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# Identifying Different IS Outsourcing Client Types

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## ABSTRACT

Despite the experience with IS outsourcing for decades, numerous outsourcing arrangements fail in practice. Likely reasons for such failures can be ascribed to divergent expectations and an inappropriate governance of the outsourcing relationship. The objective of this paper is to explore different types of outsourcing relationships and their configuration depending on the underlying expectations of outsourcing clients. Based on survey responses from 268 outsourcing clients, the data was analyzed with an exploratory factor analysis revealing four main outsourcing motives. These factors were used as distinguishing variables in a subsequent cluster analysis revealing four distinct outsourcing client types: business-efficiency clients, cost-conscious clients, strategists, and IT-excellence and reliability-oriented clients. These types were characterized along their underlying outsourcing motives and attributes that form each type. The findings call for a more differentiated view on outsourcing relationships. The paper concludes with implications for outsourcing clients and vendors and an outlook on future research.

## Keywords

Outsourcing, governance, client types, relationship management, factor analysis, cluster analysis.

## PROBLEM STATEMENT AND MOTIVATION FOR THIS RESEARCH

Outsourcing of information systems (IS) has seen unprecedented growth in the past few years and continues to be an important issue on the agenda of IT executives (Luftman et al. 2006; Pütter 2007). Diversified approaches of outsourcing practices have emerged (Dibbern et al. 2004; Lee et al. 2003). Surprisingly, despite the myriad of outsourcing approaches, many ventures are not successful and have to be renegotiated or even terminated (Kern et al. 2002b; Lacity et al. 2003). Likely reasons for such failures can be ascribed to divergent expectations towards the venture and an inappropriate governance of the outsourcing relationship (Cohen et al. 2006). A detailed contractual agreement is a necessary, but not a sufficient governance mechanism for outsourcing success (Goles et al. 2005; Klepper 1995). Governing beyond traditional contractual clauses towards a closer relationship-focused management necessary (Kern et al. 2000). Although the importance of the relationship dimension is acknowledged by many researchers (Kern et al. 2001; Lee et al. 1999), to date, there has been little rigorous analysis of what makes for successful and less successful relationships and the effect this can have on the long-term viability of contractual agreements (Willcocks et al. 1998, 12).

Prior research has also failed to explain how expectations towards an outsourcing venture result in different outsourcing configurations. The role, relevance, and characteristics of certain relationship factors might indeed vary in different outsourcing settings and according to different expectations. A mismatch of mutual expectations can then cause the outsourcing relationship to turn sour. In line with this, DiRomualdo and Gurbaxani (1998) found that the relationship of client and vendor must be aligned with the intents and expectations underlying the outsourcing initiative.

Obviously, given the ambiguous outcomes and many reported failures of outsourcing undertakings, outsourcing projects cannot be managed all the same. The underlying motives of each outsourcing relationship have to be analyzed in order to be able to distinguish between different outsourcing client types that each needs a different governance approach.

The objective of this paper is to explore different types of outsourcing relationships and their configuration depending on the underlying expectations of the outsourcing clients. The results depicted in this paper are part of a larger Ph.D. project. Many of the insights can only scratch the surface given the paper length limitations, but will be submitted to a journal in full-length.

## THEORETICAL BACKGROUND AND RELEVANT LITERATURE

### Outsourcing motives

Literature provides an abundance of determinants that examine why companies choose the outsourcing option. To narrow the scope of this paper, the categorization efforts of (Dibbern et al. 2004) and (Grover et al. 1996) will be combined and three key areas of outsourcing objectives on the level of firm determinants will be highlighted.

The primary and most common benefits sought are *economic, i.e. financial and cost-oriented reasons* (DiRomualdo et al. 1998). They refer to a firm's ability to utilize outsourcing to better manage its cost structure (Apte 1990; Loh et al. 1992). Reasons include cost reduction and efficiency, improving cost control and transparency, rendering fix costs as variable costs, as well as cost degression by leveraging economies of scale, scope, and skill (Kern et al. 2002a; Loh et al. 1992; Willcocks et al. 1996, 143). The often-cited rationale behind this motivation is that the vendor typically has better economies of scale, tighter control over fringe benefits, better access to lower-cost labor pools, and more focused expertise in managing IS.

*Strategic objectives* refer to the ability of an organization to focus on a strategic use of IS, enhance IT competence and leverage vendor's capabilities to achieve strategic advantages (Lacity et al. 2001; Willcocks et al. 2004). In this case, outsourcing allows management to focus the available IS talent on IS activities, promoting competitiveness, rather than "spending time on routine activities of systems maintenance or operations" (Apte 1990). But strategic focus in IS outsourcing can also go even further: IT-enabled innovations have recently become an emerging customer demand for competitive success. Outsourcing can offer a unique knowledge potential, flexibility, and support for innovation (Willcocks et al. 2004).

