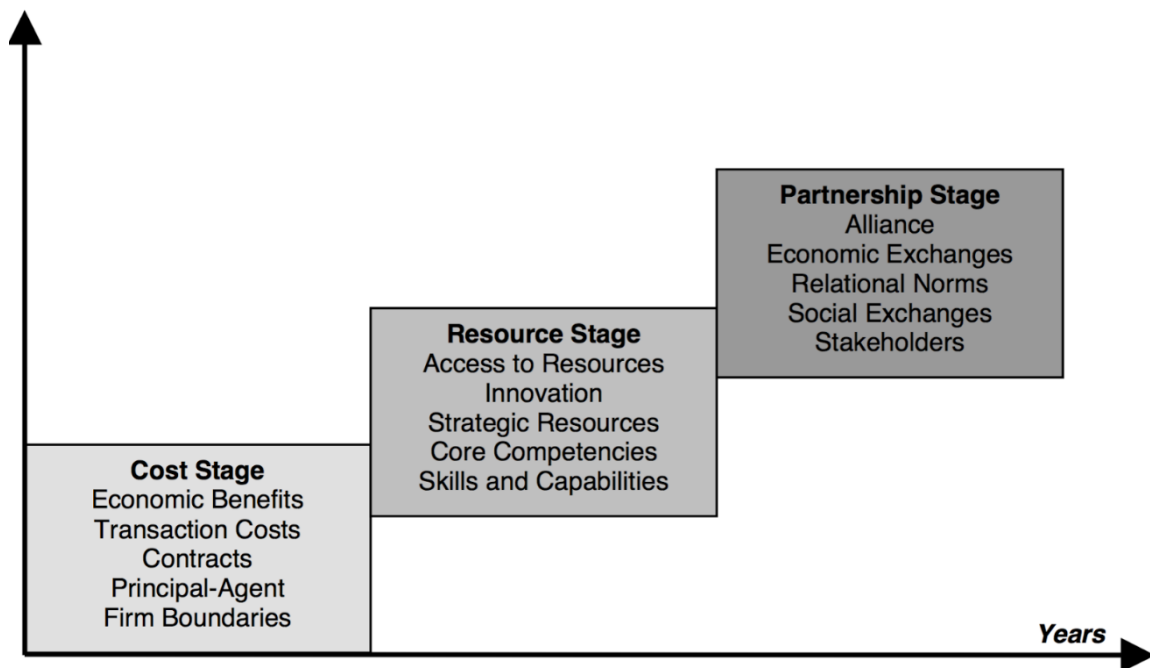
Figure 3: Relationship maturity stages (Gottschalk & Solli-Saether, 2006)

The first stage represents organizations in the initial processes of outsourcing, according to Gottschalk and Solli-Saether (2006). In this stage, neoclassical economy theories are applied and cost savings is a primary reason to outsource. The company will, therefore, keep the IT function internally and only outsource minor functions for cost savings. Transaction costs and contract establishment are important as cost is a main focus. Luo (2002) describe that a primarily focus on contracts, a main activity in the first stage, is insufficient to establish an optimal relationship between the vendor and client. To evolve performance, there is a need for social exchanges over time that will foster closer relationship between the vendor and client. This type of transformation towards a common understanding and vision is strengthened in the next stage of maturity, the resource stage. Gottschalk and Solli-Saether (2006) describes the recourse stage as a stage where competence sharing is key. The motivation behind the resource stage is to gain a closer relationship with a vendor, using outsourcing to strive for strategic advantages.

Earlier studies made by Quinn (2000) confirm this correlation by arguing the time is right for outsourcing innovation. Because of globalization, a firm that outsources may find solutions and gain different perspectives by adopting outsourcing as an activity. To create new innovative ways for products and services, Gottschalk and Solli-Saether (2006) argue that in the resource stage, the client must grant the vendor access to resources, so resources

and strategic resources can be shared. Access to the resources enables the vendor in the long-run to contribute to innovation by create unique solutions beneficial to the client. Gottschalk and Solli-Saether (2006) argue there are three key factors in such relationship, client characteristics, the vendor-client relationship, and vendor characteristics. Client characteristics is their ability to manage resources and products that do not belong to them, which is a different form of involvement than just producing simple solutions. The vendor-client relationship is the formal 'contract' arrangement between them. If it too strict or too vague, it could be problematic for both parties to collaborate efficiently levelling performance. Last, vendor characteristics is for the vendor to form the value propositions to present the right form of services and competence to match the client's needs.

Levina and Ross (2003) explain the vendor can reduce costs and increase productivity by adding complementary competences and skills, like management skills and customer relationship skills. But the responsibility also concerns the client, who has to develop core skills internally to handle outsourcing projects in the right way. Quinn (1999) argues that core competence is not the skills executed on a daily basis to solve regular tasks; it is the unique ideas and goals with impact to the management level that makes the firm perform better than others. The core competence represents the skills and systems a company possesses that gives them the ability to create unique solutions and deliver high value for the customer. Gottschalk and Solli-Saether (2006) argue that, in the resource stage, when the company is ready to work on its core competence making outsourcing a part of it for competitive advantages, eventually, they are progressing towards the next maturity stage. The third stage is different from the others, according to Gottschalk and Solli-Saether (2006), because the earlier relationship between vendor and client has, at this stage, grown into either a partnership or an alliance. Hancox and Hackney (2000) describe a partnership as an intangible relationship where there is trust, comfort, understanding, and shared knowledge, often unconditional.

Gottschalk and Solli-Saether (2006) explain an alliance goes even deeper, sharing norms and creation of a behaviour bond between the two parties. Sharing norms and creating a symbiotic relationship is key in an alliance, according to Lambe, Spekman & Hunt (2000), because they argue norms are the foundation to decision making and 'rules the game'. This means that if the norms and values are different, this could affect the semantic understanding between the two parties. Gottschalk and Solli-Saether (2006) base some of their statements for the alliance stage on earlier research made by Kern and Blois (2002), who prove that successful IT outsourcing projects are based on norm development. They conclude that management must understand the dominant effect of norms, norms are different from clarified actions, and what it takes to change them. As described by Gottschalk and Solli-Saether (2006), reaching the alliance stage is sometimes easier said than done, because it involves finding the right vendor with a common interest. From the stakeholder theory applied by Lacity and Willcocks (2000), this type of mechanism involves basic norms of trust, such as honesty, honor agreements, respect autonomy of others, and avoid harm by not contributing to unnecessary work. To sum up the maturity stages, the purpose of the maturity model is expressed in the following way by the authors:

"As an outsourcing relationship matures, the maturity model suggests that performance measures develop beyond cost minimization and operational efficiency into business productivity and technology innovation, and further into business benefits and

achievement of mutual goals for client and vendor. The outsourcing contract changes focus from specified obligations and service level agreements, to availability of strategic resources, management of key competence and critical projects, to arrangements for profit sharing and personnel exchanges between vendor and client" (Gottschalk & Solli-Saether, 2006, p.204-205).

The model is further applied by Gottschalk and Solli-Saether (2006) to benchmark eleven successful critical factors, regarding IT outsourcing allocated from the literature. By conducting the benchmarking, the authors conclude that IT outsourcing can be both demanding and rewarding for the organization, depending on what approach they choose. It is hard to predict the exact actions to be taken by a specific organization in an outsourcing relationship, but Gottschalk and Solli-Saether (2006) conclude there are some success factors to consider, for example, goal-oriented contract development, business-oriented strategy, and the ability to manage change internally and externally by social exchange and norm, forming to reach common understanding between the parties. To attain a higher maturity, both parties involved have to find acceptance and agreement on moving on to create a closer cooperation and increase their relationship. This means the client and vendor must handle both opportunities and threats, based on their knowledge about each other throughout all stages of maturity, according to Gottschalk and Solli-Saether (2006).

Gottschalk and Solli-Saether (2008) apply the same maturity model to test its validity and the 11 benchmarking variables by collecting data from 116 companies working with IT outsourcing. They statistically find validation for the different stages in the model and discover support for three out of 11 benchmarking variables. Gottschalk and Solli-Saether (2008) conclude cost minimization and efficiency belong to stage 1 as a benchmarking variable. Business productivity and technology innovation belong to stage 2 where focus is set on creating a systematic way of sharing information. Business benefits and mutual goals belongs to stage 3 where a closer relationship is attained or as the authors express, 'marriage' or long-term relationship. This supports the structure of the maturity model and the strategies that companies strive for in the different phases of maturity. There is, therefore, a cost focus during the first phase, which later evolves into business productivity and innovation, finally, ending in deeper relationship with mutual goals and business beliefs. The reason behind organizational change in relation outsourcing were also reported as convenient, according to Gottschalk and Solli-Saether (2008), when striving for long-term solutions and a lasting relationship in the vendor's experience. The authors also found support for the natural order of maturity, described by King & Teo (1997), as hard to reverse, based on a hierarchical progression affected by the number of organizations involved and the existing structure.

People capability model CMM

Another maturity model widely used in IT outsourcing initiatives is CMM, according to Ramasubbu et al. (2008), who utilized the model as a learning platform in their study. A guide for the model is composed by Curtis et al. (2009), who explain the benefits of the model with the different steps. According to them, the model is used in different fields, such as HR, change management, and knowledge management. The model is to be applied as a framework to develop and improve work processes; the model's purpose in relation to these improvements is to provide a roadmap to manage the development. The second

version of the model also takes effect of globalization in regard and focus on the development of establishing a culture of excellence. According to Curtis et al. (2009), handling organizational change is vital in a maturity model, and the model can give a structured support for this. They motivate cultural changes in the following way:

"It is designed on the premise that improved workforce practices will not survive unless an organization's behavior changes to support them. The People CMM provides a roadmap for transforming an organization by steadily improving its workforce practices." (Curtis et al., 2009, p.4)

The correlation between cultural change and maturity progression is no surprise, according to the authors, as culture of professionalism is dedicated to improvements to make organizations more efficient. The CMM model is a process-based model that assumes the organization has standardized possesses that can be improved. The model aims to support the organization to adapt the best practice in their domain. Curtis et al. (2009) argue that organizations consequently fail, because they try to implement too much too soon to improve standardized processes. There is, therefore, a need to reflect on shared values and cultural changes, resulting in behavioral patterns, in order to successfully handle change striving for efficiency. This are also the strengths of the CMM model and its framework, according to the authors, as it narrows the scope by implementing and improving specific activities in the work flow in a layered way, focusing on employers' attitude. The model progress for and ad hoc process to improved quality and effectiveness through five stages (Initial, Managed, Defined, Predictable, Optimizing), comprising a predefined set of practices to improve the organization's overall performance and, finally, achieve business agility.

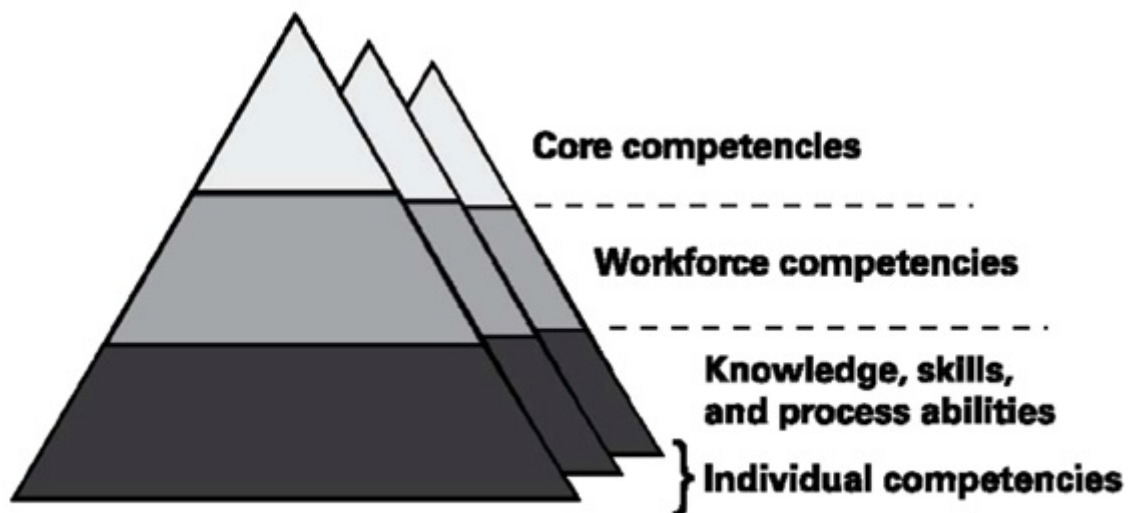**Figure 4: CMM (Curtis et al., 2009)**

The first stage (Initial) represents an organization with undefined processes, often ad hoc and with managers, who often lack knowledge about how to gain a holistic perspective and set long-term goals. The organizations in this stage often complain about the absence of talent within the organization, and the processes are often inconsequent and ritualistic, with

lack of notion for responsibility. The perceived management is also about producing results, not about producing people who produce results, according to Curtis et al. (2009). Many managers in a low-maturity organization perceive their assignment as 'administrative' paper pushing, instead of focusing on training needs, assigning responsibility, recruitment, and trying to streamline processes for better performance. By comparing this type of low-maturity organization with a knowledge-intense organization, Curtis et al. (2009) argue that such an approach is counterproductive to the organization. The first action that must occur to develop to a higher maturity level is for the organization to develop the skills needed to perform the work and create opportunities where these skills can develop. Starting with developing the skills of managers is a preferable approach and then developing the skills of the persons who report to them. The work performed also needs to be less ritualistic, because this could hurt the organization creating disadvantageous situations. Instead, the organization should focus on creating working processes that could be measured and form programs for training with programs for career opportunities (Curtis et al., 2009).

The second stage (Managed) represents organizations creating structure in their working processes, finding ways to measure results to develop performance further. The most important part is to develop managers to handle this task. Curtis et al. (2009) describe how this change process can be unstable as the organization change its processes. A critical aspect when creating a best practice is for the managers to manage change, and a reason they fail to do so is because they have no earlier experience of it, which could be very frustrating. Some frequent problems that may occur during this process, according to Curtis et al. (2009) are: Work overload, Unclear performance objectives or feedback, Lack of relevant knowledge or skill, and Low morale.

If there is a feeling that the staff cannot perform their assigned work, sophisticated workforce practices will not interest them. It is, therefore, of importance to create commitment by manifest policies with resources and support in implementing basic workforce practices. People in each unit or segment of the organization should also be able to develop consistent expectations about how they will be treated. During this maturity stage, Curtis et al. (2009) argue it is important to distinguish between management and managers. Everyone within the organization with responsibilities over workforce practices may be a manager, such as team leaders, trainers', human resource specialists, and peers, depending on how the responsibility is allocated within the organization. The second maturity stage is about creation of stable environments for performing work and balancing commitments with resources and manage skills, making sure all units attain the skills needed to perform their work. It is about creating commitment towards the changes and attaining skills to perform the new workforce practices with knowledge to improve them. By improving the process activities, people see their work more rational, according to Curtis et al. (2009), which will enhance them to stay within the organization as they perceive a career path within the organization. The third stage (Defined) further defines a holistic approach to handle the workforce practice developing workgroups within the different segments or units in the organization. From the second stage, there is little or no-synergy in the organization and, according to Curtis et al. (2009), the organization needs this to achieve. One important step is for the organization to develop an organization-wide infrastructure, based on the existing workforce practices that nurture the capabilities of creating strategic business objectives. The third maturity stage involves development of

core competences. The importance of core competence in an organization at this stage is described by Prahalad and Hamel (cited by Curtis et al., 2009), defines core competence as a firm's combination of skills, technology, and services and their ability to use these attributes to gain competitive advantages on the market. Each workforce or business segment inherit their own combination of skills, knowledge, and process ability that contribute to the organization's core competence and business activities. Curtis et al. (2009) argue that the different workforces within the firm are strategically underpinning the core competence. There is a correlation between them that affects the firm's' ability to perform. The authors present the correlation in the following way:

Figur 5: Competence triangle (Curtis et al., 2009)

As presented in the figure, the workforce impact on the core competence can be traced to individual competencies executing specific business activities, according to Curtis et al. (2009). Each workforce performance also affects the interaction with other organizations in this way, as they affect the architectural elements of the core competence. The architectural elements of the workforce should, therefore, become a part of the strategic business plan during this stage, according to Curtis et al. (2009), and the workforce mechanisms should be considered, continually realigned with changes in business objectives. Workforce competence should be perceived as strategic content, and there is a need for developing plans for evolving the right form of competence needed to achieve agility. The CMM makes no assumptions during this stage of whether the workforce competence is developed internally or in relation with a partner in an outsourcing relationship. The establishment of an infrastructure enables measurement and capabilities needed in the next maturity stage, where these abilities are being quantitatively managed. To gain maximum benefits out of the workforce competence establishment, culture is a central aspect involving establishing of the environment for empowering workgroups. The culture is best elaborated as professionalism gaining common knowledge, skill, and understanding about competency-based processes that such individuals perform.

The fourth maturity stage (Predictable) is based upon the infrastructural foundation made in the previous stage and the capability of workforce and competency-based processes,

according to Curtis et al. (2009). There are three ways in which the established workforce framework enables the organization to see the capabilities of the workforces. First, the ascribed assignments in the competence-based processes will prove results that make the managers trust the systematic improvements. The successful ways of constructing the competence-based processes and proven results will then be reused in other parts of the organization trying to find a best practice. The successful processes will hopefully enable a foundation for development of mythologies and greater acceptance of the practice.

Curtis et al. (2009) argue this reusability of knowledge throughout the organization will spread faster, making the organization learn and develop more rapidly. The standardized approach, based on improved competency-based processes will also result in better delegation of responsibility for the managers, making the work more efficient. The risk was greater when delegating responsibility in the previous stage, because the processes were not standardized in the same way, and the results were sometimes unpredictable. The ability to delegate day-to-day performance gives the managers more time to focus on strategic development then they had before. The collection of knowledge, data, and improvements made during this stage is similar to the approach of Six Sigma, but not so fully sophisticated (Curtis et al., 2009).

The organization evaluates the impact of workforce practices, trying to predict the capacity of workload and make corrective actions when necessary. The baseline of this process is the ability to analyze the working activities to contribute inputs for workforce planning. The information will also give the managers a more predictable ability to make trade-offs when necessary to increase performance. The fifth maturity stage (optimizing) makes use of the data collected in the previous stage to create a structured guide for improvements. During the fifth maturity stage, the organization strives for alignment between the core competence and business objectives by making use of the capability for continuous improvements. The foundation for continuous improvements is made through endorsements on an individual level by encouraging individuals to make changes through analyzation of the work processes. The approach is also valid on a workgroup level; as individual knowledge is shared within the working groups. Curtis et al. (2009) argue that a vital task for the managers is to oversee the proposed changes and make sure they are aligned with the business objectives on a holistic level. The managers' ultimate function is to allocate data and suggestions for improvements to evaluate and detect any instances of misalignment. The source of information collected to solve this task can be allocated from different practices, such as lessons learned and other quantitative management activities. The fifth maturity stage represents an organization making continuous improvements to achieve agility and alignment with an internal culture honoring improved workforce activities and performance excellence (Curtis et al., 2009).

Other contributions to the field of maturity models that are important are the maturity model SITO explained by Carmel and Agarwal (2002) and extended by Adelakun (2003). The SITO model focus on the holistic aspect of outsourcing and aims to improve the structure of the organisation in order to reach a higher maturity. Most aspects inside the organisation is being taken into consideration. At the first step Carmel & Agarwal (2002) explains that the organisation is scared of letting their work go into the hands of vendors. Problems at this stage is communication, trust issues and other cultural differences. At the next step up the maturity ladder the outsourcing is seen as a temporary solution for cost reduction and an ad hoc solution is in place. In order to reach the third step structure needs to be implemented and roles needs to be appointed according to Carmel and Agarwal

(2002). This is where deeper relations to vendors are starting to form. First at the fourth step of maturity an acceptance of outsourcing is achieved in the organisation. In order to reach a higher maturity three major points must be acknowledged. The organisation must develop a clear strategy and commit to outsourcing in the same fashion as they commit to other activities. The need to create acceptance inside their organisation, they can't fear the project or lack trust in their vendors. They also need to grasp the advantages of globalization and use the potential of offshore vendors (Carmel & Agarwal, 2002).

Adelakun (2003) evolves the model in order to suit a wider range of outsourcing opportunities, such as domestic and nearshore alternatives. Since the model Adelakun (2003) developed is built on the SITO model many similarities may be found. The last maturity stage includes an aspect of risk sharing which seems to be absent from earlier mentioned SITO models. Adelakun (2003) also put a lot of focus on the internal structure in order to reach higher maturity. Employees with responsibility of the outsourcing project and management teams inside the organization focused on outsourcing are highly promoted in order to gain maturity. Deeper explanation of the SITO model may be found in the appendix.

