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Abstract

The strategic outsourcing of information systems and complex service offerings are increasingly researched and discussed in both academia and in business literature. Companies are realizing that in order to accomplish successful outsourcing relationships, attention has to be paid increasingly to the outsourcing relationship as attention only to strategic outsourcing decision making is not sufficient. Relationship governance is thus emerging as a significant concept as its sphere of influence resides between the legal contract and the everyday management of an outsourcing relationship. The relationship governance structure works as a process and procedures manual on the basis of the contractual specifications for the organizations that are learning to co-operate in a new environment.

This thesis explores the governance of an information systems (IS) outsourcing relationship by analyzing the possible expectations and current perceptions that a service provider and a recipient have for an outsourcing relationship. The expectations for the relationship discussed in this thesis are divided into strategic, economic and technical expectations. Different theories are adopted to form the theoretical framework that describes the range of expectations that exist. Each of the categories of expectations reflects the motivations of the service provider and the service recipient. The expectations also affect how the relationship develops and whether conflicting strategies emerge. Long-term strategic expectations may contradict with the short-term economic expectations making the outsourcing relationship very challenging. This needs to be noted when forming the relationship governance structure. Because if short term economic expectations, like liquefying intangible assets or cost control, are the dominant factors they may hinder long-term development and willingness to invest in strategic and technical expectations.

The empirical evidence is approached by analyzing how the expectations for an outsourcing relationship affect the development and outcome of the relationship by explorative case research. The results of the conducted interviews reflected that as the expectations of the parties involved were not similar, the perceptions of the relationship status quo were not shared either. It is crucial that the service provider and the service recipient ensure that they enter relationship with similar expectations at least on a strategic level and that the relationship is re-evaluated regularly. Governance practices were used in order to evaluate the appropriateness and effectiveness of the relationship governance structure. In a complex and ever changing IS environment flexibility is vital and the governance structure should be built in a manner that creates boundaries while leaving room for reacting to altering situations.

Key words	Governance, outsourcing, information systems, interorganizational relationships, expectations, contracting
Further information	