*Technological motives* comprise an organization's attempt to gain access to leading-edge IT, technological expertise, improved and innovative services, i.e. the bank's ability to exploit modern IT technologies and achieve IT continuity (Lacity et al. 2001). This also comprises efforts to "avoid the risk of technological obsolescence that results from dynamic changes in IT" (Grover et al. 1996, 93). Access to leading-edge technology and know-how also enables the competitiveness of product offerings of the company's general portfolio through the use of state-of-the-art technology that may not be easily available in-house (Apte 1990).

These categories described above are not exhaustive, but identify the major drivers of IS outsourcing. The motives and categories cannot fully be mutually exclusive, as they are multi-dimensional by nature. For example, the general strategic motive of achieving business flexibility will probably come along with rendering IT as a variable cost.

### Approaches of classifying outsourcing relationships

Literature shows that first approaches of a systematization of IS outsourcing relationships exist (Kern et al. 2002c; Kishore et al. 2003; Nam et al. 1996). Nam et al. (1996) propose a two-dimensional framework for describing outsourcing relationships along the dimensions "extent of ownership substitution by outsourcing vendors" and "strategic impact of the outsourced IS." The framework classifies outsourcing relationships into four types: support, alignment, reliance, and alliance. According to Kishore (2003), the framework can be used to depict both static and dynamic aspects of client-provider relationships and then utilized to examine the movement of organizations' changing IS outsourcing relationships over time within or across the four relationship cells. As outsourcing relationships are not static, but rather likely to change and evolve over time, Kishore et al. (2003) proposed an evolution of outsourcing relationships.

Based on the notion that a strong relationship exists between a client's organization's strategic intent, the kind of technical capability, and the type of relationship needed to match strategy to supplier capability, Kern et al. (2002c) classified four main types of IS outsourcing relationships along two other dimensions: "strategic intent" and "technical capability." Strategic intent, in terms of expectations from outsourcing, is divided here into whether the focus is on achieving business value or on achieving IT efficiencies. Technical capability refers to choosing an external source to gain a distinctive technical leadership or to gain access merely to technical resources from a resource pool (Kern et al. 2002c, 65). The matrix sets up four possible relationships: Technical Supply Relationship, Business Service, Business Alliance, and Technology Partnering.

These classification approaches contribute to a more systematic understanding of outsourcing arrangements. They categorize different types of outsourcing relationships along important dimensions such as strategic intent or technical capability. However, the approaches are one-sided, as they include only two selected, rather than an exhaustive set of dimensions to describe a type of outsourcing relationship. As the field of IS outsourcing has become more diversified, it becomes necessary to include various factors into the analysis of relationship types to provide a comprehensive typology of different

relationships. Furthermore, existing classifications are often grounded on weak empirical assumptions and rely on anecdotal evidence or conceptual thinking.

## RESEARCH APPROACH

### Research design and conceptual development

This work adopts an exploratory, not a theory-testing approach involving three steps. After having conceptually derived outsourcing motives from the literature, an exploratory factor analysis is conducted in order to see if and how many main factors of outsourcing motives exist in practice. These factors are used as clustering variables in order to identify different outsourcing client types. The identified types are then described in further detail along a number of other describing variables that serve as the distinct factors of an outsourcing relationship.

The variety of motivations for engaging in outsourcing range from cost-oriented motives to strategic issues of competitive advantages. The questionnaire captured this variety and included 16 outsourcing motives derived from literature (Table 1).

VarID	Outsourcing motive
q1401	Cost reduction
q1402	Flexibility of costs / cost transparency
q1403	Quality improvements (lower error rate / shorter processing time)
q1404	Long-term use of systems, applications and data (reliability)
q1405	Improved service orientation
q1406	Increased flexibility
q1407	Shift risk to service provider
q1408	Modernization of IT / replace legacy systems
q1409	Focus on core competencies
q1410	Enable and facilitate strategic competitive advantages
q1411	Access to highly skilled people
q1412	Access to better IT systems and new technology
q1413	Knowledge acquisition from service provider
q1414	Suggestions for new IT based products and services by your service provider (innovation)
q1415	Shared development of IT based products & services together with service provider
q1416	Business transformation

**Table 1. Variety of IS outsourcing expectations included in the study**

Data for this study was gathered via an online survey based on a fully-structured and standardized questionnaire. The questionnaire entailed questions on the outsourcing motivation, but also questions on the dimensions context factors, relational architecture, governance mechanisms and interaction. These categories build upon and expand the relationship properties suggested by Kern and Willcocks (2000).