3.3.1 Competence

Change management is a significant factor in relation to outsourcing initiatives. A part of change management, according to Ramanathan (2009), is development of competence and skills. In almost all of the maturity models for outsourcing presented above, development of competence and skills is a part of maturing and making the relationship between the vendor and client more efficient. Curtis et al. (2009) illuminate the use of CMM to institutionalize workforce activities that, at the lowest level of maturity, are ad hoc and, at the highest, becomes a part of a core competence attaining alignment between the organizational business activities and business objectives striving for competitive advantages and flexibility. During the maturity stages, there is continual structured learning by using information from earlier integrated procedures to mature. Curtis et al. (2009) argues it is not only important to develop managers' skills and competence, but also employee's general knowledge to reach an internal culture of professionalism, motivating staff to impose change and share knowledge when needed to make the organization more efficient. Curtis et al. (2009) also point out it is important to develop staffs' ability to gain a universal perspective of the organizational structure of workforces, especially middle managers. Development of such competence lowers the resistance to change and makes employees more involved in the organizational change process, making them more capable of participating, according to Curtis et al. (2009).

The critical part of competence development occurs in the middle stages of CMM; the same goes for the maturity model presented by Gottschalk and Solli-Saether (2006). They describe an organization in the earlier stages only focuses on short-time projects with a cost focus, which results in lower focus on developing skills and competence to cooperate a long-time with a vendor. Instead, development of competence and skills importance increases in the middle stage, where strategic resources are allocated in the relationship between the client and vendor. The tighter integration between them demands development of competence and skills as mentioned above.

Development of skills and knowledge to nurture outsourcing projects

Quinn (1999) also addresses this matter, arguing competence and knowledge sharing is vital to outsourcing success. Sharing knowledge alters increased risk; nevertheless, Quinn (1999) argues that executives are willing to take a higher risk, as they realize not to disregard long-term knowledge-systems with strategic benefits over short-term cost-cutting goals. He stresses the importance of outsourcing intellectual value, like deeper intellectual access, innovative solutions, increasing system efficiency, reliability, quality, and value added solutions. As the vendor often operates the system being outsourced, they process valuable information about it, and bypassing the vendors' knowledge and ability to innovate by not sharing knowledge is an inefficient way of engaging in outsourcing initiatives, according to Quinn (1999).

Instead of neglecting the vendor as a source of innovation, based on fear of losing control, Quinn (1999) argues there is a need for balance between the short and long-term goals. From the vendors' perspective, there is a need for development of customer relationship management and specific skills needed to add value for the client. From the clients' perspective, there is a need for development of working groups connected with the outsourcing process and general knowledge throughout the organization. An organization that adapts the best-in-world core competence should consider outsourcing non-core functions both for the customer and themselves, pushing these functions down the value chain, according to Quinn (1999). Doing so involves internal development of skills for sharing knowledge efficiently and making use of external sources of innovation. The firm should focus on few core competence capabilities, performing them better than any other company.

Unlike non-core competence, the firm should protect their core competence, because if they lose parts of it, this will enable another firm to target the firm's market shares. The focus on core competence through outsourcing is a clear strategic opportunity for any firm, gaining a global focus and competitive advantages; by knowledge sharing, simple benchmarking will generate mediocre results, according to Quinn (1999). To best control intellectual outsourcing, Quinn (1999) recommend six successful implementations to make and are crucial to management control besides the protection of the core competence. The first implementation in the earlier stages is to ensure goal and value congruence by developing written goals and statements for the relationship beneficial for both parties involved. The second implementation involves development of professionalism by procurement training and management groups for the outsourcing initiative. Quinn (1999) argues that the literature highlights a lack of skills for long-term relationships for outsourcing. Therefore, there is a need for development of this type of skills to handle the complexity of knowledge transfer and stay up to date with frontier outsourcing management techniques.

The third implementation is about enhancement of a strategic and operational system for knowledge sharing. By constantly monitoring and collecting data for knowledge development, this type of program makes sure none of the procedural knowledge is lost and can also be used to find better solutions from a strategic perspective. The fourth implementation is measurement of insourcing transaction costs, compared to the outsourcing relationship to determine the costs of internal innovation and possible bias

made by not making use of external sources. The fifth implementation comprises development of a feedback system to leverage innovation and knowledge sharing to measure the value of collaboration and innovation with a vendor and predict future results. The last implementation involves a three-level contract system to handle potential inaccuracies that may occur and then deal with those. The three-levels are first top managers' ability to break bottlenecks and ensure responsiveness, but also counteract misunderstanding and to develop champions on both sides, whose carriers are dependent on the outsourcing relationship. The last step is the development of a personal relationship to make sure that knowledge exchange is perceived correctly and to solve problematic issues before they occur (Quinn, 1999).

Efficient leadership abilities in outsourcing project

Outsourcing by managing with core competence in focus is described in a similar way by Andresen, Ekker & Gottschalk (2007), who investigate the need for specific management traits in outsourcing initiatives. The authors use leadership traits allocated from Mintzberg's (cited by Andresen et al., 2007) concept of management roles and tests them in relation to outsourcing to determine which type of leadership style is most relevant and why. They concluded that management of core competence is key in outsourcing relationships and a critical factor for success, as mentioned above. However, the need for managers with entrepreneur abilities and resource allocators are the most preferable traits in outsourcing initiatives, according to Andresen et al. (2007).

Entrepreneurial leadership traits, because they enhance the ability to improve core competences, with the ability to reach more contractual completeness, relationship, and social exchange exploration. The resource allocator is, in the same way, important to enhance the ability to improve core competence management, but also vital to attain vendor resource exploitation. The entrepreneurial traits are attributed to a leader, who strategically identifies the policies to manage change and rapidly applies methods needed to evolve. The resource allocation allocates human, finance, and information resources needed to solve working activities. The role includes planning, organization, controlling, and coordination of the organizational resources.

Knowledge sharing for outsourcing success

Lee (2001) emphasized the need for competence, regarding knowledge sharing in an outsourcing relationship. An underlying variable is mutual trust between the vendor and the client, but also their ability to exploit external knowledge in a beneficial way. Lee and Choi (2011) further elaborate the relationship of trust between client and vendor in relation to outsourcing success. They argue that trust cannot be captured by a written contract, and that it is a strong implication for outsourcing success. However, trust, according to Lee and Choi (2011), is hard to measure and few studies have successfully measured it without addressing other factors that affect trust in the relationship. There are different forms of trust, including individual trust, trust between groups in the organization, and so on. The most preferable form of measurable trust is organizational collective trust, according to Lee and Choi (2011). They also conclude there are different events of trust in relation to outsourcing, using primary two definitions, initial and ongoing trust. They conclude that to reach high collaboration, it is recommended to find mutual goals and understanding in

development of the initial trust. Key is also to strengthen the ongoing trust by knowledge sharing to counteract distrust during the process and to weaken the initial distrust; they express it in the following way:

"In changing from the initial perception to ongoing belief, the degree of knowledge sharing between participants plays an important role. Outsourcing requires effective knowledge sharing; this is vital for efficient overall performance and in increasing the level of initial trust while weakening any initial distrust. Our study showed that from the start knowledge sharing was perceived as a critical success factor in the relationship" (Lee & Choi, 2011, p.103).

Knowledge is not easily transferred between the different organizational units or segments. It is, therefore, very important to attain this capability by managing the transformation of knowledge, setting clear goals and visions for the partnership, according to Lee (2001). A key capability to achieve this is the organization's ability learn and acquire the knowledge needed from the other organization. Ramanathan (2009) reinforces this argument by providing example of the following actions of education and training:

"Education and training. A key element of change management is the identification of the education and training needs of the organization with a view to develop new competencies (knowledge, skills and attitudes) for managing the transition to the desired state. To better manage offshore initiatives, change managers can develop a training curriculum for employees who will be retrained in the new competencies and the training should include topics such as vendor relationship management, cross-cultural communication, contract management, vendor performance monitoring, and conflict management" (Ramanathan, 2009, p.189).

Developing skills to handle external forms of knowledge is a vital part in a successful relationship, according to Lee (2001). Organization knowledge is not necessarily only created within the organization, but can also be obtained externally. Lee (2001) explains that an increased focus on competence development influence by external knowledge streams from a partner is a newfound strategic phenomenon in relation to outsourcing initiatives and is called a strategic alliance to foster knowledge. Knowledge sharing is defined by Lee (2001) in the following way, *"Here, we define knowledge sharing as activities of transferring or disseminating knowledge from one person, group or organization to another"* (Lee, 2001, p.324).

He future elaborates the concept by ascribing tacit knowledge as vital part of the knowledge sharing, such personal information that is hard to share where the language can be a barrier for expression. The best way to share this integrated and complicated knowledge, according to Lee (2001), is through collaboration with symbolic expressions and work processes related to lessons learned. By studying the relationship between knowledge sharing and outsourcing success, Lee (2001) finds clear evidence of a correlation. Knowledge sharing has a direct effect on the partnership's quality that could be translated into more maturity and are clearly a compensator for outsourcing benefits, with increased organizational capability in the partnership between vendor and client. Additional actions to strengthen the partnership quality achieving outsourcing success is fostering a cooperative relationship based on trust, business understanding, benefit and risk

sharing, and conflict management; commitment is also a critical factor for strategic success, according to Lee (2001). He also argues that implicit knowledge is harder to share than explicit. It is, therefore, a recommendation to convert implicit organizational knowledge to explicit sharable knowledge. The organization's ability to achieve this suggests a need for knowledge management, comprising continuous managerial activity of not only knowledge, but also the knowledge work, organizational structure, and information technologies to attain a higher degree of organizational capability, according to Lee (2001).

3.3.2 Culture

The majority of maturity models used in this paper state there is some form of organizational change when reaching higher degrees of maturity. Gottschalk and Solli-Saether (2006) describe maturity as organizational growth in relationship, both internally in the form of acceptance within the organization, but also in relation to the vendor the client cooperates with. The internal organizational change focuses on how the firm perceives outsourcing; this could be problematic in the earlier stages of maturity, according to Carmel and Agarwal (2002), and is a common struggle for an organization that is a bystander to outsourcing. A reason for the struggle is because globally dispersed projects are undoubtedly more difficult to manage than domestic ones.

Many problems that hinder the organization in evolving in the earlier stages are cultural, time zone differences, and miscommunication that, in worst cases, can cause lack of trust, and an offshore partner's lack of dominant knowledge or difference in technologic infrastructure. Carmel and Agarwal (2002) argue that if an organization intends to engage in outsourcing initiatives, they need to counteract this problematic issue. A start would be to address a possible conservative internal culture that the authors define as a domestic mindset. Through the maturity steps, Carmel and Agarwal (2002) describe an organization maturing from an ad hoc process, perceiving outsourcing as a short-term activity, to using outsourcing for strategic purposes, for example, evolving different forms of skills and talents to support the outsourcing incentive, making it a part of the core competence, instead of a side activity.

Organizational change and culture in relation to sourcing

The relationship between organizational change and outsourcing is proven in the literature, according to Smith, Morris & Ezzamel (2005). They also prove that organizational change is a part of the organizational culture and plays an important role in outsourcing initiatives. Based on three assumptions about the relationship between organizational change and outsourcing, Smith et al. (2005) conclude there is established evidence for organizational change in relation to outsourcing that also affects the internal culture. Motivation to integrate outsourcing as part of the business processes is based on achieving flexibility, cost savings, or a wish to focus more on the core business and improving other services through outsourcing.

Developing and improving the core business to gain a competitive advantage is a common motive to outsourcing initiatives, and outsourcing is a growing trend, according to Smith et al. (2005). But there is also a gap, regarding the subject of organizational change and

internal cultural development, according to Covaleski, Dirsmith & Rittenberg (2003), who argues there is a lack of systematic studies about the relationships between internal organizational members in correlation with external contracting parties. Covaleski et al. (2003) have also shown that political events, ideologies, cultural norms, and social patterns have a significant effect on technology changes, and subjective opinions make people act in a certain way that affects management practices. Smith et al. (2005) apply management literature to describe how organizational culture affects organizational development, which is a part of engaging in outsourcing initiatives. The internal management accounting and its attitude towards the organizational change can have a big impact on the performance. There is also a need for role definitions and educational programs as the change project progresses. For example, in a shared vision of change of importance, managers are less willing to participate in change projects if their development of innovations isn't given attention by senior managers.

Organizational ability to manage culture

Ramanathan (2009) also confirms that change management is a part of outsourcing initiatives, and the internal culture can be a vital part for success. Organizations with a poor record of organization change and cultural acceptance risk failing to deliver the intended business results because of resistance or the unwillingness to cooperate in an optimal way. This could eventually increase the cost and productivity of the outsourcing initiative, making cost savings less of an argument to outsource, according to Ramanathan (2009). Failing to address this issue can result from burnout in people, and loss of morale that, in worst cases, can lead to turmoil in the organizational culture. Ramanathan (2009) argues the main reason resistance may occur is because a perceived fear of job loss may lead to depletion of long-term competitiveness and outsourcing benefits.

Ramanathan (2009) also widens the scope, focusing on organizational change in relation to outsourcing by describing different change management methodologies that are some of the most commonly used. One of them is the three step model by Lewin (cited by Burnes, 2009), containing three stages: change by unfreezing current organizational structure, changing it, and then freezing the new structure and configurations. The first stage focuses on behavior change of status quo that creates an unfreeze equilibrium state necessary to gain awareness of the changes needed to prepare and motivate people for the forthcoming changes. When the objective of change is found in the behaviour patterns, this step aims to move the behavior away from the current status quo to conduct the changes. When the changes are performed, the third step aims to retain the new status quo and freeze it again, so the new organizational structure will remain.

The three step model receives criticism from Burnes (1996a), arguing the model has several limitations; a major one is that the model assumes the organization operates under stable conditions. Burnes (1996b) instead favors the emergent approach as an alternative that, instead of working top-down, it is more a bottom-up open-ended process to acclimatize the organization to constant changes. Instead of making relatively abrupt changes, the emergent approach focuses on making small changes over a long period. This makes the community central in the emergent approach, and change is treated on a micro-level, transforming the organization with the purpose to institutionalize the new activities in the organizational units.

Burnes (1996b) argues that, during the process of change, it is important to attain a collective vision and understanding of the dynamics of change that is a part of the organizational culture. The task to secure a viable organizational culture attributes the managers, who need to initiate a dialogue, to maintain a culture for continuous change. The approach is similar to the one of a learning organization that is another change management methodology, according to Ramanathan (2009). The goal of a learning organization is to create an internal culture for sharing knowledge to improve current organizational activities finding a best practice.

Sugarman (2001) points out that a learning organization seeks to learn faster and better than the competitors, making the strategy a core competence by doing two things: becoming good at sharing knowledge in an efficient way and good at creating new solutions. As mentioned above and in the content of the change management methodologies, Ramanathan (2009) finds evidence for organizational culture in relation to organizational change and its vital part in outsourcing initiatives. By conduction of semi-structured interviews, Ramanathan (2009) demonstrates the organizational culture is vital in outsourcing initiatives.

Internal Cultural strategies

Finding strategies to manage the organizational culture is a fundamental aspect to minimize risk of failure. It is reported in Ramanathan's (2009) study that if they fail to incorporate the organization's culture with changes they rolled back, it is an internal power struggle that must be considered. Ramanathan (2009) argues that change managers can play an important role in supporting continual improvements in outsourcing business processes affected by culture. To counteract this issue, there is a need for improving the organizational mindset that eventually can generate an improved overall organizational performance in relation to outsourcing (Ramanathan, 2009).

Rao (2004) further elaborates the impact of culture in IT outsourcing relationships, addressing different aspects of its effect on management. There is a clear correlation between the individual factors in an IT outsourcing relationship and culture, as the culture affects the performance in several ways. Culture is a part of the behavior patterns within an organization, and those patterns are traced back to regional or country factors that are situation specific. Rao (2004) argues they affect the organizational hierarchical structure and the relationship between the managers and the staff, which for example, affect the internal communication. The internal structure of the vendor can appear alien or incomprehensible to the client, according to Rao (2004).

It could, therefore, require adjustments in management style when cooperating with a vendor to counteract cultural difficulties. Example of difficulties that are common are employees' reluctance to freely discuss opinions with superiors or different attitudes towards deadlines and pace of work. To counteract cultural difficulties, Carmel (1999) argues there is a need for managers in outsourcing projects to become 'multiculturalists', which means they must be able to switch between leadership styles seamlessly when needed. Rao (2004) concludes that managers must develop skills to counteract cultural

distress by learning how to create relationship between employees and executives working with country specific factors.

House, Javidan, Hanges & Dorfman (2002) identify nine dimensions of culture in relation to leadership attributes with contribution from 61 nations. They argue that the literature strongly suggests a correlation between culture and the need for different leadership styles. But there are no precise recommendations for what leadership style to adapt in a specific situation, according to House et al. (2002). This is because the literature points out a major divergence to a universal leadership pattern, and there are no agreed upon definitions of the cultural terms effect among social scientists. House et al. (2002) conclude it is problematic to identify a stereotype leadership style, based on nation and the attributes. But the authors illuminate and confirm the problematic issue of the need to adjust the managerial style to incorporate cultural variations. The need for adjustment of leadership attributes and behavior approach are more likely to be perceived as acceptable and are more effective in the cooperation with a vendor in another nation.

3.3.3 IT-Governance

To establish a good outsourcing relationship, it is important to have a successful IT governance (Gelling, 2007; Beulen & Ribbers, 2007). IT governance specifies decision rights and accountability to achieve the most beneficial effect, while using IT (Beulen & Ribbers, 2007). It is also defined by as: *"IT governance is the organizational capacity exercised by the board, executive management and IT management to control the formulation and implementation of IT strategy and in this way ensuring the fusion of business and IT"*(Van Grembergen, 2002, p.1)

While establishing an IT governance, the organization must understand that different situations and different organizations cannot implement the same kind of IT governance; there is no standard governance befitting all organizations (Leimeister, 2009; Beulen & Ribbers, 2007). Another crucial factor is the perception between the IT department and the rest of the organization. Communication and comprehension in the organization is of the essence (Beulen & Ribbers, 2007).

According to Beulen and Ribbers (2007), the IT governance responsibilities comprise three levels: strategic, tactical, and operational. Strategic level concerns the alignment between the business strategy, information system strategy, and information technology strategy. It also includes the sourcing strategy, which concerns what type of IT will be outsourced. The tactical level addresses managing the vendors. This is often done with contracts, since the relationship commonly isn't a hierarchic relationship; rather, it is a contractual relationship between the parties. The operational level covers the responsibility of the actual deliverance of IT services, implementing the changes demanded in the contract, and dynamics of the change in what is asked for; the market might change and with it the demanded IT service (Beulen & Ribbers, 2007). To succeed with the responsibilities, IT governance structure, processes, and relational mechanism are needed, according to Beulen and Ribbers (2007). Structure involves the placement of the professionals in the organization, and at the vendor, processes handle the details around IT governance assignments and activities, while the relational mechanism addresses all the communication between client and vendor (Beulen & Ribbers, 2007).

Contract in relation to governance

Gelling (2007) writes that the contract is an important managing tool for outsourcing. Governance and relationship management are crucial factors for the outsourcing effect, and the contract will influence how these factors play out during the partnership. The contract will be built up by certain clauses and the eleven clauses in the table are the most important for an outsourcing contract. Gelling (2007) compares the contract clauses in relation to governance decisions in order to evaluate how these factors affect outsourcing success. According to Gelling (2007), involving more of the clauses from the table and increasing the meetings between vendor and client on top-management level and key account management level will contribute to the success rate of the outsourcing. "Change requests" and "renegotiation option" ensure that change can be made in the sourcing cooperation and more meetings between client and vendor offer a better understanding between the two parts.