Most constructs were represented by a set of indicators that were measured on a fully anchored 7-point Likert scale expressing attitudes ranging from “strongly disagree” to “strongly agree”. Whenever possible, the measures and item scales were derived from other studies and from existing scales and adapted to the specific research domain. The resulting draft questionnaire was discussed with academics from the field and pre-tested independently with several IT managers.

### Data collection

The invitation for participating in the survey was sent to highest ranking IT executives of organizations in Germany. Top IT decision makers from approx. 5400 German companies in various industries were chosen as the study population and unit of analysis. From June to October 2007, the IT executives were invited to participate in an online survey by a personal letter containing a personal unique access code. Overall, 268 usable questionnaires were returned which equals an overall response rate of approx. 5 percent. The respondents were categorized according to the experience with IT or business process outsourcing in their company. Participants with low experience in IT outsourcing were excluded from the analysis. Finally, 196 data points remained.

## ANALYSIS AND RESULTS

### Factor analysis

In order to handle the variety of motives and also assuming that some of these motives could be related, an exploratory factor analysis was conducted in order to see if and how many main factors of outsourcing motives exist. The primary goal of this step is to reduce data quantity and complexity, to eliminate the problems of multicollinearity, and to get a selected number of manageable and interpretable factors (Hair et al. 2006, 582, 603).

For the factor analysis, the extent of common variance among the variables was checked as well as the KMO and Bartlett's test of sphericity. The KMO index is fairly high (0.8) and the Bartlett's test is highly significant ( $p < .001$ ). As an extraction method, principle components analysis (PCA) was applied explaining more than 60% of the total variance. Eigen One Rule was applied and a scree plot to visually determine the number of factors to be extracted. Two variables had to be removed from the final solution due to low or double-item factor loadings. Finally, 4 factors were extracted and rotated with VARIMAX. Table 2 gives an overview of the factors, their characterization and included items.

No.	Factor Label	Attributed items
1	Strategy / Innovation	q1415
		q1414
		q1413
		q1416
		q1410
2	Technology improvement and reliability	q1407
		q1408
		q1412
		q1404
3	Business Support and Facilitator	q1406
		q1405
		q1403
4	Cost focus	q1401
		q1402

**Table 2. Identified outsourcing motives**

### Cluster analysis to identify outsourcing client types

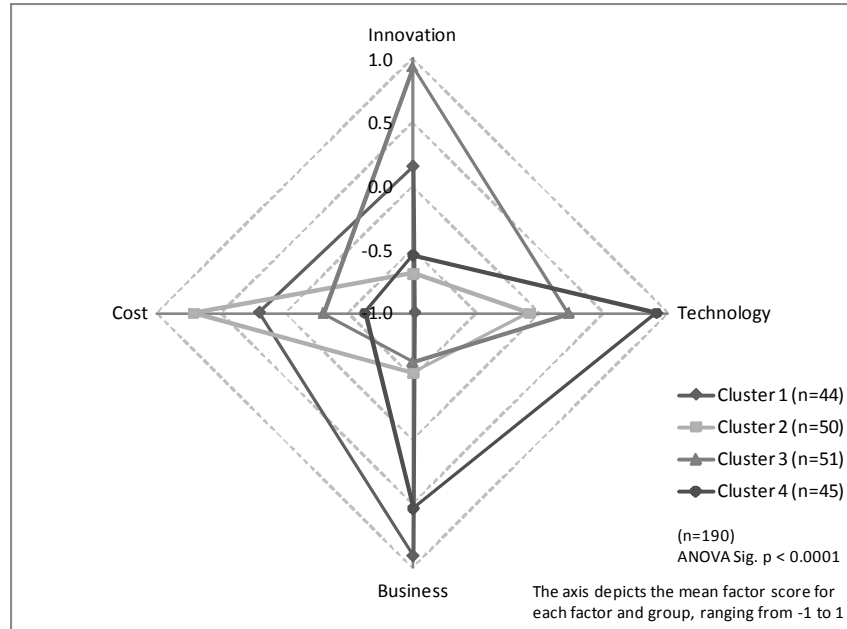
The cluster analysis was carried out with the identified factors as clustering variables. The analysis was conducted in three steps involving hierarchical clustering with single linkage to identify outliers, hierarchical clustering with ward to identify the number of clusters and the cluster centroids, followed by the iterative, partitioning approach of k-means to find an optimal cluster solution.