Tabell 2: Contract clauses (Gelling, 2007)

No	Contract Clause
a	Service Level Agreements
b	Penalty-Reward-System
c	Pricing
d	Benchmarking
e	Change Requests
f	Renegotiation Option
g	Liability & Insurance
h	Dispute Resolution
i	Exit Management
j	Audit
k	Confidentiality, Data Protection, IP Rights

This will, according to Gelling (2007), result in an increase of the outsourcing effect. The same goes for Benchmarking, which will give the client an opportunity to lower their costs during an ongoing contract. If they find they are paying too much for a service, there is a chance in lowering the costs. This clause with a service level agreement (SLA) and a penalty-reward-system will not only insure the service is delivered as requested, but it will also save the organization money if the vendor does not deliver according to contract. Gelling (2007) writes that these clauses were contributing factors for success in his research. The audit clause, which gives the client access to examine the vendor processes, in combination with monitoring and controlling efforts from the client, according to Gelling (2007), is research contributing to the success rate of the outsourcing collaboration. Gelling (2007) also states that involving the business part of the client organization will increase the chance to generate value from outsourcing. Monitoring and controlling or communication between client and vendor was also a key to success in the investigated organizations (Gelling, 2007).

The contract aspect of outsourcing is, without doubt, a crucial factor for the success of the relationship between vendor and client (Parikh & Gokhale, 2006; Bryson & Ngwenyama, 2000; Gopal, Sivaramakrishnan, Krishnan & Mukhopadhyay, 2003). The purpose of the contract is mainly to facilitate exchange, avoid moral hazard, protect proprietary knowledge, and prevent opportunism by vendor or client (Luo, 2002). Over recent years, the strategy to outsource has grown more popular among managers. This increased interest in outsourcing has sparked a demand for higher performance by the vendors. To secure a high vendor performance, detailed and well-structured contracts are needed (Bryson and Ngwenyama, 2000). The contracts represent the core obligations of the partners in an outsourcing agreement and should include aspects, such as responsibilities, scope of service, pricing structure, employment conditions, termination, confidentiality, dispute resolution strategies, etc. (Parikh & Gokhale, 2006).

A major problem concerning outsourcing is to monitor the vendor. According to different vendors, this is easier and cheaper to achieve with an explicit contract in place. A well formulated contract will, therefore, reduce the costs and make the outsourcing more cost efficient (Gopal et al., 2003). Even though contracts are cost efficient and often strengthen the bond between vendor and client, it may raise problems when forging the contract. Outsourcing contracts, especially offshore contracts, can be difficult to draw up, because both parties originate from different economies and different political and cultural climates (Gopal et al., 2003).

According to Gopal et al. (2003), this problem is solved through 'fixed price contracts' or 'time and material contracts'. While the fixed price contract puts a lot of risk on the vendor, the time and material contract, instead, burdens the client with risk. The contract is imperative, since a bad contract may lead to conflicts that sour the relationship between client and vendor and will diminish the effect of the outsourcing collaboration (Lou, 2002). According to Luo (2002), different scholars have argued if contracts related to outsourcing should be complete. The term complete contract, differs from the term specific; instead, Luo (2002) considers the complete contract as a combination of terms, specific and contingency adaptability. A complete contract would smooth the process for the manager and result in an effective environment, although the information needed to create a complete contract might not collect ex ante. Because of the volatile nature of software engineering and other outsourcing areas, the contracts will be hard to validate without some sort of contingency plan. The field of outsourcing is a complex field and to prevail, flexibility is a necessity for the organizations. To create a complete contract, both high specificity and high contingency adaptability are needed (Luo, 2002).

According to Luo (2002), contracts only get you so far in a sourcing client-vendor relationship. To succeed, cooperation is essential. Due to how unpredictable the reality is, contracts cannot cover all contingencies, no matter how detailed and complete the contract is. Therefore, a solid contract and good cooperation is needed to succeed. Cooperation is the factor that can overcome the contractual complexity when it comes to creating an adaptable contract over a long time. Luo (2002) describes this with the contract as an ex ante framework and cooperation as proceeding inside the framework. Contract and cooperation lead to increasing performance, and a more "complete contract" will provide better possibilities for cooperation. Luo (2002) proves that organizations with different types of cooperation before the current contract have a higher performance in their contingency adaptability. This means that a more evolved relationship would increase the

flexibility in both contract and sourcing assignment, because higher contingency adaptability will create a more flexible collaboration. Luo (2002) also proves that a longer contract would create better preconditions for a flexible contract. The reason behind this is that the parties emphasize more contingency adaptability and lower term specificity when preparing for longer cooperation.

Type of contracts

Concerning outsourcing, there are plenty of different contracts to be made. Earlier, the "fixed price" and "time and material" contracts were mentioned (Gopal et al., 2003). In those contracts, the risk is decided to be either ex ante or ex post, depending on which contract type is chosen. Due to the great risk with software development, clients often pursue the fixed price contract. A problem is that the client usually is considerably larger than the vendor. Since the client, therefore, is considered financially stronger, the vendor might end up in a clinch if problems arise ex post the project and costs increases. This dilemma is often solved in the manner that small project with lesser risks are governed with the fixed price contract, while larger projects concerning a longer time span are established with time and material contracts. More uncertainty in the project description will also increase the need for a time and material contract (Gopal et at., 2003).

But there are other reasons behind the contract choice. The bargaining power between the client and vendor is an important factor. This bargain power may be decided, based on the reputation of the client or vendor, but other factors as future business prospects, size of the organizations, relationship between the intermediaries, among others may also contribute. Bryson and Ngwenyama (2000) imply that a multiple vendor strategy can be applied to strengthen the bargaining power in favor for the client. Another important factor that will affect the agreed choice of contract is the education aspect. If the vendor must educate specialized personnel to be able to fulfil the assignment, or even if they just risk needing to educate more personnel, the contract will be of a time and material character.

Contract classes, presented by Bryson and Ngwenyama (2000), are the "fixed fee" and "incentive" contracts. The classification of fixed fee contracts can be compared to the fixed price contracts mentioned by Gopal et al. (2003). The difference between both authors lies in the fact that Bryson and Ngwenyama (2000) describe different variations of the fixed fee contracts that would balance the power between vendor and client. One type of variation is the cost plus contract, which limits the responsibility of the vendors if the cost of the project gets out of proportion. The Incentive contract class focuses on rewarding various levels of performance delivered by the vendor; at the same time, the vendor will get penalties for underperformance (Bryson & Ngwenyama, 2000).

An important factor in the contract is the earlier mentioned contingency adaptability. This factor creates flexibility in the contract. Contingency adaptability is described by Luo (2002) as how the two parts in the contract can handle scenarios that are unaccounted for. The term covers how well the situations are accounted for and the different solutions that exist to handle problems between the both parts in the contract. It is represented in the contract as clauses or independent terms. The term, specific parts, concerns the in-depth details of the contract, while contingency adaptability is related to how uncertain a situation in the future should be handled (Luo, 2002).

Problems to avoid with contracts

Outsourcing parts of your IT department is followed by some amount of risk. To manage this risk and pressure of the price, a multiple vendor strategy could be used. According to Bryson and Ngwenyama (2000), the organization could use a single or multiple vendor strategy when starting an outsourcing collaboration. Multiple vendor strategy implies that contracts with different vendors are being created for the same project. The reason behind this is to put bigger pressure on the vendors and eliminate the risk that a project will fail due to shortcomings by the vendor. The downside with the multiple vendor strategy lies in the extra cost for more vendors and the fact that creating a stronger bond to one vendor may reduce the costs even further.

According to Bryson and Ngwenyama (2000), the client organization must avoid shirking and opportunistic bargaining. Shirking refers to underperformance concerning the contract obligations by the vendor, and opportunistic bargaining refers to vendors charging a price that is too high, related to the market price because of a dependence by the client. This is quite the dilemma, since the contract should counteract these sorts of problems. To avoid this dilemma, information gathering concerning the vendor is essential. This information will be the base of the contract and the work by the vendor will be monitored, so the vendor fulfils the parts agreed upon in the contract to make certain that the vendor does not underperform the incentive contract or is advocated by Bryson and Ngwenyama (2000). This will reduce the cost if the project does not deliver the agreed upon performance.

3.3.4 Security

Security for sourcing in any shape or form is essential, as the benefits associated with it can never come to fruition without the risks being properly identified and managed (Tafti, 2005). The choices a company makes, regarding sourcing, are in a direct relationship to risk in the sense that the company must figure out which parts are critical to keep in-house or outsource, where the company should source, when the company should outsource, and so on. These decisions all come with risks that must be addressed to minimize and avoid failure that could come to be negative or, in some cases, detrimental for the company that plans to outsource (Aubert, Patry & Rivard, 2005).

IT-Outsourcing and Risk

The definition of risk, according to Aubert et al. (2005), can be seen from many lights, for instance, the possibility of risk leading to undesirable events, which builds a scenario that might be reversible. Other instances of risk are the consideration of risk being probability functioned. This looks at the probability of risk and can be associated to irreversible events, such as the downfall of a company, if occurred. Further risk can be seen as an expected loss, which then entails the company is accounting for this risk being something that most likely will happen and, therefore, having calculated for it beforehand. In similar regard, risk can be seen as variance, as in risk being calculated for by its volatility and the possibility of profit it can bring, compared to the losses that might occur. Further, the notion of 'Endogenous and Exogenous' risk is an important distinction. Endogenous risks are the risks we cannot control or affect by our actions, for example, earthquakes.

Exogenous risks are risks that occur because of the actions we take, for example, a car accident that happens because of the driver making the wrong decision at the wrong time (Aubert et al., 2005).

Kliem (2004) state that there are several types of risks that need to be looked at and handled, these are; Financial, Technical, Managerial, Behavioral and Legal risks. These risks can vary in terms of how likely they are to occur and how badly they would affect the company if they were to happen. Kliem (2004) then stresses the importance of doing a proper risk analysis in order to both get an understanding of what the risks are and how to prevent them. 'Financial' risks that deal with budget and cost, 'Technical' risk that deal with tools, techniques, and standards, 'Behavioural' risks that deal with managing and leading people, 'Managerial' that address the risks that can happen to or by the management, and 'Legal' risks that deal with governmental laws and regulatory considerations.

Aubert et al. (2005) state that companies need to calculate the risk that they expect as losses prior to them actually occurring. They state that there certainly are risks that need to be accepted and therefore these can be looked at differently from the unexpected risks that have a low chance of occurring.

Assessing and managing risk can pay off, according to Aubert et al. (2005) and their findings. When exploring different IT-outsourcing cases in relation to risk, they state that risk management in this sense leads to lower residual risks or to a greater performance through better contract design. Risk management provides valuable information and increased quality in the decision making process. Organizations with a lot of resources, awarding larger contracts have more flexibility for managing and reducing their risk (Aubert et al., 2005).

Rules and regulations

Huge factors that comes into play when offshore IT-outsourcing are the legal and ethical responsibilities of the organizations. These organizations might come across limitations that can be attributed to the diverse governmental regulations and cultural differences (Tafti, 2005).

To follow these rules and regulations in an optimal pattern, Tafti (2005) speaks about two guidelines that will aid in this pursuit; 'Corporate policy' states that companies involved with offshore IT-Outsourcing must have a comprehensive and explicitly-documented corporate policy on protecting individual privacy and data. Further, Tafti (2005) speaks about 'Audit and control', which entails the protection of individual privacy and security of corporate data. The problems that arise here derive from having to give access to corporate data to people outside the organization. Organizations then must monitor the offshore site to make sure they are properly handling data access, usage, storage, sharing, and transmission. The last factor that comes into play, according to Tafti (2005), is "Host government laws and regulations." He states laws and regulations can help to reduce the risk of privacy and security infringements.

Monitoring

Tafti (2005) writes that control become huge factors for companies as they need to monitor the companies overseas in order to get a broader understanding of how the vendors are conducting their business in correlation to their own organization. Tafti (2005) states that this type of organizational activity has to be monitored in the outsourcing relationship to avoid pitfalls that might prove to be detrimental for the success of the relationship.

The importance of having a watching eye over the risks that might occur or are about to occur is important. By monitoring and watching risks closely the organization can then use this in order to calculate the level of degrees the risks that are going to occur. Risk can then be seen as a series of compromises in order to evaluate if they are to be accepted or not. Therefore, the first initial risk management should come from having risks being monitored, to then also be able to plan for the risks. The monitoring of risks can also be seen as a continuous process and therefore would help aid the organization to discover new risks that they might not have considered in the past, by doing this the risk management constantly improves (Aubert et al., 2005).

4. Empirical data

In this section, the Key dimensions is presented with a description of each element's aim for measuring relationship maturity. The critical aspects, competence, culture, governance, and security, are elaborated through inputs of the focus group connected with theory about each aspect (see section 3.3).

4.1 Key Dimensions

The presentation of the key dimensions is for the reader to gain a deeper understanding of each question's aim of measurement and validation that are analysed and discussed in the next section. The key dimensions is a key component in the research, and each element is formulated based on successful nurturing of the outsourcing relationship as described in the literature (see section 2.2). The critical aspects and elements are also objectively developed, so future research could duplicate the study to make more measurements and test the critical aspects and elements with other questions.

4.1.1 Competence

Tabell 3: Internal capacity to manage external processes

Questions	Element	Explanation
Frequency of outsourcing education among managers	Managerial knowledge sharing	Aims to measure the organization's educational investments amongst management.
Reusability of knowledge from previously completed outsourcing projects	Learning capabilities	The intention to measure organizational learning capabilities from applied practices or proven methodologies.
The rate of knowledge and social exchange with vendor	External knowledge management	The intention of being open to share and receive knowledge with external partners.
The organization's ability to allocate resources needed	Resource allocation	Resource variance from human, information and financial resources. Point of interest being how efficiently these resources may be redirected.
Preferred managerial style in relation to outsourcing projects	Promotion of managerial self-initiative	Destructive degree of managerial micro-management due to lack of trust or productive ability to define processes and promote self-initiative.

4.1.2 Culture

Tabell 4: Internal ability to integrate external processes

Questions	Element	Explanation
Outsourcing acceptance among managers and employees	Resistance	Intends to measure organizational resistance towards current outsourcing initiatives.
Expectations of outsourcing projects	Integration goal	Illuminate organizational integration goals of outsourcing initiatives, either a temporary solution or a strategic extension/ partnership.
Types of tasks that are outsourced	Complexity	Measurement of task complexity to clarify organizational outsourcing focus, either simple or complex.
Integration of outsourcing activities with existing organizational processes	Process integration	Aims to illuminate organizational ability to integrate external processes.
Frequency of working with internal change to improve collaboration with vendor	Adaptability	Measurement of organization's ability to adapt internal processes to adjust efficiently under external processes.

4.1.3 Governance

Tabell 5: Ability to govern the relationship

Questions	Element	Explanation
The degree of how vendors live up to the contract	Control	To what degree the vendor delivers according to established agreements.
The numbers of clauses in the contract	Flexibility	Client side freedom to renegotiate the contract, concerning both fee and services.
Degree of specialization when handling outsourcing	Prioritizing	The level of prioritizing the outsourcing initiative. Either a small project within the IT department or devoted to a special team.
Degree of transparency in the vendor's processes	Process transparency	Accessibility and insight into the vendor's processes to gain control.

4.1.4 Security

Tabell 6: Internal ability to secure information and manage risk

| Questions	Element	Explanation
Degree of security measures taken to make sure that information doesn't leak	Policies and traceability	The preventive measures and security protocols companies enforce to ensure that information does not get into the wrong hands.
What country steers the rules and regulations for the cooperation?	Rules and regulations	Awareness and dictation of rules and regulations that apply to the outsourcing relationship. Both inland and offshore.
How much responsibility/Leeway do you outsource?	Dependency	Measurement of client to vendor dependency, in terms of which party is dominant.
Degree of unavoidable risks that must be accepted	Risk Management	Illumination of various risks that can occur and how well these risks are being accounted for.
Degree of vendor monitoring	Monitoring	The level of monitoring being conducted, according to the needs of the outsourcing relationship.
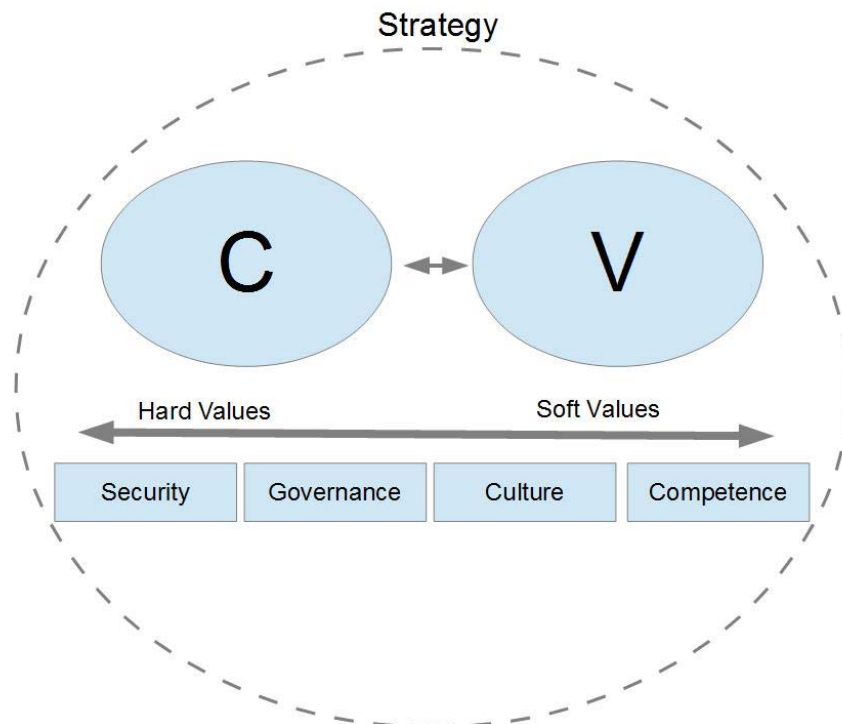
Figure 6: Critical aspects

4.2 Empirical results

This section is a representation of collected data starting with a summary with focal points from conducted workshop/interviews with the focus group. Afterward, the empirical results are presented in the same way with a summary of focal points for each critical aspect of measurement, with compilations of collected data and a general summary of interview responses. This section aims to give the reader a perspective of the collected data and results of testing the key dimensions for validation.

4.2.1 The Focus Group

According to the focus group, all four aspects of outsourcing presented in the thesis are valid and contribute, in their opinion, to the measurement of outsourcing maturity. While agreeing with the questions and aspects chosen, they also point out that culture is a "deal breaker" in outsourcing maturity between client and vendor.

The focus group explains that, without culture, it is unimportant how competent or how good a contract your organisation has. The first step in succeeding with the culture aspect is to acknowledge the organisation's culture before trying to integrate the two organisation cultures. "It is like a marriage, you don't want to marry the first you find [...] and you don't want to marry someone you don't know" – R1.

Concerning the contract, the focus group explains there is a balance between the importance of a detailed contract and a good relation between the vendor and client. They also explained that most contracts comprise SLAs and penalty and reward systems. The focus group emphasises the importance of both rewards and penalties. They also explain the problems with specialized teams of consultants being hired to write the contracts, but later leave the organisation when the contract is done. This results in loss of knowledge and understanding of the contract. "The contract is important, and if you do it good and work through the details you might not even need the contract during the collaboration. Sit around during the contract span and only discuss details and what should be delivered and what not, that isn't good, you need to prepare the groundwork"- R1. At the same time, the focus group explained that governance is much more important than the contract to achieve flexibility and collaboration. "If the right person is in the relation then it doesn't matter if the contract is flexible or not; you will solve the problem. The trust is crucial and is more important than what the paper says" –R1.

According to the focus group, the right competence must be placed early in the collaboration. It is also important to know that the competence required will change during the time of the contract. The competence both needed and missing in the early stage of the collaboration might be hurtful later. Therefore, it is important to be flexible with the competence, regarding both adding and withdraw competence. The focus group also explains that it is important to have the right competences and the right amount of competence. Otherwise, you risk over or under steering your vendor. The client organisations must understand the limitations of the vendor. No matter how good the vendor is, the client must exchange knowledge and support the vendor in the project; otherwise, it will fail in some areas.

4.2.2 Empirical result and compilation of data and interview responses

Competence

When it comes to the empirical findings in regards to competence we can see that there is a clear pattern in terms education throughout almost all respondents when it comes to the subject of education amongst managers. Almost all of the customers feel like they have neglected the official education of managers in terms of outsourcing, but most of them feel like the knowledge given to the mangers have been gathered by unofficial interactions with the vendors. The clients feel like they could arrange for more opportunities for managers to get education on outsourcing and feel like this would be beneficial for their organizations. The amount of reusable knowledge from previous completed outsourcing projects has shown to differ between the companies. Most of the companies feel like they do take in account for knowledge earned by previous outsourcing projects, while some do not feel like do it almost at al. A general consensus amongst the companies involved in the study is that this could be done more frequently and more organized. The rate of knowledge and social exchange with vendors have shown to be quite high amongst the companies in this study, however most of the companies explain this exchange of knowledge to be done over unofficial circumstances rather than it having to be something arranged for. The organizations ability to allocate resources have been stated by the companies to be quite high, however some state that this can become problematic when none standardized workflows are concerned. The preferred managerial style in relation to outsourcing projects have shown to be quite varied throughout the companies studied. The companies feel like they need to micromanage tasks due to information bottlenecks, however most companies strive towards no micromanagement and the promotion of self-initiative on the side of the vendor in the relationship.

Tabell 7: Compilation competence

Questions	Collected Data	Interview responses
Frequency of outsourcing education among managers	0(33%), 2(50%), 4(17%): *Median: 2*	Majority made use of external knowledge through consultants. Few had established official training programs.
Reusability of knowledge from previously completed outsourcing projects	0(17%), 1(17%), 2(17%), 4(33%), 5(17%): *Median: 3*	Few reuse knowledge in an official/formal way. Knowledge is reused in an informal way through individual contribution.
The rate of knowledge and social exchange with vendor	4(67%), 5(33%): *Median: 4*	Social exchange is frequent according to the majority of respondents; it occurs on a daily basis.
The organization's ability to allocate resources needed	2(17%), 4(67%), 5(17%): *Median: 4*	Some struggle with resource allocation due to unstandardized processes. The majority state they allocate resources efficiently.

Preferred managerial style in relation to outsourcing projects	2(33%), 3(33%), 5(33%): *Median: 3*	Some report that micromanagement occurs due to bottlenecks. Majority attains a balanced leadership. Some strive to promote vendor self-initiative.

Culture

Looking at the cultural aspects the first question addresses the acceptance the employees of the companies have towards outsourcing and looks at the amount of resistance within the organizations. Almost all companies feel like there is some form of resistance towards outsourcing within their organizations, however most feel like the resistance is very minor, others feel like there is no resistance at all due to the fact that they have been outsourcing for a long time period. Expectations of outsourcing projects have shown to be that all the companies feel like their outsourcing is an extension of their organizations and expect the outsourcing to be continues. The types of tasks that are outsourced have shown to be complex in most cases expect for some minor exceptions. As the tasks are seen as complex in nature, the companies feel like they are tasks that require a lot of responsibility. The integration of outsourcing activities in the organization's processes have shown to be very high amongst all respondents, they feel that outsourcing is part of their organizations at this point and that the existing processes are well integrated with their organizations. The frequency of working internal change to improve collaboration with vendors have been seen as quite high amongst all respondents and something that is considered to be very important in order to improve the outsourcing relationship.

Tabell 8: Compilation culture

Questions	Collected Data	Interview responses
Outsourcing acceptance among managers and employees	0(33%), 2(17%), 4(33%), 5(17%): *Median 3*	Few report there is no resistance against outsourcing. Majority reports there is some form of resistance; however, it is not a major issue. Some report there is strong resistance, due to fear of losing jobs.
Expectations of outsourcing projects	4(17%), 5(83%): *Median 5*	Majority of the respondents state that current outsourcing initiatives are perceived or are a strategic extension of the organization's processes.
Types of tasks outsourced	1(17%), 3(33%), 4(17%), 5(33%): *Median 4*	Diverse answers of tasks complexity. Some report it's a mix between simple and complex tasks; others argue that tasks are complex because of no standardisation.

Integration of outsourcing activities with existing organizational processes	1(17%), 4(50%), 5(33%): *Median 4*	Majority of respondents state there is a high integration with vendors and their processes. Some argue it has been problematic due to difference in organizational structure and way of working.
Frequency of working with internal change to improve collaboration with vendor	0(17%), 1(17%), 4(17%), 5(50%): *Median 5*	Majority of respondents work actively with internal change to improve collaboration. Few report they struggle with internal change or re-prioritize it.

Governance

The degree of how often the vendors live up to the contracts in almost all cases have been seen as very high. In all cases there are SLA and other forms of insurance written in the contracts to protect the clients and make sure that they are delivered what has been promised at the point of writing the contracts. The respondents feel like the vendors more often than not deliver what is promised. The number of clauses is seen as quite high in most cases, but for some respondents they are not considered to be important at all. Almost all the respondents feel like they can have a flexible relationship with their vendors without having to enforce or draft a lot of clauses, however the respondents feel like the clauses need to be there in the contract for safety reasons. The degree of specialization when handling outsourcing is something that differs a lot between the organizations, some respondents state that it is not important to have specialized teams and therefore let the IT department handle the outsourcing, others make sure to have specialized teams in place to handle the outsourcing. The degree of transparency in vendor processes is quite high according to all respondents in terms of the information being available. However, the consideration of the importance of having good insight on vendor's processes differ quite a lot between the respondents.

Tabell 9: Compilation governance

Questions	Collected Data	Interview responses
The degree of how vendor live up to the contract	1(17%), 4(83%): *Median 4*	Most respondents use penalty systems and SLAs, and a few use reward systems. Most state they are against penalty fees. It is a disagreement among the respondents, concerning how well the vendors honor the contracts.
The numbers of clauses in the contract	2(33%), 4(17%), 5(50%): *Median 5*	Flexibility is a key factor for most respondents. Most seem to have a flexible collaboration, some through clauses, others relationship. Clauses don't seem like the obvious way to measure flexibility.

Degree of specialization when handling outsourcing	0(33%), 3(33%), 5(33%): *Median 3*	Differs a lot between the respondents. From specialized team to cover up employees.
Degree of transparency in the vendor's processes	1(33%), 3(50%), 4(17%): *Median 3*	Most seem to have good insight into vendor processes. The importance of the insight differs a lot among the respondents.

Security

The degree of security measures taken in order to make sure that information doesn't leak is quite high amongst most respondents, however a lot of them also feel like there could be more to be done to make sure that this type security breach doesn't happen. Therefore, most respondents have made sure to point out that this is very important, yet most hesitate to put a high number on the information protection as most realize that this is something that might needs to be addressed in more detail. When it comes to what country steers the rules and regulations of the outsourcing relationship, almost all companies feel like their own native country is the main one to consider in terms of rules and regulations, however almost all of the respondents feel like it is highly important to know the different rules and regulations that dictate over the countries that the vendors are located in. The respondents feel like they outsource a lot of responsibility and leeway to the vendors, they all feel like they put a lot of trust in the vendors to get the tasks done, therefore only in minor cases feel like they need to be micromanaged. When it comes to unavoidable risks that have to be accepted almost all of the respondents feel like this is very common and something that they work with regularly to make sure they handle correctly, they however feel like this is being handled unofficially more than officially in terms of information about these types of risks. When it comes to the degree of monitoring that is being conducted of the vendors it differs quite a lot between the respondents, some feel like there needs to be official monitoring in place to assure that things are going as scheduled, others feel like that is not needed at all. However, all the respondents state that if the tasks are being delivered as promised on time and in the quality that have been agreed upon, then there won't be much in terms of monitoring to be done in a relationship that has been established.

Tabell 10: Compilation security

Questions	Collected Data	Interview responses
Degree of security measures taken to make sure that information doesn't leak.	2(33%), 3(33%), 5(33%): *Median 3*	Most respondents feel they have control over their possible leaks. However, most realize this might be something they need to work on to make sure information does not leak.
What country steers the rules and regulations for the cooperation?	0(17%), 1(50%), 2(17%), 5(17%): *Median 1*	The consensus is that the companies usually believe their own client side country steers the rules and regulations. However, there is an understanding of the vendor country's rules and regulations being a factor.
How much responsibility/Leeway do you outsource?	3(17%), 4(83%): *Median 4*	Most companies in this study outsource quite a lot of responsibility and leeway to the vendors. They feel like the vendors can handle not being micromanaged.
Degree of unavoidable risks that must be accepted.	2(17%), 3(33%), 5(50%): *Median 5*	Most clients know there are risks that must be accepted, some more than others, and most companies take these risks into account for their relationship to work well.
Vendor monitoring.	1(17%), 2(17%), 3(17%), 5(50%): *Median 5*	Most clients monitor their vendors, but there is a consensus that if the vendor usually delivers what they have promised on time, then there won't be much done in terms of monitoring.

5. Theoretical discussion

This section includes a comparison between stated arguments and best practices from the literature with the empirical result in an objective manner. The section aims to target findings to give the reader a better understanding of the vantage points made for the forthcoming discussion section.

5.1 Competence

By comparing the empirical results with the existing theory, informal education of managers is a common approach of education. Most the companies also use external knowledge to complement the manager's education. This external knowledge is achieved through employment of managers with earlier experience or by consultants with expert knowledge. The theory supports both approaches, utilizing knowledge streams both externally with a partner or internal through development of education programs and best practices through knowledge management, as suggested by Lee (2001). However, most of the maturity models in this paper promote the latter approach, describing maturity as a process towards standardization to increase the staff's skills of handling external processes, and this approach particularly applies in CMM that Curtis et al. (2009) describes. The model aims to streamline working activities from ad hoc to optimized, achieving flexibility and striving for alignment between the core competence and business objectives. As explained, the different phases of maturity involve change management, including skill and competence development internally. Increasing internal productivity is vital, but external flexibility, achieving professionalism, and establishing a culture of excellence, according to Curtis et al. (2009). Development of skills and knowledge is a fundamental aspect, progressing through the different stages of maturity, states Curtis et al. (2009). Development of official skills and knowledge is part of progress towards maturity, focusing on development of staffs' ability to gain a universal perspective of the organizational structure of workforces, especially middle managers, because they may share this knowledge with executives. Gaining a broader perspective of the organizational structure through official education may also reduce resistance to change, since the employee gets more engaged in the processes. The major development of skills and knowledge often occurs in the middle stages as, for example, in CMM and in the maturity model presented by Gottschalk and Solli-Saether (2006, 2008).

The respondents state they could and probably should do more official education for the executives. The empirical results also show that few companies reuse knowledge from earlier outsourcing initiatives in an official way, such as lessons learned. Most companies reuse knowledge in an informal way by applying personnel with earlier experience to develop the foundation of the initial governance structure. Making use of informal and formal knowledge streams are supported in the literature, as some authors argue there is a need for both in a learning organization (Lee, 2001).

To sustain trust and nurture the relationship, social exchange and knowledge exchange are vital factors to success, affecting the overall performance in cooperation, according to Lee and Choi (2011). Ramanathan (2009) reinforces this argument by describing how

managing knowledge, skills, and attitudes are tools to manage the transition to a desired state in offshore initiatives. Sustaining a high level of knowledge and social exchange will not be sufficient for the organization, but it will nurture the relationship and counteract mistrust and miscommunication. It is reported in the empirical results from most respondents that social exchange occurs on a daily basis when working with a vendor. Informal knowledge is also shared in communication when solving work-related tasks, but can also occur during breaks, as some vendors are working on-site. Most respondents report that strategical or official management meetings take place quarterly or half-yearly.

Research illuminates different leadership attributes, based on Mintzberg's (cited by Andresen et al., 2007) concept of management roles. Andresen et al. (2007) conclude that resource allocation is a vital aspect to outsourcing success. The ability to allocate resources involves human, finance, and information resources needed to solve working activities, and the role includes activities, such as planning, coordination, and controlling organizational resources. For allocating the resources needed, respondents report they struggle with this because of an unstandardized way of working. However, most respondents report they allocate the resources needed in an efficient way. The research also supports a higher knowledge integration between client and vendor, as suggested by Quinn (1999), who argues that short-term and long-term goals should be combined for outsourcing success. Short-term goals of outsourcing would be described as cost-cutting and flexible benefits; long-term goals are the value sustained over time, such as increasing system efficiency, reliability, quality, and value added solutions. The long-term goals are achieved through knowledge exchange over time and are more favorable if the partnership is frictionless in collaboration. Quinn (1999) states that bypassing the vendors' knowledge and ability to innovate, working with client's solutions on a daily basis would be an insufficient way of engaging in outsourcing initiatives. It is, therefore, of importance to nurture self-initiative by making use of vendor's ability to innovate and controlling those processes.

The empirical result is divided when it comes to preferable managerial style. Some argue that they micromanage more than they preferred, whereas others argue there is a need for micromanagement. Most respondents report that they, sometimes, need to micromanage if interference occurs in the processes, but if vendors work efficiently, they promote self-initiative. One respondent reports that the vendor seldom makes use of their self-initiative given.

5.2 Culture

The theory in this paper demonstrates that to foster the best conditions for a partnership, the organization must gain internal acceptance towards external processes or, more specifically, the outsourcing initiatives. If resistance occurs, this may impair or hinder the potential of a successful partnership and may affect interaction on daily basis negatively. This phenomenon is studied by Ramanathan (2009), who argues that resistance or unwillingness to collaborate can eventually lead to burnout in people and loss of morale that, in worst cases, cause turmoil in the organizational culture. The majority of respondents report that resistance towards outsourcing initiatives is not a major issue. They explain there is an uncertainty about how the outsourcing initiatives may affect their jobs and current situation. Few respondents reported there is a strong resistance that may

complicate collaboration with the vendor. Usually, the IT department has found acceptance, but other segments of the organization could be skeptical towards current outsourcing initiatives. Even fewer of the respondents' report there is no resistance towards outsourcing initiatives.

In the theory section, it is proven that, if the outsourcing initiatives are appropriately integrated with existing organizational processes, it would be perceived as a strategic extension of the organizational activities and result in high maturity in the partnership, as explained by Curtis et al. (2009). It is also explained that the outsourcing initiative is perceived as a temporary solution of trial and error, as it could be, according to the authors, during the initial stages of outsourcing considered low maturity, described by Carmel and Agarwal (2002). The majority (86%) of the respondents report that the outsourcing initiatives are expected to become or are a strategic extension of the organization's activities. Some respondents also explain that, despite the existing resistance towards outsourcing, the aim is still to expand and integrate outsourcing initiatives further. Some benefits of outsourcing, described in the literature by Smith et al. (2005), are aiming for flexibility and cost savings, so the organization could focus on core business. It is also recommended to strive for a partnership that generates innovation for existing solutions. This is considered a challenge, according to Ramanathan (2009), who argues it is harder to manage projects globally than domesticated projects, based on hindrances, such as time, culture, and language differences that, in worst cases, could lead to miscommunication and distrust. The respondent answers on the tasks complexity are dispersed. Few report that the tasks are of simple character, while some report there is mixed complexity and simplicity. Many of the respondents' state that the tasks outsourced are, in a way, complex. The nature of the complexity varies, depending on different reasons, such as complexity, based on absence of standardization or complexity in form of tasks that are hard to solve.

To reach a high degree of maturity in a partnership, the literature supports an integration between organizations to increase efficiency through better communication and shared knowledge, which are favorable traits in a learning organization, described by Sugarman (2001). Most respondents report they have achieved a high integration with the vendor; however, some explain that, sometimes, it is lacking. The respondent argues it depends on the organization's various structures. Some vendors' working processes are very rectangular, when the clients' are round. Different ways of executing work results in complications, regarding integration often controlled by the client, according to the respondents' statements. The maturity models in this paper describe organizational change in the maturing progress. This is further elaborated in the theory section culture, where attributes of a learning organization are preferred. To reach a high maturity, Smith et al. (2005) argues the organizational structure must adjust accordingly for higher integration and efficient collaboration. Most respondents report that they work actively with internal change to improve collaboration with vendors, and they consider it important, even though it could be problematic. Few respondents report they are not working with internal change to improve collaboration. One of these respondents state they could do better, regarding internal change, and the other one explains they are, instead, working with improving vendors' internal structure to improve collaboration.

5.3 Governance

Literature states the purpose of the contract is to ensure the client that the service is of a certain standard and, by some means, increase the performance of the vendor (Luo, 2002). In order for the contract to succeed, the client must gather information about the vendor to avoid shirking and opportunistic bargaining. Efficient information gathering and monitoring a contract will aid the process, according to Gopal et al. (2003).

To further avoid underperformance, Bryson and Ngwenyama (2000) and one respondent from the focus group suggest different incentive systems to be used. To secure that the vendor honored the contract, different methods were used among the respondents. The most common solution was SLAs, which in different ways, are used by all respondents, a solution commonly referred to in the literature. The approach towards the contract was very different among the respondents. Some saw the contract as a necessary evil and emphasized that the relationship is more important, where others saw the contract as a necessity and key factor to achieve a relationship. Others saw it as a security to get the right value from their investment. Most respondents believed it to be a balance between the contract and the relationship, meaning both were dependent on each other and needed to be balanced to achieve the best result. Luo (2002) argues for the balance between the contract and the relationship and states the contract only gets you so far; the rest is up to the relationship.

Gopal et al. (2003) explain the contract may strengthen the bond between client and vendor, but also says that forging the contract is critical and may cause a barrier between client vendor if managed in the wrong way. A respondent from the focus group explains that forging the contract is often done by consultants from the client side and a sales group from the vendor. The focus group state that this can create misunderstandings when the contract is finished, and these sales teams and consultants leave and start their next project. According to the focus group, the contract is very important to specify to avoid surprises due to the complexity of the outsourcing tasks. At the same time, the focus group states that too much time shouldn't go to create detailed contracts, since a good relationship will over triumph the contract. Punishment systems were used frequently, but only a few respondents used reward systems. A common situation, according to one of the respondents from the focus group, concerning outsourcing, is the use of carrots in combination with the punishment. Most respondents clearly stated that they avoid using the penalties from SLA and other punishment system as much as possible, though because of the effect it might have on their relationship. Some respondents also emphasize dialogue between vendor and client to secure demanded results.

Literature states that different clauses are used to create contracts, and some, like renegotiation options and change requests, ensure flexibility in the contract (Gelling, 2007). Most respondents highlight the importance of flexibility in the contracts and explain they have different clauses in the contract to achieve this. Many respondents also state that the relationship is key to create flexibility between the client and vendor. One respondent states that flexibility is achieved through defining the service. One respondent also explains that they are keeping the clauses to a minimum to achieve flexibility, but also they have a problem with low flexibility in their contracts. The focus group states that the right person

at the right place and a good relationship weigh heavier for flexibility than whatever is written on the paper.

The responsibility of the outsourcing seems to vary between the respondents. Most state the IT department handles it. Some explain that they have a specialized team inside the IT department, which focus primarily on outsourcing. Others explain that different employees must take it when it needs attention or spend a percentage of their time with outsourcing questions. When comparing literature to practitioners, they seem to act similarly, but speak in different terms. Most respondents describe that they have good insight into the vendor processes. Some state they have no interest in the vendor process if they deliver the requested product; others see process insight as an important matter.

5.4 Security

Security aspects boil down to five key elements. These are the following: Policies and Traceability, Rules and Regulations, Dependency, Risk Management, and Monitoring. The first element, Policies and Traceability, is linked to the teachings of Tafti (2005), who speaks about how companies must have the proper documentation in place to have a clear view of what is allowed and not allowed, but also to know who handles what tasks, should they falter, to backtrack, and get to the root of the problems.

Policies and traceability have been identified and confirmed by the respondents when questioned if they maintain proper order in these regards. Rules and regulations, being the second element, relay back to Tafti (2005), talking about how companies must have boundaries in place to conduct business smoothly, something that can be seen from the findings of the empirical parts of this study. Companies have set rules and regulations to prevent security errors from occurring. The third element is Dependency, which Aubert et al. (2005) write about being a factor that comes into play when two companies become dependent on each other or, in this case, the client being the company that leans too much on the vendor and becomes reliant on their processes working according to agreements. There is mixed results regarding this from the empirical data. Some companies state they avoid this happening altogether; others might not know this is happening, and last, companies try to get away from previously established dependencies by moving towards more standardized cloud-based solutions of outsourcing. The fourth element is Risk Management, which is the capabilities that companies use to monitor and create awareness of risks and understand what risks they will accept to achieve their goals. From our findings, we state that risk management has been a key feature. Companies know of risks that cannot be avoided and plan for such risks. However, usually, this is done more unofficially than in a formal setting. The last element, Monitoring, has shown similar characteristics as Risk Management in the sense it is being done, but mainly from an unofficial standpoint, where internal talks amongst key figures of the companies are common. However, in some rare cases, there have been signs of followed-up monitoring of vendors, but the consensus of monitoring has been that, if the vendor lives up to their end on time, then the client won't and will not want to conduct any monitoring to figure out how these goals were met.

6. Practical discussion

This section is a further elaboration of previous section. First, key findings are discussed and evaluated, then the validation for each specific element is explained. Each critical aspect of measurement is divided into two sections for the reader's convenience. The section aims to illuminate constitution of key findings with validation of the key dimensions and each element.