As to the number of variables to include in the cluster analysis there is a balance between completeness and parsimony of the input variables (Homburg et al. 2002, 43). To account for this issue, the study distinguishes between two types of variables, following the approach of Homburg et al. (2002). First, parsimonious sets of theory-based key constructs that serve as active input variables for the clustering algorithm are identified. Second, several "passive", descriptive variables are used to give a rich and comprehensive picture of the different configurations. For these "passive" variables, theoretical, conceptual, and practical considerations were regarded as suggested by (Hair et al. 2006, 569).

Single linkage clustering identified 6 outliers that were removed from the final solution. The hierarchical clustering was conducted using the Ward algorithm. For determining the number of clusters, visual measures (i.e. dendrogram and the elbow criterion) as well as numerical measures (i.e. heterogeneity index and percentage increase in the agglomeration coefficient). Both measures call for a 4-cluster solution. Since hierarchical clustering methods lack flexibility in such that observations cannot switch cluster membership, the non-hierarchical clustering procedure of k-means was used to develop an optimal cluster solution and improve the results from the hierarchical procedure.

### Interpretation and description of client groups

Profiling the four groups against the original cluster variables is the first step to see how the groups differ with respect to their expectations towards outsourcing. Thereby, the four expectation factors served as key anchor points to distinguish the groups along their basic underlying motivation of outsourcing (Figure 1).



**Figure 1. Graphical representation of client types along their outsourcing motives**

After analyzing the basic outsourcing motivations of the four outsourcing client groups, descriptive variables were used to give a comprehensive picture of the different configurations. These variables were grouped into four categories and build upon the relationship properties suggested by Kern and Willcocks (2000): context factors, relational architecture, governance mechanisms and interaction. A detailed description and theoretical motivation of these factors exceeds the realm of this paper. Instead, the four identified outsourcing client types will be described in a summarized way and visualized in Figure 2.

#### *The business-efficiency clients*

**Cluster 1** entails clients that engage in outsourcing ventures in order to support or enhance their business. Expectations associated with the outsourcing decision of this group comprise a better service orientation, more (business) flexibility, quality improvements, but also to some extent cost reduction and joint product and service development.

Looking at the context factors that shape the outsourcing environment reveals that clients of this group can predominantly be found in the finance sector and also in the trade/wholesale industry. In terms of firm size, clients with the motivation structure of business efficiency are mostly located in large companies (>10 bill. Euro annual sales, >5000 employees).

With regard to the architecture of the outsourcing venture, the client companies in this group have quite a reasonable amount of outsourcing experience. As to the outsourced services provided by a third-party-vendor, the clients engage in a selective outsourcing model. In order to spread risks of lock-in effects and also in order to maximize the efficiency of providing high-quality services, the clients rather set up multi-vendor outsourcing deals with more than three vendors providing the IT services. These outsourcing deals are mostly established for a medium period of time with a contract length between 3-4 years. Most often, a fixed priced model, but sometimes also transaction-based pricing arrangements are agreed upon.

As to governance mechanisms of this client groups, it becomes obvious that the contract plays a medium-to-high role for governing business-efficiency oriented ventures. Especially processes for SLA and contract management as well as performance and service management are established. In contrast, strategy processes and benchmarking initiatives are seldom set up. Governance via structures such as a management board / steering committee or the role of a relationship manager is well established. The role of informal relational governance, staff experience with outsourcing and the know-how to control the vendor are all regarded as important and well-established governance mechanisms. Interestingly, the motivation of business efficiency in this group goes along with a very tight management of the vendor who is hardly attributed any degrees of freedom or decision authority when planning, developing, and running the outsourced services.

The investigation of the perceived importance of selected relationship factors for this group revealed that in line with the other client groups, basic inter-organizational factors such as communication, cooperation, or trust are crucial and well established between the outsourcing parties.

### *The cost-conscious smart shoppers*

**Cluster 2** concentrates clients that share a very clear and straightforward expectation towards outsourcing and also one of the very basic motivations of outsourcing (DiRomualdo et al. 1998): the desire to cut costs, achieve more cost transparency, or render costs as a flexible resource (variabilization and transparency). While the other client groups have some other notions besides their main expectations, this client group is exclusively focused on the cost-cutting aspect.

As to the environmental factors, dominating industries of this client group are the electro technology industry, consumer goods, as well as IT services. Clients are located in medium-to-large size companies with regard to annual sales and the number of employees. In contrast to the business-efficiency clients and also to the other two groups, the cost-conscious smart shoppers have the highest IT budget with more than 100 mill. Euro p.a.