6.1 Competence

There is a strong correlation between official education among managers and organizational maturity, becoming more efficient in handling external cooperation on a global level. It is a vital part in almost every step in CMM streamlining the organizational processes. The questions about competence development is low rated, regarding an official approach towards competence development, as many respondents admitted they could do more regarding education. Competence development is described in the theory to strengthen organizational processes and the ability to handle the outsourcing relationship. There are different strategies to tackle competence development among the respondents, either making use of external sources of knowledge solving critical issues, here and now, or hiring the external source for a longer period to fill the knowledge gap. The empirical results suggest the companies interviewed could benefit from standardized official education initiatives, to better perform in outsourcing processes and increase the ability to govern and nurture the relationship with the vendor. As described in the different steps of CMM, the organization will mature, not only to perform better, but also to establish the foundation of a learning organization, making outsourcing processes more tangible and increasing the ability to tweak them to find a best practice.

Similar to the next question, reusability of knowledge, it is described in the theory section to be important, based on the organization's ability to learn and become more efficient. In the maturity models, reusing knowledge is part of maturing, striving to optimize processes step by step. This has also been described to be one of the most important traits in a learning organization and is the difference between single or double loop learning, a common description in change management. The answers, regarding reusability of knowledge, are diverse. Either the organization reuses knowledge in an informal way by making sure that people with earlier experience are present in new outsourcing initiatives, or knowledge is reused in a mix between formal and informal. Informal knowledge sharing with vendor in-house during breaks and formal through project reports that are archived, but seldom used due to lack of time. Based on the suggested approach of reusability of knowledge in the theory section, the companies who reuse knowledge informally primarily could benefit from doing it formally as well. Even if informal knowledge is important, it is often the hardest to share, because of its embeddedness among the individual executives in company. Trying to extract and share this knowledge in an official way will not only increase overall performance and transparency, but it will also decrease miscommunication and resistance.

In the same way, sharing knowledge through social exchange is described as a fundamental aspect in the majority of maturity models. It is also considered a decisive factor in a learning organization that would not be learning if knowledge was not shared

continuously. The majority of respondents' estimate knowledge exchange through social interaction to be high and report they work with this on a daily basis and strategically quarterly or half-yearly. According to the recommendations in the theory section, the participating companies could benefit from more frequent exchange at top-level to unravel any misunderstandings. Given the answers to previous questions, the respondents would also benefit from structure of the social exchange, so the exchange is not only something that takes place in an informal way during breaks in some cases. Others have a good structure for interaction, and it is an aspect of a learning organization that shouldn't be overlooked.

A fundamental aspect of maturing, as described in the maturity models, is the ability to create structure and allocate the right resources. The phenomenon is deeper explained above to be a favorable leadership trait, based on Mintzberg's concept of management roles, and has been studied at an operational level. Allocating resources efficiently improves the conditions for cooperation at an operational level, but could be hard to perform due to lack of standardized working procedures. In other words, the organization may possess the capacity to allocate resources, but not the ability due to non-standardization of working procedures. In the same way, some respondents reported that they struggle with resource allocation, because they did not have standardized working procedures, which made the allocation of resources hard to spot. However, many companies were not in the first generation of outsourcing, which meant they knew how to allocate resources. Given the answers, regarding allocation of resources, the organizations could benefit from internal investigations of resource allocation to attain this ability and competence among managers for better collaboration with vendors. The companies that struggle with allocation of resources correctly should prioritise standardized working procedures and, during the process, develop a practice and competence of resource allocation among managers.

It is stated in the theory that promoting self-initiative is a high degree of maturity, as mentioned in the final steps of CMM. Not only is it advantageous for cooperation, but it is argued to be inefficient to overlook vendors' innovation ability, as they constantly work with the product or provided service. The respondents' answers are dispersed, regarding this question. Some argue that micromanagement is needed to sustain control, or based on complexity of working procedurals, other argue they promote self-initiative actively. It is difficult to draw a clear conclusion on the basis of the response answers as some prefer micromanagement in combination with promotion of self-initiative. The ones who actively promote self-initiative also explain that vendors seldom make use of it. However, the question has strong support in theory, where some argue that the client should strive to find a mix between long and short-term goals in the relationship with vendor. That would eventually involve promotion of self-initiative and make them engage in innovation of the product or provided service.

Validation of key dimension

There is strong support for the element of managerial knowledge sharing with the question of education among managers. Even if most respondents give a low estimation on the question of the frequency of official education, they indicate that they could do more regarding education. It is also an important focal point in the theory section, regarding organizational maturity that affects the organization's ability to cooperate with external partners. The question was also supported by the focus group of experts in outsourcing, who consider the question to be essential. The result of testing the question in practice confirmed it to be valid for measuring maturity of competence and fulfilling measurement of the element. The question represents low maturity for ad hoc education and high maturity for official educational initiatives. Education in an official manner is considered to standardize the organizational processes through communal knowledge in the organization, resulting in increased control. The question, however, does not cover the effect of informal knowledge sharing, supported in the theory section to be important. Future research should make further and deeper measurement of informal competence development and its effect on the outsourcing relationship.

There is support for the question of reusability of knowledge and the element of learning capabilities in the theory section. This is also supported by the focus group, who explain that learning and developing organizational capabilities are important to work as a team efficiently with direct effect on the relationship working with vendor, as well. However, the answers from the respondents are diverse, as most reuse of knowledge occurs in an informal way, and those that have attained a formal structure seldom find time to use it due to lack of time. High knowledge sharing creates an internal capability to better align with external processes and low knowledge sharing is an ad hoc approach, making organization maturation difficult due to harder conditions for organizational learning.
The result of testing the question in practice confirmed it is valid as a measurement variable; yet again, as most of the knowledge is reused informally, future research should focus on illuminating the effect of informal knowledge on outsourcing relationship maturity.

By testing the question of knowledge and social exchange, it brings clear evidence for the element of external knowledge management. It is supported in the theory section, but also by the focus group, who argue that without knowledge exchange and social exchange, trust in the partner could decrease, and the cooperation will falter. The answers on the question show that knowledge and social exchange occur in the lower segments of the organization between individuals orientated around work tasks, but also on a strategic level, less frequently. The ratio shows, yet again, informal knowledge may be important for the maturity of the relationship, even if it may be hard to measure. Both informal and formal knowledge streams are supported in the literature, which confirms that studies may further investigate the informal knowledge exchange and its effect on the relationship maturity through social interaction on a daily basis.

Resource allocation has been proven an important ability on an organizational level and as a skill among managers, according to the literature. If resources are not allocated efficiently, it could dilute the cooperation, making it harder to perform and cripple vendors' ability to execute given tasks. This is also supported by the focus group, who argue that

conditions of cooperation may change over time, which makes it essential to correct during the progress of the outsourcing initiative. The question is arguably confirmed to support the element of resource allocation as it is spot on. Even if some answers from the respondents indicate that resource allocation is not an issue, others struggle with resource allocation, which makes it an important measurement. The question of resource allocation may be valid, but it calls for more detailed future research, regarding managers' ability to allocate resources efficiently in collaboration and communication with vendor.

Promoting self-initiative is strong in the theory, but uncommented by the focus group, who only stated that it can be important. The question is proven to be representative for the element promotion of managerial self-initiative, where a low degree of maturity is considered constant micromanagement and a high degree is promotion of self-initiative. However, based on the answers of the respondents, there is an obscurity of the question's measurement, as many respondents combine micromanagement with promotion of self-initiative. An alternative would be to tweak the question and maybe replace micromanagement, as the term may affect or confuse, resulting in obscure answers on the question. Future research should, therefore, aim to investigate alternative questions to measure promotion of self-initiative. Based on comments from the respondents on managerial style, future research should also study the phenomenon from vendors' perspective to sustain a conclusion of cause and effect of promoting self-initiative in the relationship.

6.2 Culture

In the theory section, culture is stated to be a vital part in relationship maturity as, for example, in CMM, where the final steps include fostering a culture of excellence through professionalism. A major part in sustaining a healthy culture towards external partners and processes, according to the section about change management above, is to find acceptance towards change. On the question of outsourcing acceptance, the answers are diverse. Some report strong resistance in the organization, whereas others report none; however, most respondents don't consider resistance to be a problematic issue. This response indicates the companies, yet again, could benefit from gaining a communal understanding or knowledge of the current outsourcing initiatives, as recommended in the theory. Working with competence development, visions and goals are formal ways of preventing or counteracting resistance. Whether or not a change mythology is used, change takes time, and engaging in outsourcing is an organizational change, according to the authors in the theory section.

The higher degree of maturity in the maturity models comprises collaboration with vendors as a partner or a strategic extension of the organization. Aiming for integration with vendors as a partner or a 'right hand' of the organization is hard to achieve, but beneficial and can increase quality, shorter lead time, and an external innovation flow. A clear majority of the respondents have given a high estimation on the question of a temporary solution or strategic extension. The answers show the respondents are willing to develop the outsourcing initiative and relationship further, as none report it to be a temporary solution. This suggests they are aiming for higher degrees of maturity, so further development of the relationship with vendors could be beneficial in several ways, according the arguments in the theory section.

As explained in previous questions, higher degrees of maturity involve processed complexity of the organizational structure. At this stage, the cooperating organizations have shared norms and social patterns as explained in the literature. Decisions are made, based on knowledge about the partner. Solving tasks on a global level are also described to be harder in the theory section. On the question of task complexity, the respondent's answers are diverse, even if many give a high estimation. Some respondents answered that tasks outsourced were not complex, but became complex because of non-standardisation. The organizations affected by this could benefit from striving to develop the relationship further, according to the recommendations in the theory section. Outsourcing more complex tasks is also a way to benefit from external innovation streams more than primarily mundane tasks, as argued in the theory.

To reach high maturity, it is argued in the theory section that integration between the cooperating organizations must occur. The question of integration in outsourcing activities, with existing organizational processes, aims to illuminate client's ability to work with and implement vendor's solutions. Most respondents report they have managed integration; however, some argue it is problematic because of different organizational structures and ways of working. The answers, in comparison with the estimation, suggest that the estimated number is high, as it is reported sometimes to be a problematic issue. Finding a solution for better integration is hard, according to the arguments in the theory section. It is suggested to improve continuously and align the organizational processes to find an optimized solution between the organizations.

Further development of the previous question is the question of client's internal ability to change to obtain an optimal fit with vendor's needs. Some argue that internal change is important to sustain flexibility towards external changing conditions, which is a well-established argument within the field of change management. The description in the theory section suggests the organization should align its processes accordingly, so they could advantageously focus more on core business and outsource tasks that are not. This calls for an internal change and the need for an improved relationship with vendors. As has been mentioned, most respondents have been working with internal change to improve collaboration with vendors. Few reported they struggle with this, and one respondent reported they did not work with internal change. The literature stresses internal development in correlation to outsourcing relationship maturity. There are strong suggestions in the theory for internal change, not only to develop the relationship, but also to cope with a constant changing context.

Validation of key dimension

There is strong support for the question of resistance towards outsourcing in the theory section. Strong resistance is often a result of fear of losing jobs and could affect the collaboration and lead to mistrust and burnout in people. On the other hand, sustaining a healthy culture will increase the ability to integrate or handle external processes efficiently, which is vital to success, according to the focus group. They explain that maturing in organizational culture is like a marriage; if it doesn't work, neither partners involved will feel at ease, and friction will occur that would affect the collaboration. Even if the empirical results were dispersed, the questions prove valid for measurement of the element

resistance. As for future research, the effect of resistance of outsourcing and its effect on the relationship between client and vendor should be made to find out how much it affects the cooperation overall.

To sustain high maturity involves aiming for integration with vendors, as mentioned in the theory, a strategic extension of the organization, even if the question, concerning expectations of outsourcing projects, is a comprehension of many underlying variables, such as different strategies and other incentives for outsourcing. It still shows that a lot of the respondents will develop the outsourcing relationship further, as they expect it to become a full strategic extension of the organization, as reported in the answers. This proves that the question is sufficient in illuminating the organization's expectation and holistic strategy, developing the internal culture accordingly. By testing the question, the answers prove it is representable for measurement of internal expectations. However, the question is far from sufficient to illuminate the organization's overall strategy for outsourcing, but acts as a control question for how the organization wants to develop. The empirical results call for further investigation and research of client's and vendor's expectations and overall strategy, as it is proven to affect the relationship development, eventually.

In the same way as striving to develop the cooperation with vendors to become a strategic extension of the organization, the question about task complexity measures the organization's real incentive to cooperate with the vendor at a higher level, making use of them as an external innovation stream. The question got support from the theory, but remains uncommented by the focus group. Given answers prove the question measures the firm's current focus on what tasks to outsource. With previous questions, this brings a larger picture of the organization's incentive and expectation of ongoing outsourcing initiatives. As proven, the question is valid for measurement of the element complexity or task complexity. However, the answers suggest that measurement of task complexity is not sufficient enough to measure the organization's full incentive of outsourcing. The empirical results call for future research to study the effect of task complexity further to determine its impact on the collaboration. Another question also suggests a similar outcome that transparency is important in a sense that companies make their decisions, based upon their current standings and what they want to strive for. This becomes important, based on how the vendor executes operational procedures in generating results and may affect client's decisions whether or not to outsource.

The question of integration of outsourcing activities with existing organizational processes is strongly supported in the theory section for internal development, but also a key point in maturing. The question is also supported by the focus group, who argue that finding a solution for optimal collaboration includes adapting to the partner's way of working.
The key to success is efficient communication, but also gradual development of the collaboration, which takes time when trying to find an optimal solution. The empirical results prove that the respondent considers integration important to work in an optimal way, yet some argue that it is not entirely unproblematic. The question of integration is valid to measure the client's ability to integrate external processes. However, to obtain a complete picture of the organization's ability of integration, the relationship between client and vendor must be studied deeper. Even if the client has the right prerequisites for a high integration, there must be mutual understanding with the vendor to become an optimal fit,

aligning the two corporations, as argued in the theory. Therefore, the client can only do so much; it has to be an agreement to evolve towards a partnership.

Working with internal change to improve collaboration with vendor stresses integration further. It has strong support in the theory section, as several authors argue that if any of the parties involved refuse to change, it will be problematic to reach higher degrees of collaboration. The question is also supported by the focus group, who argue that it is a constant adaptation to sustain and develop an optimal cooperation; 'it is about giving and receiving'. In the same way as the previous question, both the client and the vendor must agree on development to mature. The answers prove the question measures the internal ability of adaptability to external sources, especially when there were strong reactions from one respondent, regarding this question. Refusing to develop at all is a non-sustainable condition for a collaboration at a partnership stage, as argued in the theory. By examining the answers to this and the previous question, it is possible to identify a clear need for deeper studies on internal change and relationship maturity.

6.3 Governance

To govern the cooperation between client and vendor, contracts are established, as described in the literature. These contracts were described by the literature to comprise different clauses, which would provide incentives to honor the agreement between client and vendor. As shown in the analysis, SLA's and other solutions were in place in all the examined organizations. According to the literature and the focus group, motivation should be created by establishing a penalty and reward system. Findings from the interviews show that almost all the SLA's and incentive systems work as a form of punishment system. Rewards are absent. Most organizations even argue they only use the penalty systems when they have no other choice. So, even though literature and professionals state that carrot and stick should be the solution to achieve a good relationship, the respondents use other measures. At the same time, some respondents state they have a hard time motivating their vendors to follow the contracts. Other respondents explain they have a high maturity for motivating their vendors. Later in the interview, they explain that their contracts are being breached constantly, but only in minor matters. This would prove that many organizations have a hard time governing their vendor relationship, and their governance structure might be old or in need of updating. Both literature and the focus group state that high maturity is reached through a combination of the contract and the relationship. This is fairly agreed upon by the respondents, though with some disagreements. Some respondents argue the contract should be the main contributing factor to achieve control, while others say it's the relationship that trumps the contract to govern the vendor. The findings show that most respondents are eager to maintain a good contractual relationship, as described in the literature, meaning they want the vendor to deliver, according to the contract, but they understand the importance of the relationship and do not wish to ruin it by punishing the vendors for small contract discrepancies.

According to literature, the flexibility of a contract was regulated by clauses that would allow the client to make changes among existing agreements. Flexibility is, according to literature, important to increase the outsourcing effect. The focus group also argue about the importance of flexibility, but claim that the relation is more important than the contract clauses. This statement is not denied by the literature, which states that communication

and meetings would increase flexibility and success, although the literature, that clauses in the contract make the relation building possible from the beginning. Respondents are consensual that flexibility is greatly important for the maturity of the collaboration. Most respondents also explain that their contracts are flexible, but they have a hard time explaining how, and they are unsure of what flexibility clauses are used in the contracts. One respondent is against flexibility clauses, since he believes they would counter the flexibility of the contract. The same respondent was the only one complaining about low flexibility in their contracts, which further should prove the importance of flexibility clauses to create flexible contracts.

The question about prioritizing of the outsourcing inside the organization is relevant both to the literature and the focus group. Literature draws a connection between the outsourcing maturity and the attitude to outsourcing among the employees inside the client organization. This question or element aims to enlighten how the management prioritizes the outsourcing by giving responsibility to employees or giving the task to unprepared or unmotivated employees. But, not only is it important, as literature suggests, to allocate the resources right and not just force it on the IT department, the resources should exist and remain in the organization. A common problem, according to the focus group, is the hiring of consultants to represent the organization. Consultants might later leave and take the knowledge. Therefore, to achieve high maturity, the organization cannot solely rely on external competence to get a high maturity. The organization must also prioritize management of outsourcing to achieve high maturity in this element. Among the respondents, most had an outsourcing champion or management, who own the responsibility and pursue the development. Behind this person, there were different scenarios among the respondents. In some organizations, people worked with the question for some percent of their assigned time, and in others, even the "champion" only used a portion of the time, with questions regarding outsourcing, a sign of low maturity. Other organizations showed high maturity, with a team designated to pursue outsourcing questions.

According to the literature, a key to maturity is the communication and cooperation between the client and vendor. To achieve integration and full collaboration, it is important that client and vendor understand each other and their organisations, so they can synchronize it better. Both literature and the focus group emphasize that openness and adaptability is important to reach high maturity, and the starting step for this is transparency between client and vendor. A problem in this aspect, according to the focus group, may be the difference in maturity between client and vendor in the start of the project. It is, therefore, important that both client and vendor are willing to adapt their process to integrate successfully. According to most respondents, they had full insight into their vendor; the difference between respondents was how they used this insight and what it meant to them. Some respondents said it helped them a lot, while another said they didn't really care, and it was the vendor's responsibility to oversee their processes. Some respondents showed a high amount of maturity, since they used transparency to help each other and up the quality; others neglected this and pushed the responsibility onto the vendor, which showed a low maturity level.

Validation of key dimension

To achieve a high maturity, all three inputs to this thesis highlight the importance of contract. Literature, focus group, and the respondents all acknowledge that contract in cooperation with the relationship to the vendor is crucial for the success of the endeavor. The question captures the importance of the contractual relationship, crucial for governance, according to both focus group and literature. High maturity, according to the focus group, literature, and the respondents is described as the perfect balance between contract and relationship. They say the contract won't work without understanding and cooperation between the vendor and client. This relationship will fail without the ground structure provided by the contract. This balance is measured, according to the respondent's answer to mentioned question; however, it might be hard to fairly grade the result when comparing different answers. The question, however, is relevant due to the fact it gives an insight into the contract relationship of the respondent and works as a self-evaluation by the respondent.

Some factors prove that flexibility clauses should be possible to measure to grasp the flexibility of the contract. The respondents, who were interviewed, proved to lack the need of detailed knowledge about their contracts to give a clear picture of the existing flexibility clauses. It could, therefore, be proven that contract or relation flexibility is important to reach a high maturity, but not that some clauses relate to a certain grade of maturity. It was also hard to understand what clauses contributed the flexibility, since the respondents were uncertain why their collaborations were flexible, just that they were. Most respondents claimed the relationship between vendor and client to be the key to flexibility, a fact partly agreed on and partly rejected by both literature and focus group. They stated that the relationship was necessary to achieve flexibility, but also explained that the outsourcing collaboration was a business agreement and that nothing was given away for free. To measure relation maturity, flexibility must be considered; however, a more appropriate question should probably be tested to gain a more accurate result.

It was found this question was relevant in measuring maturity, regarding how prioritized outsourcing was among the management. This is due to the fact that all respondents, the focus group, and literature connect the element to maturity. Based on the answers given by the respondents, we could see a difference in the prioritizing of outsourcing management. Some lacked prioritizing, according to focus group's opinion, while others fell short, regarding the literature view on how outsourcing should be prioritized. There were those lacking in both areas. Even though the question is relevant, there is still an issue, regarding how to accurately grade the outsourcing prioritizing of the organization.

This element, which concerned insight and integration, was also supported to measure maturity grade by all three contributing factors: the focus group, the literature, and respondents. The literature and focus group had an agreement of the importance of this aspect, while the respondents differed among them. Most found it essential to succeed and promote cooperation to create a good relationship and high quality. Some respondents argued this was supposed to be done by the vendor.

6.4 Security

Looking at the findings from a security standpoint, we can conclude that all the respondents believe security is under control. Looking at the different key components of security, a major flaw in the way organizations handle outsourcing situations is they believe that security is taken care of. This might be the case, usually, but when any of the security flaws become a real life problem, they can be detrimental for the company. The losses can involve several aspects of organizational assets, such as private information leaking and downtime, leading to monetary losses.

Rules and regulations, as expected, is impactful on organizations; however, we can see from our findings that the variance level of how impactful the rules and regulations of other countries differ quite a lot. The companies with a closer bond to the outsourcing vendors tend to be more involved in the rules and regulation of the countries to which they are outsourcing. Therefore, we can conclude that the companies with a direct relationship with the vendor are a lot more conscious when it comes to the other country's rules and regulations. As we can see from our theoretical framework, it is highly important to have a proper understanding of the other country's rules and regulations to assess risks properly. From our findings, we can see that some companies have less understanding of these aspects; therefore, it is clear that an illusion of safety may arise that might lead to the companies involved having problems in the future on a legal level. Therefore, we can conclude that it is highly important for companies that want to outsource to know exactly where their vendors are located and to research how these locations might affect their relationship and their ability to continue with the outsourcing relationship in the future. We suggest this be done prior to establishing the outsourcing relationship with customer and vendor to avoid having to invest time and monetary assets in a relationship that might run into problems as time goes on. We also suggest that regular risk assessments be done over time to avoid implementations of new rules and regulations to become very problematic in the future. This can make it possible for the client in the outsourcing relationship to come up with a proper plan to handle the new rules and regulations that might be problematic for the relationship.

When it come to the responsibility/leeway the client assigns to the vendor, we can see it is common that the client does not want or feel the need to look into the vendor's working processes. There is a common pattern between the clients, suggesting that if the vendor delivers what is promised contractually on time, then there is no effort being taken to understand how the vendor reached the promised result they deliver to the client. As we can see from the theoretical framework, focus group, and findings throughout this study, we can conclude that having a better understanding of the vendor's working processes can lead to better results. Therefore, we can see it would be beneficial for the companies not to disregard the vendor processes, even if the desired results are met, because having deeper knowledge of vendor working processes can lead to a better cooperation of the two companies involved in the relationship and a better end product.

The degree of unavoidable risks that must be accepted in order to perform an outsourcing relationship is high throughout most companies involved in this study. However, there are cases where these types of risks are less of a factor because of the automated, more standardized expected end results. For these types of risks, it is highly important for the

companies to know they exist, even if they do not feel like they are being affected by them. This can be seen clearly from the focus group and the theoretical framework. Having a proper risk management done on the outsourcing relationship is key to get it done efficiently. We can see from our findings, usually, the risks are being assessed and handled, which shows this is key for the relationships to work.

Vendor monitoring shows to be varied throughout the empirical findings. A lot of the companies involved in this study are satisfied without monitoring the vendor if the vendor delivers what is promised. Other clients want to get more involved in the vendor processes to get an understanding of their relationship. We can conclude from our findings in this study that having a proper way to monitor the vendor to make sure everything is on track and that both parties are satisfied with the cooperation is highly important for the success of the relationship. Failure to know how tasks are being done, how well, and on what timeframe can lead to suboptimal results.

Validation of key dimension

We can see that an important way of measuring security maturity is by how the relationship handles sensitive data. Without trust between both parties and without a proper understanding of what important data is being treated, the relationship can fail. Therefore, the measurement of security should be done by assessing how sensitive data is being treated. This can be done by looking at how the companies store sensitive information and knowing what data in the relationship is sensitive and what is not.

To measure rules and regulations in an outsourcing relationship, one relies highly on knowledge of existing rules and regulations and on upcoming ones. Therefore, it is important to map out what can affect the client side of the relationship and to look at what upcoming changes are becoming reality. This process is continuous and has to be measured often over during an outsourcing relationship.

The ability to measure dependency in an outsourcing relationship relies heavily on looking at the amount of free space the vendor must move without having to consult or involve the client. Having a low need for the client to get involved in the working processes of the vendor shows there is less dependency and, therefore, more maturity because of how well the vendor can operate and meet the desired needs of the client, without having to involve the client.

For measuring risk, it is important to take into account how well the client is knowledgeable about the risks that can occur in a complex outsourcing relationship. Risks in any form of business are a reality; however, for outsourcing relationships, risks are different in the sense they, sometimes, have to get accepted. The way to measure this is by assessing how aware the client is and how well they are handling these risks.

Monitoring can be measured by looking at how involved the client is in the vendor's processes. This is important because the client might see improvements or risks that the vendor does not, since the client has a different point of view regarding their own company. It is, therefore, important to measure the times the vendor is monitored by the client and how, and then make an assessment if the amount of conducted monitoring is enough.

6.5 Contribution to the field o informatics

As mentioned in the initial description of the aim for the research, the intention with this paper was contribute to the field of informatics covering a gap in current research, by further examination of the variables to measure relationship maturity. The validity of research contribution has been strengthened given that the interviews were conducted with decision makers within the scope of outsourcing. The findings presented above and summarized below is a contribution to the field, both when it comes to validation of the four critical aspects in this paper, but also additional findings for further research and development of relationship maturity measurements. In general research with a higher depth regarding one or a few relationships between organizations are recommended as further research because the empirically tested framework is not presentable adequate in illuminating the organization's overall strategy. However, the findings contribute to the field of informatics with validation of the critical aspects that measures relationship maturity that either could be applied or further elaborated.

6.6 Contribution to the field of practice

Testing the key dimensions for validation is a contribution to the field of practice as it will guide the organizations to further developing their relationship. However, the validated key dimensions is only sufficient to measure clients' current maturity level or needs for improvement and has not been tested for vendor's usefulness. Organizations with ongoing outsourcing initiatives could benefit from the thesis by analyzing the different critical aspects and their elements in order to determine what to further develop. They could do this by either utilize the tested and suggested questions that were used in this paper or elaborate the questions according to the organizations need. Applying the key dimensions could also be used in a diagnostic way to visualize the current relationship maturity level for better collaboration in an outsourcing project or initiative. As an additional contribution we strive to visualize the validated key dimensions by development of a diagnostic management tool to measure relationship maturity based on the conducted research of this paper. The tool's purpose is to even more efficiently measure current level of maturity and generate recommendations for further development. For availability to use the original applied tool in this paper we refer you to contact the following email addresses: Sahand.Esmaily@gmail.com,Oliwer.Johmar@gmail.com,
Persson.Kristofer@hotmail.com
We will help you with any questions you may have and also give you proper guidance on were and how to use to tool.

7. Conclusion

Based on analyzing the empirical and theoretical contributions in this paper, there is a clear validation for all critical aspects: competence, culture, governance, and security. As proven in the discussion, competence is valid for measurement of the organization's internal ability to manage external processes. There is strong evidence that competence development will increase the organization's ability through the answers, but also from the focus group. However, there are some concerns, regarding some questions, as they are not fully representable for the organization's overall strategy about competence development. The empirical results also clearly point to deeper investigations of informal knowledge streams. Official competence development is proven to affect the relationship maturity positively, however the informal knowledges effect on the relationship is not examinated and proven in this paper.

The critical aspect of culture, organization's internal ability to integrate external processes is supported in the empirical result, and it was proven to be greatly important, based on the focus group's comments. There is strong evidence that internal organizational development may affect overall performance of the outsourcing relationship. The empirical results also prove that the culture's impact on the relationship requires a higher depth of measurements to gain a full picture of the current level of maturity.

Governance measures the ability to govern the relationship between client and vendor. Through the discussion, we prove that to increase governance maturity, a balance between formal contract and informal cooperation is needed. How well management is prioritized and executed will also affect the maturity.

Security that revolves around internal ability to secure information and manage risk plays a critical role in measuring maturity levels of outsourcing. From our focus group, theoretical framework, and empirical findings, we found the key points of security to be: Policies and Traceability, Rules and Regulations, Dependency, Risk Management, and Monitoring. Further, this paper provides facts showing that security has measurable variables that can be monitored and controlled to provide the client a safer and more acceptable work environment.

In this paper, it is argued that all critical aspects are valid, based on the empirical results. The questions are representable for the elements. A recommendation for future research, as concluded, would be to study the informal knowledges effect on the relationship, how the internal organizational incentive and strategy affects collaboration with partner. Further research would also be needed to optimize the questions in our measurement tool and fine tune the accuracy of the grading system within the measurement tool.

8. References

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Appendix A

Examples of maturity models

The SITO model (by Carmel and Agarwal, 2002)

There are a few examples from earlier research on maturity models. The models often inherit different perspectives of maturity, for example, a holistic focus illuminating the organizational change that the firm goes through when obtaining a closer relationship with an offshore or nearshore partner. This holistic view is addressed by Carmel and Agarwal (2002), who describe the maturity relationship between two or more parties involved in an outsourcing incentive by using the SITO model that, according to Adelakun (2003), is a widely used maturity model. The collaboration can be internal, which means in-house or external development that, according to the author, are collaboration with a third-party in another country. The different forms of collaboration aim to solve different tasks; for example, the in-house development is primarily based on cost reduction, making it cheaper to develop systems further, or development of new systems where the internal expertise is absent when solving a specific task. Carmel and Agarwal (2002) argue there are different reasons a firm may participate in an outsourcing incentive, which also explains the variation of phases of maturity. The maturity model presented by the authors intend to give managers a visual tool for measurement and benchmarking outsourcing efforts.

The model comprises four possible maturity stages, Offshore bystander, Offshore Experimenter, Proactive Cost Focus, and Proactive Strategic Focus. The first stage, the offshore bystander, represents organizations that only outsource domestically for different reasons. This organization is proud of their work, which makes it hard for them to give it away. Managers in the organization prefer to lead by 'walking around' and face to face interaction is important. Carmel and Agarwal (2002) found that all the organizations have unique reasons for not fully engaging in an outsourcing incentive; some were because they had been unsuccessful and had bad experiences. Many problems that persisted were based on cultural differences that led to miscommunication and lack of trust, as well as problematic work hours because of different time zones and different forms of infrastructural standards, with lack of dominant knowledge for the specific tasks offshore. The second stage, offshore experiment, represents an organization that has initiated some sort of ad hoc process towards sourcing, often like a side project. Carmel and Agarwal (2002) describe that managers accept outsourcing, because they do not see it as a long-term activity, only something temporary with the purpose to reduce costs. Most firms in this stage are the ones that follow the flow and initiate outsourcing only because everyone is doing it. This ad hoc approach towards outsourcing often hinders the firm from reaching full potential from the offshore sourcing (Carmel & Agarwal, 2002).

To reach the next stage, the firm must prioritise outsourcing in a different way, gaining control by developing structure and assigning roles. Instead of an ad hoc activity, it has to become a systematic process for the firm, which leads us to stage three, proactive cost focus. This stage represents a firm that focuses primarily on costs and has attained a structural approach towards outsourcing, even deeper relationships with some vendors. The perspective of cost reduction through outsourcing is valid throughout the whole organization, and there is a notion of Common understanding and acceptance towards

sourcing. A big part of the sourcing projects has a long-term focus. A lot of the projects in the IT portfolio is part of some outsourcing activity. The structure attained also offers the firm more cost flexibility, being able to bargain for a better price in a detailed description. In other words, they know what to expect, according to Carmel and Agarwal (2002). The difference between stage three and four is that in stage three, outsourcing still has a cost focus and is primarily treated as a support function, rather than a core activity. Stage four represent a firm with attained universal acceptance of outsourcing throughout the company. It is a core activity, featuring key support functions and development of new products, involving new ways of innovation.

The ultimate goal for firms at this stage is to gain competitive advantage by embracing a global mindset and maximising time to market. By doing this, the firm also expands their global network, gradually gaining a grip over new markets. A firm at this stage also prefers to develop deeper relationships with one or two outsourcing vendors, focusing on a strategic cooperation between them. Managers within the organization have also been enlightened with outsourcing as a strategy, which gives them the ability to manage sourcing nodes, leveraging global development and nurturing innovation. The global focus, as a strategy in combination with deep relationships with vendors, is a sort of alliance and awareness between the vendor and firm at this stage. They know strengths and weaknesses between them, with pros and cons about what activities to outsource and what activities to keep (Carmel & Agarwal, 2002).

By using the SITO model as an analytic tool for the different stages, Carmel and Agarwal (2002) clarify that firms may improve outsourcing activities if they evolve to reach more maturity in a structured way. At first, the CEO and CIO must become more involved and committed to the cause, adopting a tailored outsourcing strategy, based on the needs of the organization. Carmel and Agarwal (2002) argue that many organizations fail in the beginning of when engaging outsourcing, because they seldom have a structured way of doing it. They also conclude that the fundamental mechanisms for an organization reaching a higher maturity level involves basic cooperate cultural changes, shifting the internal view of offshore work to an acceptable business strategy. Three major points about what to strive for when reaching for a higher maturity level. The first point made is to develop a clear strategy and give outsourcing the same focus as other activities within the company. This involves new types of strategic focus for managers and support to champions, trying to endorse change in the right direction (Carmel & Agarwal, 2002).

The second point made is for companies to overcome the fear of outsourcing, making it a part of the processes and finding acceptance, instead of working against it. Carmel and Agarwal (2002) describe this is as an internal and external journey of organizational change and acceptance. The third point made is to foster internationalization, gaining awareness about the advantages of globalization, instead of being a target. That involves creating a structured way of engaging different offshore vendors, creating a network of suppliers for different services. By doing this, Carmel and Agarwal (2002) argue that the firm may benefit, eventually, making it easier to gain a grip over new markets.

Maturity Model (by Adelakun, 2003)

The IT outsourcing model presented by Adelakun (2003) attempts to extend the SITO model by Carmel and Agarwal (2002). According to Adelakun (2003), the SITO model is limited to offshore IT outsourcing, while the evolved model described here targets everything from domestic and nearshore outsourcing to offshore IT outsourcing. The five critical factors presented by Adelakun (2003) are categorized as people factors (management and language skills), technical factors (infrastructure and technical skills of the employee), client interface factors (relationship), business interface factors (contractual agreements), and regulatory factors (travel restrictions). It is important that these factors are addressed and that they are delivering a high standard in order for the sourcing to succeed (Adelakun, 2003). Adelakun's (2003) model comprises 5 stages: Insourcing, Forming, storming, norming, and performing.

Insourcing represents the grade with the lowest reached maturity. In this stage, the organization believes they can either handle the IT functions better or at costs lower than a sourcing supplier. They, therefore, do not outsource or cancel their failed contracts to repossess their IT functions. It is common that only 1-5% of the IT functions are outsourced at this maturity stage. At stage two of the maturity model, "forming" the organization is expanding their outsourcing, although with an ad hoc approach. Significant for this stage is an executive, who promote, outsourcing from a position of power. At this stage, the incentive for outsourcing is often cost reduction, and the future is seldom clear; the organization might prosper in their efforts and progress to stage three, but a failure will push them back to stage one. At stage three, "storming", the ad hoc strategy isn't enough, and the organization must decide either to commit or dismiss. At this stage, a stronger relationship is needed to survive the outsourcing process. If the strategies are unclear or the organization lacks commitment, it will regress to stage two or cancel their outsourcing agenda. In stage four, "norming", a more mature outsourcing relation is established. The organization has established processes and working methods to create a more efficient collaboration with the supplier. The organization also has managers allocated to the outsourcing project. At this stage, 40-60% of the IT functions are outsourced, and the organization is gaining far more advantages than cost reductions. The last stage, "performing", signals an 80%+ outsourcing grade. The supplier is a strategic partner, and risks and rewards are being shared between the customer and supplier. Stage five is hard to achieve, because both supplier and customer are interested in earning as much revenue as possible from the cooperation. One of the important factors to move upwards on the maturity ladder is the management supporting the outsourcing inside the organization. Fear of losing control, doubt of competence, or fear of higher costs are signs of low maturity that might hinder evolving on the maturity stages. To overcome these fears, some sort of outsourcing champion or leader would be needed, especially to achieve stage 3 and higher in the maturity model. To maintain stage 3 and higher, ad hoc solutions must be thrown aside, and the management needs support and dedicated positions or teams working with maintaining the outsourcing relationship (Adelakun, 2003).

According to Adelakun (2003), it is possible to skip over different stages in the maturity model, but it should not be advised. To have the highest chance of success, the organizations should process through all stages in the right order. Most examples of organizations skipping maturity stage have ended in a relapse later (Adelakun, 2003).

Appendix B

Focus groups / Expert recommendations

General

According to R1, a common reason for problems in relation to outsourcing is that the client often is immature, concerning IT and their IT processes. When the client tries to jack their mature IT processes into the clients' old processes, a clash may arise. The vendor might push the client to change and vice versa, which results in a sour relation.
"What drives the outsourcing? It's not always about money. It might as well be that you can't handle your IT department or that you seek innovation." R3

The goal with the outsourcing may change during the process. For example, an initiative that started as a cost savings project may become a search for innovation. R3

Security
R1 explains that security is an interesting field with a lot of forces that must be controlled. To obtain a good service, the client must put cards on the table, and at the same time, you might have sensitive information. It is a balance every organization must face. This aspect will differ between different industries. Military, banks, and pharmaceutics, for example, are industries with a high demand of security. R1 explains this will create certain demands on the vendor, since some data might be handled in a limited fashion. Data might only be stored inside a nation's border or some clients might not prefer cloud based services due to uncertainty of the data storage.

Regarding security in an outsourcing relationship, R3 explains that you always bring your internal security into the collaboration. Since this is the case, do not worry about security breaches during the outsourcing. According to R3, it is more likely the organization prioritizes their security too far, which might lead to a slower progress with the relationship. The client holds on to their own process for too long and diminishes the return from the outsourcing.

Even though outsourcing is secure, it might affect what type of outsourcing you choose. The organization might go for something different than a cloud if they feel uncertainty about the safety of cloud solutions.

R1 explains that to achieve information and hurt the client, it would be wiser to go straight to the source, instead of a vendor. The risks are equally big internally as with a vendor, so the outsourcing shouldn't be much of a security issue.

Governance

To motivate the vendor to follow the guidelines of the contract, there are SLAs and penalties. It is preferable you have both stick and carrot with the vendor to motivate performance and over performance, explains R3.

According to R1, it is the services you outsource that decide the flexibility of the contract. The length of the contract has evolved over recent years. R1 explains that in the beginning of outsourcing, it was customary to have long contracts, around 7 years. This wasn't a reasonable solution in the IT world, which is known as a fast changing industry. The reason behind this was lack of competence from management; since they couldn't handle IT, they outsourced the whole IT department. Today, it is more common that certain services or departments are outsourced, which result in shorter contracts. The industry is more mature, today, according to R1, especially for IT management. "You might get more flexibility with a longer contract, but at the same time the vendor will deliver after the contract the wont give away thing for free." – R1

R1 says three year contracts are common today, and this will force the vendor to be on edge from day one to get the next contract. R1 also adds that seven-year contracts are still common and five year contracts exist, but the business is leaning towards shorter contracts. R2 also agrees that a three-year contract is most common, and it takes about a year to settle the new processes.

A difficulty with the contract, according to R1, is that outsourcing is a very complex endeavour. That implies it is hard for the vendor to know exactly what they are supposed to deliver. A lot of surprises will arise that were hard to understand from the contract. To avoid these surprises, it is crucial to specify everything in the contract, so the vendor and client know what they should expect to be delivered and what not to expect. The lines must be clear for both parties. R1 explains this might be a lot harder than it seems, because special teams from both sides often handle the negotiation, a sales-team from the vendor side and consultants from the client side. When they leave, after constructing the contract, they might leave a big gap with misunderstandings and misinterpretations as the result. This might cause a sour relationship.

"The contract is important, and if you do it good and work through the details you might not even need the contract during the collaboration. Sit around during the contract span and only discuss details and what should be deliver and what not, that isn't good, you need to prepare the ground work." –R1

Culture

According to R1, the four aspects of the relation: security, governance, culture, and competence, are all important, but culture is a "deal breaker." R1 states that if you don't get the culture in order, it won't matter how good your contract is or how competent your organization is. To solve the culture issue, R1 explain you have to acknowledge your own culture first. It is first, as when the client's organization feels comfortable in its own culture, they can achieve a good understanding of the vendor culture. When you understand the vendor culture, you can start and build a functional relationship between both parties.
"It is like marriage, you don't want to marry the first one you find […] and you don't want to marry someone you don't know." R1.

Competence

R1 explains the challenge in this field is often found on the client's side. This is because for the vendor, this is core business. There might also, according to R1, arise a relationship clash related to competence. "Since the client probably got quite skilled technicians and are used in doing it their way, they might keep on doing this when the new vendor arrives and start to argue that the new vendor is doing a poor job." R1

"In the upstart of the outsourcing project the wrong people are often on the client side. Skilled people but with the wrong competence" R1

R1 explains that vendors deliver a standard solution. This solution will eventually offer a more secure and effective solution for the client; in the early stage though, it might seem as a setback, since the standardisation might not be as good as their own custom made solution. This may, sometimes, lead to outsourcing resistance in the organization. R1 also describes the importance of good resource allocation. The scenarios that might arise in an outsourcing, if the client appoints too many or the wrong people to the collaboration, is they might steer and control the vendor too much. On the other hand, when too few are appointed to the collaboration, the relationship might suffer and the vendor might deliver a poor product.
"People occupy themselves with tasks, humans occupy themselves that is their nature. If the management is poor in the beginning they might occupy themselves with the wrong things. It is especially important with governance in the early stages, before the start doing the wrong things."- R1.

Right competence must be placed on both sides early in the collaboration. The competence required will then change during the time of the contract; competence needed from the client early in the process can be hurtful later on.

Governance

R1 emphasized major importance of the aspect that somewhat touches all four of our aspects, namely governance. Governance is, according to R1, how the organization is being managed and controlled. "It doesn't work when the parties pull in different directions, they have to walk towards the same direction and see the outsourcing as a partnership rather than client and vendor. They need to understand that they together shall reach an end goal for the client." –R1

R1 explains that governance touches all four aspects, but mainly covers contract and culture. The goal of governance is to ensure the operative section reaches the goals and visions structured. Governance tends to be forgotten, according to R1. Initially, IT was handled ad hoc; now the importance of IT is understood and has to be prioritized. IT is also a function that costs a lot of money and needs to be effective to save resources.

R1 considers governance as much more crucial than contract. "If the right person is in the relation then it doesn't matter if the contract is flexible or not, you will solve the problem." –R1. Trust is crucial and more important than what the paper says, according to R1. He compares this to a scenario where a very flexible contract is in place, but both parts hate

each other; will that be a flexible collaboration? For big complex outsourcing projects, it is almost impossible to cover all angles, and an effective governance is essential for success. R1 compares the outsourcing collaboration to a marriage and how important it is that both parties get along and adapt to each other; they have to be prepared to work on their differences. R2 also emphasizes the importance of governance and that the client and vendor must communicate and get together, sometimes every year, to evaluate and discuss future strategies.

"It feels like you have captured a very good question structure according to outsourcing relation" –R1.

Summary interview A1

General

On the question about the biggest advantages of outsourcing, respondent A1 reports that many companies outsource to lower cost or to move the cost, which involves reducing staff. He states that primarily focusing on lowering cost is not necessarily efficient in the long run, as problems may evolve. He the addresses the phenomena of multi-sourcing, which he explains as connecting the best vendors to you that are skilled in delivering the best solutions. This gives your company the ability to focus on core-business and to outsource non-core functions to firms that can do it better. However, A1 argues there are activities that are worth keeping in-house and there is a thin line or a struggle to determine what core-business is. A1 points out that the primary benefit with outsourcing is not only cost, but to create different organizational capacity and ability.

On the question of negative aspects of outsourcing, A1 reports that, when focusing on the relationship, it could be the organizational structure or culture. One of their partners, IBM, is very rectangular in their processes, and A1s' company is more round. Other problems with outsourcing is to understand the complexity. A1 gives an example of complexity, concerning documentation, which can sometimes be difficult to follow, and sometimes, it's in Swedish, which also makes it more difficult to outsource.

Competence

For general development of competence, respondent A1 reports this is something they do not actively do. Instead, he has focused on recruiting personnel from other companies with experience of outsourcing. Developing competence has been of informal character, according to A1. The company has recently engaged in a sourcing initiative, reports A1, and they have not reused knowledge from earlier outsourcing initiatives; however, they have experience with other organizations who reuse knowledge in such a way. A1 reports they share knowledge with the vendor frequently, because major parts of the infrastructure are outsourced. The knowledge exchange is bidirectional and important to success since the cooperation is a partnership, according to A1. He expresses it in the following way:

"So, it is super important to reach partnership which is often overlooked the sourcing, especially when something is sourced out of the top management. If there is an internal struggle on the lower level or even conflicts, you will get nowhere."

A1 reports they are good when it comes to resource allocation, and this is something they constantly are working with by internal communication and skills investments. The

company doesn't have personnel onsite, but they have personnel from vendors in the office working closer with the organization for a better relationship. To improve competence and performance, A1 points out that they primarily incorporate the best external sources of knowledge by hiring staff fit for the project. Sometimes, they work with more micromanagement than they should have, according to A1.

"The challenge again is that we haven't got some of the stuff together, it is much details as well I would say, there is more detail than it should be."

Culture

A1 reports that the company uses external competence to improve the cultural relationship between their partners. A1 gives the example of working with different processes; the vendor's processes are sometimes rectangular and rigid, when their processes are more round. This is something they work with to overcome. A1 explains there is extreme resistance within the organization towards outsourcing, and initially, there was a lot of conflicts on why to outsource. An example of a negative effect affecting the relationship is blaming the vendor for doing things wrong, instead of working to overcome them, which leads to great disappointment. The intention of the outsourcing initiative are strategical states A1.

"It is strategically we have a strategy to integrate services so we will choose more suppliers and more things we want to outsource. But we will not add everything, old traditional outsourcing will be that we position everything at IBM to HP." (p.8)

On the question if the functions are of complex or simple character, A1 states they are simple, but because they haven't performed the preliminary work, they are complex. The organizational magnitude and complexity complicates the possibility to create flexibility regarding this matter. A1 explains this it in the following way:

"I do not want to say it but we're pretty complex, we are not standardized. So if you can begin to standardize, there so no problem […] We really have outsourced the simple things, so it is. But in Company A, it is not so simple."

According to A1, the governance structure is of major importance to direct the working processes and development of tasks outsourced on an operational level. Respondent A1 states they work with internal development constantly to enhance cooperation with the vender externally. Although there is no official change program for these activities, A1 explains they work with it in an informal way on a daily basis, including an organizational newsletter. They also send managers, for example, to India for approximately 2 weeks to gain deeper understanding of vendor's processes and to enhance the cooperation.

Governance

When describing the duration of the contracts, A1 reports they are on 5 years and extend 1+1. A1 also states the contractual duration is determent by the outsourcing deal's size and that changing bigger outsourcing deals are harder; a lot of work is involved in order to do so. If the cooperation between the vendor and client doesn't work, A1 reports you measure the real savings of changing vendors. It is always a trade-off that, in worst cases, could end up in court, which costs more than improving cooperation. A1 argues:

"So it is better to enforce, a new structure together with a partner, choose that we want to do in a different way and then you move on."

A1 reports there are SLAs embedded in the contract, and it is all about the governance structure when you look at punishment and reward systems. The respondent is very careful with using the clauses embedded in the contract to sustain a non-toxic relationship. A1 reports it is more important to work with improving activities by going from 'red' to 'green' then the vendor can avoid a penalty and get re-compensated.

"But the contract for me is something that you create the framework with […] You have to work with relationships to build relationships. I will never give anything away. It's not my money, I will not give anything away. I am careful to get what I want for it."

A1 states it is important to spend time on development of contract and be accurate with the framework, about what should be included. You also have to be selective with what partner you choose. They are supposed to be an extension of your organization, a similar organizational structure, supporting collaboration. An effective collaboration lowers cost, eventually, according to A1. A1 states that the flexibility of the contract or 'cost base' is also important, especially regarding infrastructural services where the need may vary, then it is favorable to adjust the cost accordingly.

"I would put high on the fix contract. Not to frame vendors, but rather that we are building a partnership, we agree that this is what the contract says, then we hand shaken and archives the contract. Then we work with each other to improve. You need to have something; you can not only build on the relationship. It is still business. You should bear that in mind, you cannot do this without a contract."

A1 argues there is a need for balance in the contract and relationship. To promote dissatisfaction is nothing to strive for; it is more of a marriage and the best solution is if both parties are satisfied. The company have specific staff working with contractual issues, so if problems evolve, they make use of them. A1 also believes they have decent insight in the vendor's processes and know what they need. They help each other to solve problems with quality, for example.

"IT can get companies to fall, it is important stuff and it is often overlooked. Saying yes to have or save money and yes to have this and this but wait there is quality I want as well. I want delivery and yes I want my services. So many times, unfortunately, you have to inject more money to get it."

Security

On the question of preventing information leaking, A1 answered that the partner signs the deal and has to adjust regarding security. They do nothing special with the primary vendor. It is the same regulations as within the company, but with sub-vendors there are different levels of security to classify data. On the different levels, specific papers must be signed to get access to the material. They need not adjust to vendors' countries rules and regulations. It is the other way around; however, sometimes, they needed to make

adjustments working with American firms. A1 states the partners have a decent amount of leeway when performing their work:

"I would say that. They do not have free hands it is more on cooperation, this is how we work with it, we are very generous. Free hands no, but we would probably put a four on the opportunity to change. They never change unless we agree on that."

A1 reports there are check-ups of the vendors' progress, but there is more potential in gaining a deeper insight, which according to A1, also is a part of the governance structure and report system. Today, they use a ticket system, where they can gain an overview of the workload that is a part of the governance structure and of importance. To gain insight of a vendor's workload and processes is not to frame them, but to gain perspective. To gain a better insight in more complex matters, they use SI service integration, according to A1. "So we connect to the SI layer to SI layer in store, for me I call it the GOC: Here comes the assembly, here is where I get my interlocks."

"What is most important for me is the quality of the users. If you call the service desk you want to have it resolved […]"
"[...] But I have to start prioritizing what is important. If the network goes down, it is more important and more priority than application downtime. Without the network work nothing works. Here one must begin to prioritize the GOC: Set up all the rules. To make it work you need to have a good partnership."

A1 reports it is sometimes tricky because of the magnitude of the cooperation with a lot of subunits distributed all over the world. Therefore, the SI layer is important when working with and allocating all the vendors. That is how you fastest can identify issues in processes. A1 states they need to reach more maturity towards partnership, instead of sometimes being ad hoc, to increase efficiency. It is important, as mentioned, to allocate the right competence and knowledge in a vast network and to work with the structure and processes to gain a higher integration with their partner. The best thing to do, according to A1, is be able to connect it all by learning from other companies with experience from sourcing.

Summary Interview C

Competence

C1 states that, even if there is knowledge from previous outsourcing initiatives, there is still a need for education in every new established relationship. Most clients are not so good on competence development, according to C1.

The company uses lessons learned, but it is not something frequently applied as the organization's focus is more on maintenance. C1 states that learning is part of maturing and that the company has increased its capacity to manage its services.

"[..] in a new procurement we did. It was clear that when putting together the requirements, it is based on additional requests on what you've learned before that were imperfect, this is how you do it."

C1 reports that knowledge often is reused in an informal or unstructured way. As the relationships are complex, there is a constant exchange of information up to 14 times a day. C1 also describes that the interaction on higher organizational levels is based on governance model requirements, so strategic information is exchanged at least once per quarter or every six months. But the real 'learning' occurs at an operative level and is built over time.

The company is good at allocating the resources needed, since they have both the capacity and experience, according to C1. But organization managers lack on creating visions and goals as the focus is fixed on saving money primarily, states C1.

Culture

The outsourcing initiative are a strategic extension of the organizational processes, according to C1, who describes the reason to outsource in the following way:

"There is no precondition for an organization today to run an IT production themselves in a good way, it is not possible. It requires too large infrastructure investment for the various tools needed and specialized skills, running it yourself would be idiotic."

C1 also argues it would be too expensive to run it themselves and that most types of tasks outsourced are complex. For the company that C1 represents, outsourcing is a part of production (integrated) and nothing incongruous; however, if larger problematic issues arise, management gets outraged. It is like electricity, explains C1; if you turn it off, the operations stop, and it angers many people. You have to understand this when working with outsourcing initiatives.

C1 reports that the company does not work with any specific method of change to increase collaboration; however, the respondent explains that it can be problematic to integrate the production models between client and vendor. It can also be problematic at a technical level for bridging two databases or systems to interact successfully.

But the company is used to handling this type of issue. so integration is well performed. C1 states it is a maturity process to handle complexity on a global level, which may be difficult to handle in the early generation outsourcing. There is no notable resistance in the organization towards the outsourcing as the company has previous knowledge.

Security

For security, C1 states the company is willing to change vendor to lower the price, but particularly to increase quality. The organization is primarily active in the insurance and banking sector, so security is a high priority.

"So there are all sorts of various types of agreements with endless amounts of logs where internal audits are applied lengthwise and crosswise."

The awareness of security is also high and not a hindrance in collaboration with a vendor, according to C1. C1 also argues that trust is an important issue built over time, but initially,

there is usually basic trust. Trust in a relationship is also earned in the relationship and depends on the client and vendors' ability to manage the relationship and the agreement in a good way. C1 states that developing the ability to manage the relationship and gain trust is a part of maturing, which also is essential knowledge, useful in future initiatives.

According to C1, the company gives the vendor a lot of leeway, as they are avoiding micromanagement when buying a service. As a lot of trust is embedded in the relationship, there is no need for micromanagement, either. There are also risks that must be accepted, states C1, but if there is awareness of these risks, it is possible to assess them. There is, however, a need for high control, as the company is active in the insurance and banking sector, so the tolerance for risk is low. There is also measurement of the vendor's' processes 'to evaluate what you are paying for' as C1 expresses it. Swedish rules and regulations are prioritized and the vendor has leeway in performing their work.

Governance

Respondent C1 reports that the contract extends on 5 plus 1 year. There are also a lot of numbers of clauses in the contract used to make sure the vendor honors the contract, according to C1. These are also strictly used to govern the relationship, states C1. The respondent also reports it is problematic to implement reinforcement mechanisms in the contract, as they can be misused by the vendor if they don't understand the use. Sometimes, you have to tweak the contract to avoid this, and vendor violate the contract, according to C1:

"It breaks all the time regarding small matters, but rarely it is serious matters […] case of minor errors happens all the time, but generally most vendors live up to the contracts."

It is, therefore, important to sustain flexibility in the contract, according to C1, who argues that it is not possible to outsource efficiently if you can't, for example, lower volumes when needed and request additional service when needed. Small changes are constant during the contractual period states C1.

C1 argues there is a need for a specific team dedicated to managing contractual, issues, and it is a part of the governance structure:

"To meet a professional and often global provider you have to put up a control model in the contract. You point out the people or the roles that should be on both sides, these roles must be pointed out for the partnership to work."

It is important to have a transparent overview of the vendor's' processes, says the respondent. It is vital, argues C1, for connect processes, and most collaborations that fail often overlook this fact.

Summery interview D

General

Lack of competence is the main reason behind the outsourcing initiative, according to D. It is too time consuming to get involved in the IT infrastructure, and other companies are doing a better job when it comes to these kind of services. D explains that the main advantages with outsourcing is you can use the supplier resources, capacity, and competence. The challenges with outsourcing in company D lies in the resistance in letting processes go and integrating new supplier processes.
"We have a hard time letting go of our services, we are used in doing most thing by ourselves."

Competence

According to D, they are educating their personnel in outsourcing. The education is done by a senior manager with a lot of prior experience related to these kind of outsourcing projects. Top managers have also informed the employees about outsourcing pros and cons to create an understanding. No employees are sent to any training or professionals in outsourcing.
"He has been steering the small team in this, and it has been a success in my opinion."
Since company D is in the upstart for outsourcing, they haven't been able to use prior information. They are documenting the information from the upstart to use in future outsourcing projects.

Knowledge sharing with suppliers has been a huge problem, according to D. The collaboration wasn't working, and they were even hiding information from each other initially, lack of communication. Recently, their relationship has evolved; a couple of days ago, they even renewed their agreement to encourage knowledge sharing.

The allocation of resources is not a problem, according to D.
"Since we are communicating a lot with our supplier and have a tight relationship we can tweak and turn where it is necessary."

For controlling the suppliers, D explains that they are getting more mature. Even though they are getting better, they still have a long way to go. Some of their projects are well-formed and rich in detail, which results in less control needed. Others are being controlled, due to mistrusting the supplier.

Culture

The approval of outsourcing is mixed in the organization. Some employees feel threatened, while others realize that we cannot handle all the complications with in-house IT functions. D is working to reduce this by placing employees from the supplier at their own office.
"There are those that feels threatened that we shall outsource everything, and ask the question, what is my role in all of this?"

The acceptance greatly differs between different projects. The reason behind this, according to D, is the nature of the project. Some projects will increase the work load, and the employees realize they do not have the time or competence.

The outsourcing project is viewed as a strategic extension of the organization. It will enable the organization to reach more markets and evolve the product against new business areas. Since outsourcing is relatively new for the organization, they have started with outsourcing simple tasks.

"We need to understand everything within the company, we do not fully understand everything at this point."

The integration between the processes are high in some projects, while in other projects, it is lacking. D explains that integration has a lot of focus inside the organization, and they are working with internal changes to achieve integration.

Governance

To guarantee that the supplier lives up to the contract, company D uses SLA and penalty. They use no rewards.

"I am no friend of penalty, because you are developing and that means they need to take a share of the risk, which they might not like."
D explains that there is no good general solution to this. Static prize, for example, create discussion concerning scope.

Organization D focuses on keeping their contracts flexible. This is achieved through defining the service. After this, a framework is established, which specifies nothing other than the IT term of use. After this, the different assignments are specified, which can be managed in scope. Different services have different price structures and can be demanded after current use.

D has no specific team in charge of the outsourcing project. Employees are addressed to this project when needed.
"We would love to have that but our organization cannot currently handle it, we are not big enough."

The insight in the supplier processes are good, according to D. It is an openness in the processes and how they are structured. The supplier also has a lot of freedom in their process. D only focuses on matching the interface between the two.

Security

To keep outsourcing protected, every supplier must sign a confidentiality agreement with D. Agreements concerning how to handle organization D data is also specified in detail. Company D feels secure in their outsourcing. The collaboration is also conducted from Sweden, so the regulations from D are controlling the exchange.

The supplier in this collaboration is given a lot of leeway, explains D. Earlier, there was a lot of mistrust, but D has evolved, so at this point, they are given the freedom needed. "We expect their expertise... we are mature in this field."

Recently, a lot of unavoidable risks have emerged for D. Since their outsourcing partner is in India, a language barrier must be addressed. Documentation has been translated to English and different cultures must be adapted to. A lot of these issues are already addressed by D's parent company, so D is borrowing information from them.

Monitoring of the supplier is done in company D; audits are not used. There is no goal in reducing the monitoring at the moment. Communication with the supplier occurs regularly in the daily business, follow-up meetings once every two weeks, and tactical meetings quarterly. A meeting concerning future strategies is conducted once a year.

Summery interview G

General

Outsourcing started in company G as an initiative to unite the company. The IT department was spread out over different departments. So initially, outsourcing was a way to clean up and unite the company's IT competence. The main advantages with outsourcing, according to G, is control over costs, flexibility due to the possibility in switching capacity up and down, and money allocation from "run to change." G explains the disadvantages as the struggle in uniting the company in the same processes and managing the relation and cost balance towards the supplier.

The contract between G and the supplier ranges from 3-5 years and differs between different projects.

Competence

When starting the outsourcing initiative, G underestimated the demand from them as a company. Education was undermined, and instead, employees with high outsourcing skills were hired. Today, G is educating personnel, but on a low scale; mostly people with the right competence is hired, instead. The employees who are educated are not educated in a structural manner concerning outsourcing; rather, they are educated in functions that might help the outsourcing collaboration. While education is lacking, the use of existing information is believed to be high. Using existing information is used from documentation and prior individual knowledge as a product of former experience. But G also admits that some information, especially knowledge from different consultants, may get lost on the way.
"We share information with our supplier all the time, it is part of our governance model, everybody should do that."

Initially, the communication and information sharing was low due to high outsourcing resistance. Now, G realizes that the supplier needs cooperation to deliver better services. To achieve this, G has invested in tools, processes, and activities. They also hired personnel

and created new functions, with the purpose of strengthening information sharing and communication.

"It is about enabling the supplier to deliver to us."
"It is also about the culture differences between us and India. They educate machines, their words. We educate creative human beings."

To understand the supplier, G has an onshore team in their facilities from their supplier in India. Personnel from the supplier travel between Sweden and India all the time to share competence and to understand the business process of G. Even though information sharing is a recurring struggle, the culture issue is a problem and always needs to be addressed.
G explains that the ability to allocate resources in the organization is lacking. Due to the high workload on the employees, the organization has become stale and inflexible. G works with it, but it takes a lot of energy. When resources must be allocated, massive reorganizations must take place. Some fine tuning is happening, but mostly the strategy for reallocation is: new employees or massive reorganizations.

"It is like moving puzzle pieces without having an empty space."
A problem, according to G, is the high amount of micromanagement in the supplier processes. This is explained due to the high number of activities in the organization. Too few employees are handling to many activities, which results in a time loss, since decisions are pushed up high in the organization. These are decisions that could have been taken further down.

Culture

"Every time we make a change, satisfaction is reduced."
G is experiencing high dissatisfaction among employees with the outsourcing initiative. It seems to be a cultural issue, since G is placed in a small town, and their suppliers are often in bigger cities. This create a cultural issue, similar to the country differences.
For expectations, the supplier is expected to take a greater responsibility over the operative drift. G feels they are spending too much time on handling issues on a daily drift basis and not focusing on future action, which is where they want to focus. The outsourcing is viewed as a strategic extension by G. G also explains that the functions G outsourced is a mix of easy and very complex activities.

The integration process between G and the supplier, according to G, is integrated, since the supplier is a support, they have to be integrated. But G also states they can do a better job with integration. For taking the next step in integration, G says this:
"It is all about actively work on relation maintenance, understand the goals, work with education. We need to educate the supplier in our business processes, what is important for us. It needs to take time let people know each other and the organization."

According to G, everyone should work towards the same goal and visions. G is forced to work with these kind of issues and explains they have room for improvement. To succeed in this, G explains that a lot of effort and time is needed. People must spend time together on an individual level to get to know each other. The organization is doing this, but not nearly enough, according to G.

Governance

G explains that motivating the supplier to honor the contract has been a problem. They have been nagging the supplier to get results. Recently, G has established a service integration function to control the operative delivery daily. SLA has been used, but with little effect. Contract managers have recently been employed. G experiences a hardship in getting the supplier to deliver what is agreed upon. The maturity around the contract has been low and caused a bunch of problems.

"You sometimes hear, the contract should be placed in a box and you should live on the relation. This is worthless! […] The contract should be a support every day, for us and the supplier, what should be delivered what should not be…"
"We got a lot of punishment, very few rewards."
According to G, there is a problem that the business does not reflect the contract and vice versa. The agreements have been poorly structured, and the punishment system holds up. On the other hand, G experiences that their agreements or contracts are very flexible.
"If you do not know where you want to go, at least try to stay flexible."
The contracts are open so, for example, if G is not satisfied with the price, they can switch suppliers. For services, the flexibility varies. Some industrial contracts are very rigid. But in other standardized service, they can change a lot. The hard part with flexibility, according to G, is the time and effort when you want to make the change. It is possible, according to contract, but barely, according to workload.

"We always got the power to explain, we want our service this way."
"The agreement won't look the same in three years, if it does then we have done something wrong. We know the world will change and we need to change with it."
G has a special team inside the IT department focusing on outsourcing. Even though they are located under and a part of the IT department, they still focus mainly on outsourcing. G explains this team is crucial for the effectiveness of the outsourcing collaboration. Since this team wasn't in place from the beginning, G has a huge amount of money.
For insight of processes, G has divided the different services into different departments. Some departments demand that the supplier follows G's processes. Other services are handled solely by the supplier, and G is not interested in insight. Most of the process can be obtained and controlled by G, and all can be audited; some are out of range and strictly controlled by the supplier. External parties are also auditing the suppliers.

Security

To maintain sensitive information, the suppliers are under different agreements, which inhibits them from releasing the information. Different clauses would demand fees if they release information. The security is effecting G and might affect them even more in the future, but it won't make G abandon outsourcing, just change the contracts. The rules and regulations that effect G are mostly their own, Swedish rules.

According to G, the supplier has leeway in how the delivery of the services should be, but G determines what should be delivered. Although they have leeway, they are bad at exploiting it. G feels they are controlling things that the supplier should handle. At the

same time, G encourages the supplier to innovate, but they rarely use this opportunity. This is explained by G as a problem with investment. The supplier must get a lot of knowledge to know what kind of innovation they can propose, and after that, the need to invest resources, without knowing if it will become interesting and bought by G.

Risks that must be accepted are many, according to G. Some of these risks are misunderstandings in the contract, culture differences, and language issues. Another risk that must be accepted is that other countries aren't as stable as Sweden, in both nature and politics. G knows these kind of risks and is accepting and working with them.
Monitoring of suppliers is existing, but too few. Meetings on the executive level is twice a year, tactical level once every 2-3 months, and operative level each week.

Summery interview B

General

Outsourcing has been a key part of this company or many years. They outsource various projects around the world. They state that the reason they outsource this much is to become more global as a company and to gain economic benefits. They state that the hardest challenges they have with outsourcing is they are not the biggest companies that work with these suppliers; therefore, sometimes, it become hard to get the attention they need or want.

Competence

B1 and B2 describe their ability of educating managers within the area of outsourcing to be lacking. B1 states they just recently gave outsourcing education some attention, but previously, it had been neglecting it. B1 describes their efforts of creating awareness for outsourcing by creating educational seminars, but that has been the full length of their extension in education within the subject. They, however, plan on educating the different departments to increase their knowledge of outsourcing.

"We want them to get hands-on knowledge over having to be in a class and reading a book". B1 states that their tactic of training the employees will be by creating an outsourcing awareness and then letting their employees learn by doing in more of a hands-on approach with outsourcing. B1 and B2 talk about their ability to use previous outsourcing knowledge to the best of their capacity as much as possible. They state they try to learn from previous mistakes and use them as examples to avoid and use them as a way to know what pitfalls they should avoid. They also talk about this being a continues process; they never start a project from scratch.

"We have a very open agenda towards our suppliers," B1 states, when asked about how open they are towards their suppliers. The company works towards making transparency key to provide the supplier with whatever information they need. As a customer, B2 states they are so open towards the supplier that the supplier states they have never had customers who were so open about their plans.

"Communication with the supplier on an operational basis happens every day," B1 states, when talking about how often they are in contact with their supplier. They talk about

communication being one of the most important aspects of the relationship and their constant behavioral pattern of learning how to become more efficient at it. They also state they have regular meetings that happen twice a year to go over the strategy of the outsourcing relationship.

"We have the supplier on site here at our main offices," says B2, clarifying that they have communication with the supplier both outside of the organization and inside, as their need continues and fast access to the supplier. They state that having the supplier in-house when outsourcing such a huge part of their business is essential for the outsourcing relationship to work successfully.

"If you have to micro-manage in your outsourcing relationship then things are going towards a dangerous path," states B1, when talking about how they try to avoid getting involved in the supplier's processes. They talk about how they don't want to interfere or be involved in the supplier's activities if they deliver what they have promised in time and on budget. They do, however, want to make sure there is no lack of competence, and if they spot a lack of knowledge, they will interfere.

Culture

"Us as an organization are very positive towards outsourcing," B1 states, when discussing how open the organization is towards outsourcing. B1 and B2 talk about how their organization has gotten used to outsourcing after so many years of working with suppliers in outsourcing relationships. They do, however, notice a little minor resistance amongst employees that might want some processes that are being outsourced to stay in-house. They state they see their outsourcing relationship as a strategic extension of their organization and a part of their day to day business. They also talk about the wide variety of parts they outsource, stemming from simple to the most complex of tasks. They also see their outsourcing processes to be directly related to the other processes the organization does, with everything being linked.

"We do not change ourselves internally to work with suppliers," states B1, talking about how they expect the supplier to be the ones to adapt and customize themselves to fit their organizational needs. They state they are the ones picking what services they need and not the supplier telling them what they need. After many years of experience with outsourcing, they feel like they know what they need by now.

Governance

B1 and B2 talk about their contracts having both reward and punishment systems either to punish the suppliers for not meeting the promised goals or reward them for doing work faster or better than promised. They state they do not want SLA credits; they would much rather just get what has been agreed upon and move on, rather than have to enforce SLA to punish the suppliers, as they see that as negative to both parties involved. The reason the SLAs are in place is so the suppliers make sure to step up and perform to the best of the abilities.

"It is important to have a constant dialogue around the contract to make sure everything is going as planned," states R2, when talking about the supplier's ability to deliver what is promised. R2 says the supplier often meets the promised goals, but R2 states this only is a reality with regular follow-ups being performed to make sure that everything is running on track. They talk about having been forced to change management on the supplier side in the past and point out that having the right people to work with is essential for success. Further, they state they carefully need to pick and choose what services they want to buy from the suppliers and having the ability to do so is very important for them. They state the IT department within the organization is responsible for the outsourcing to work and, therefore, have no particular special team assigned to work with only outsourcing.

B1 and B2 talk about their organization not wanting to look into how their supplier handles the tasks they are assigned, as they see no value in it. As long as they deliver what they have promised, they see no reason to follow-up and look at how things are done, even though they can do so if they want to.

Security

B1 and B2 talk about making sure that sensitive data doesn't leak out and is handled accurately. They also talk about having security policies that must be followed to avoid sensitive data from leaking out and not getting into a compromised position. They, however, state that security has been a secondary feature that has followed along after the decision of outsourcing was made; hence, considering security to be a secondary part of the outsourcing relationship to be dealt with, but need not be dealt with right away, instead, getting it to naturally grow in their relationship. They say they have to keep in mind where they are outsourcing to make sure that they are in the realms of policies they need to follow in data security, depending on which countries they store data in. They talk about wanting to give the supplier leeway, because they do not want to micromanage; however, they feel the need to do so at times and then will change what has to be changed to fit the order they have sent out.

"When you outsource globally there are risks that has to be accepted, it is unavoidable, otherwise you will just have to work with domestic companies," says B1, when addressing that there are a lot of risks that must be accepted, such as cultural risks, time zone risks, and so on. He gives the example of having to ask for different personnel from the supplier side, as they didn't find their English to be good enough. They state it is important to get used to the way the different cultural entities handle communication and understand that something being said from the client side might mean something different to the supplier side. However, they say that the understanding of this is very important, and respecting one and other is essential in handling these unavoidable risks they constantly come across. "I think it's the same all over the world no matter what country, we do that little extra work for the people that we enjoy working with," says B1, talking about how, when the relationship and understanding gets improved, so does the work.

B1 and B2 talk about having the security control of producing audits on the suppliers and making sure they have been utilizing their time and resources correctly, but do not feel the need to do so. They point out that if the orders have been filled with what they promised on time and on budget, they won't care what the supplier does.

Summery interview E

General

This company has been involved with outsourcing for many years. The company outsources to gain economic benefits, to become more globalized, and to get access to standardized solutions for their needs. The biggest problem the company has encountered in outsourcing is the balancing act it takes to make the relationship between customer and supplier optimal.

Competence

"We do not educate managers about outsourcing at all currently," E1 states, when describing how they handle the knowledge about outsourcing internally; instead, E1 says they use the tactic of hiring experienced individuals to their organization to fill any gap of knowledge they might come across. Other than that, E1 finds the learn by doing approach to be well-established in the organization. When they work, they learn. E1, however, states that some formal education might happen sometimes in the organization, but it is seldom.

E1 talks about their organization reusing previous knowledge from outsourcing projects in new projects. However, E1 also states this is reliant on the partners they had previously worked with, and the previous work plays a huge part in reusing knowledge; if the supplier is someone they have an ongoing relationship with, then the projects are easier to do, as they would of have learned from the previous encounters with each other and, therefore, used the knowledge gained from those interactions on the new project.

E1 states they always share knowledge to the best of their ability with the supplier; however, this is done informally, by talking during work and so on, rather than having it be something done through official meetings or lectures. E1 also points out they have people from the supplier's side in-house who account for a lot of the knowledge sharing being done.

"We have processes for orders that specify exactly what we need that we share with our suppliers," says E1, when talking about the allocation of resources and knowledge within the company, stating also that they are used to working with the same suppliers who have gotten to know their resources allocation well; therefore, it becomes easier to know exactly how to allocate resources efficiently.

"You have to let the suppliers grow, give them your trust, and believe in them," says E1, when stating that they do not micromanage suppliers, but instead, let their managers delegate responsibility freely. This is something E1 considers essential for the growth of the outsourcing relationship.

Culture

E1 states there is no resistance towards outsourcing anymore, since they have been doing it for so long. They consciously work to remove resistance internally and embrace

outsourcing as part of their everyday culture. "Outsourcing is a strategic extension of our organization," states E1, regarding what outsourcing means for their company.

E1 states that the tasks they outsource are different in their nature. Some tasks are simple, while others are very complex. He mentions the examples of basic tasks, such as service desks, and complex tasks, such as application development.

However, they want to move towards standardized solutions as much as possible, E1 states, meaning they want to go towards proven solutions that come in finished products if it is possible, rather than have their outsourcing be extremely customized. This to avoid getting into "Legacy" situations that tend to be so customized that they need the same people to run them, something E1 does not see last.

When it comes to the way outsourcing is integrated with the rest of the company's processes, E1 states it is a part of almost all processes they run day to day, with outsourcing being key in everything they do. E1 states they work closely with the suppliers, something E1 also thinks is getting improved and worked upon unofficially by constantly talking to the suppliers and getting closer in their integration of working with one and other. E1 states they want to push for the personnel in-house from the supplier's side, working freely within their company, without having to constantly check if they may proceed with the processes they are assigned.

Governance

E1 states they make sure the contract is being lived up to, through SLA, trends, and gut feelings, based upon unofficial talks with the suppliers. He states it is very important to have constant dialogue with the suppliers to make sure that everything is going accord to plans, and by then, know what will be expected to be done contractually on time and what will be delayed or off budget.

E1 talks about having punishment and reward systems in the contract. If the suppliers do an outstanding job, they get rewarded economically, according to the contract, and if they break the contract's time limit or budget, they get punished in the same way. However, E1 also states that something going wrong once will not be as hurtful as something going wrong often; therefore, they try to make sure that the same mistake does not happen twice and try to make sure the supplier understands that. The contracts are around 5 years long, and after that, they are dropped or increased in length.

"Our ambition is to try to keep the clauses in the contract down to a minimum," states E1, talking about how they want the contract to be more of a formality and not something to look towards when deciding or knowing what is to be expected in the short term. They want the contract to be a ground to stand upon and then build on that ground by communicating with the supplier and making sure everybody is happy with the agreement. They want the contracts to be flexible E1 states, but they do not want the contract to be filled with clauses, as E1 feels like this can become a hindrance on flexibility. However, E1 feels like their current contracts have too low flexibility, and they need to work on making sure that the contracts become less of a factor for flexibility. E1 states they want to move towards standardized solutions, preferably cloud based solutions that work in accordance to how they want flexibility to be reflected in their contracts.

E1 states the IT-department takes care of the IT-outsourcing, and they have no particular special team assigned to keep track of the outsourcing, something E1 thinks is working well with the suppliers by having the ones that work with the IT be the ones that work with the outsourcing suppliers, knowing how to tackle and address the different questions that arise from this subject.

"We have different degrees of insight to the supplier's processes, but I would say it is generally rather low," says E1 when talking about how much insight they have on the supplier's processes. They may do audits and make sure the supplier is working with the resources accurately to the tasks at hand, but they feel this to be unnecessary and not something they have looked at, as long as the suppliers deliver what has been promised, according to the budget and time schedule. E1 states they do not want to change or effect the processes that the supplier uses to deliver the products. They want to be involved with that as little as possible, as long as it means the delivery is going as planned.

Security

"We have a lot of levels of security dependent on how sensitive the information is," states E1, when talking about the different levels of security they have, regarding outsourcing. E1 feels like security also is getting better as they become more standardized and use systems that have proven to work for many companies globally, rather than have specialized systems that might have flaws, yet to be discovered.

E1 feels like they have to adapt to the laws and rules of other countries to outsource. Many factors are taken into consideration for spreading information overseas. Also it is important to make sure everything is secure and following the laws of the countries that have been outsourced. It is very important to know what is happening, regarding rules and laws of different countries to make sure outsourcing is done properly.

"As long as everything is done by the book in regards to laws, budget and time frame the suppliers are free to do what they feel is best," E1 states, when talking about the freedom and leeway the suppliers have to make decisions. E1 states that almost always, the suppliers live up to what they have promised; however, there have been hick-ups along the way in terms of budget and time frame in the past, and those are still expected to occur.

"Risks always exist and it is important to have a risk process in order to make know what the risks are and what to do in case the risks happen," E1 states, continuing to say that risks are a part of the everyday life of outsourcing and have to be accounted for. It is important to know how risks manifest themselves and into what they might lead, E1 states. Controls of the suppliers are being conducted, E1 states, especially during the first contact and placement of order. But they follow up each month to make sure that the risks are being handled properly. E1 feels like the suppliers could bring up more of these aspects, as well, and they might bring up processes and decisions that could be handled together, rather than alone, so that both learn from them, which is only being done at minor scales.

Appendix C

Semi-structured interviews

- **General questions**
- What is your current position within the company?
- How long have you worked for the company?
- What types of outsourcing projects are you currently active in?
    - *Are you active within one or several?*
    - *Are these projects located in different countries?*
- Why do you outsource?
    - Over what duration does your contracts reach? (years)
- What are the main benefits of outsourcing? (Mention three benefits)
- What are the main disadvantages of outsourcing?
  (Mention three disadvantages)

- **Culture** (Internal ability to integrate external processes)
    - How is the outsourcing incentive being perceived within the organisation?
        - *Are there any resistance towards outsourcing initiatives?*
    - What are your expectation of ongoing outsourcing projects?
        - *Are the projects temporary solutions or an strategic extension of the organisation?*
    - What types of tasks are outsourced?
        - *Are the tasks that you outsource of simple character or complex, why?*
    - How is outsourcing a part of the firm's overall activities?
        - *How is outsourcing activities integrated with existing organisational processes?*
    - Do you have any internal techniques to improve the integration between your organisation and your vendors?
        - *How often do you work with internal change to improve the integration with vendor?*

- **Competence** (Internal capacity to manage external processes)
    - How are managers educated in relation to outsourcing projects?
        - *Do you educate managers specifically for outsourcing initiatives?*
    - How often do you reuse knowledge from previously completed outsourcing projects?
        - *Do you use lessons learned from previous experiences in outsourcing projects to increase overall performance?*
    - How are you sharing knowledge with the vendor and how often?
        - *Are there any problematic issues regarding knowledge sharing?*
    - How strong are your ability to allocate the resources needed?
        - *Do you allocate the resources needed to create efficient collaboration?*
    - Do you prefer your managers to strictly micro manage the outsourcing processes or do you prompt them to promote vendors self initiative?
        - *How strong are your managers ability to create clear goals and visions for outsourcing projects regarding this matter?*

- **Governance** (Ability to govern the relationship)
  - How do you make sure that the vendor honors the contract?(+)
    - § *Do you use SLA or penalties reward systems (prvs) to honor the contract?*
  - Are your contracts flexible?
    - § *What makes your contracts flexible?*
    - § *Are there clauses in the contract such as; change requests, renegotiation options, benchmarking?*
  - Is there a special team appointed to manage outsourcing or is it performed by the IT department?
    - § *What value do they provide?*
  - Degree of insight/transparency in the vendor's processes?
    - § *To what extent can you influence their processor?*

- **Security** (Internal ability to secure information and manage risk)
  - What security measures do you take to make sure that you don't lose/leak information?
    - § *What flaws have you experienced? Are they calculated in the risk assessment and accepted? Do you feel like security has been a hinderance?*
  - Do you outsource to different countries?
    - § If so what are the differences?
  - How have you built trust in your outsourcing relationship?
    - § *How much responsibility/Leeway do you outsource?*
  - Are there risks that are unavoidable and have to be accepted? (Loss of information, personnel troubles, miscommunication leading to economic failures?)
  - Is there any monitoring of the vendor?
    - § If so, how often and has this increased or decreased?
    - § *Have you made anything to avoid this problem? What steps have you made to succeed?*
  - What country steers the rules and regulations for the cooperation?
    - § *Which country has to be adapted to the most?*