The building parameters of the outsourcing environment are somehow similar to the first client group. The companies' experience with outsourcing in general is fairly high. As to the outsourced services provided by a third-party-vendor, the clients engage in a selective outsourcing model and most often source IT applications and IT infrastructure components. In order to spread risks of lock-in effects and also in order to get the best prices for the outsourced services, the clients rather set up multi-vendor outsourcing deals with 2 to 3 vendors providing the IT services. Surprisingly, these outsourcing deals are mostly established for a medium-to-long-term period of time with a contract length between 5-7 years.

The most prevailing governance mechanism established among these clients is the contract. Consequently, processes such as SLA and contract management, performance and service management play an important role for the cost-conscious clients. Benchmarking processes are established to some extent and play a higher role compared to the other client groups. In terms of structures for governing the outsourcing vendor, steering committees as well as a relationship manager are set in place. What is especially noteworthy is the fact, that experience and know-how of the client to control the vendor is very distinct in this group and against the assumption, clients in this group are no outsourcing newbies that look for quick and easy wins.

Regarding the role of relationship factors for these clients, the same finding as for the business efficiency clients can be reported.

### *The strategists and innovation seekers*

The clients of **cluster 3** have acknowledged "that outsourcing for short-term cost-cutting does not yield nearly as much as outsourcing for longer-term knowledge-based system or strategic benefit" (Quinn 1999, 10). Consequently, they engage in outsourcing ventures with certain strategic elements or a strategic intention. Those long-term strategic goals aim at generating innovation and thus enhance business value. Among others, they comprise suggestions for new IT-based products and services, knowledge acquisition from the service provider, a joint product and service development, access to highly skilled people and also to better IT systems and new technology. The outsourcing vendor is regarded as an equal business partner rather than a simple provider of IT services.

Characterizing the environment of these clients, one can see that more often than in the other client groups, clients in the automotive and engineering/machine construction industry as well as client from the public sector/government are represented in this group. As to firm size, small-to-medium size companies (251-2000 employees) and also non-profit companies are predominantly found in this group. Overall, the role of IT for the companies is regarded as important, although the investments in IT are rather low.

While IT applications and infrastructure are the most commonly outsourced services, the percentage of clients that outsourced IT-supported business processes is highest in this group. Although multi-vendor outsourcing with 2-3 vendors is very popular among these clients, many clients of this group also engage in single-vendor ventures. This is in accordance with the primary motivation of this group, i.e. establishing a long-term strategic and value-oriented partnership with a focus on mutual benefits. Such a strategic partnership is seldom established and fostered with more than one outsourcing partner. As pricing arrangements, fixed price and time and material are dominant models. This is a surprising finding since risk reward sharing structures do not seem to be an established arrangement.

Governance mechanisms of this group comprise not only arm's length approaches of contractual governance with established SLA and contract management processes as well as performance and service management processes. In contrast to the other groups, strategy processes between client and vendor are agreed upon and established.

Regarding the role of relationship factors, the findings do not differ significantly from the first two client groups. One relationship factor breaks ranks with regard to the other groups: Vendor proactivity is rated medium to high in the strategy group. This finding is in accordance with the other constitutive elements of the group, as proactivity is a basic element in a partnership with mutual benefits and risks.

**IT excellence and reliability-oriented clients**

**Cluster 4** groups IT managers that seek outsourcing for technological reasons. Outsourcing is seen as a way to either enhance the current client technology and deliver cutting-edge IT or to provide long-term reliable IT services. The service provider is chosen as an external source to gain a distinctive technical leadership (Kern et al. 2002c). Specific expectations of these customers comprise access to better IT systems and modernization of IT. But the client group also has business-oriented goals. Thus, quality improvements and access to highly skilled people are also among the outsourcing expectations.

The environment of the outsourcing arrangement reveals that manufacturing is the most dominantly represented industry of the IT-focused clients. Clients are primarily found in medium-size (50+ to 500 mill. Euro annual sales) as well as in small companies. The assigned IT budget is also rather low with up to 10 mill. Euro and the role of IT is regarded as medium. This perception of the medium role of IT is in contrast to all three other groups which regarded IT as important and often assigned a medium or high IT budget. Possibly, because these clients only attribute a medium importance to IT, they rather tend to source external IT excellence, instead of investing IT capabilities and resources in the company.

While IT applications and IT infrastructure are selectively outsourced by most clients, BPO is hardly considered for possible outsourcing by many clients. Multi-vendor outsourcing with 2-3 vendors is most common in this group and in contrast to the other client groups, information technology is outsourced highly selective with many small portions of IT (less than 20% of the IT budget). The duration of the outsourcing deals is also very short-term oriented (0-2 years). Fixed price is the dominating pricing model and the dependency and switching costs of changing the service provider are medium.

When analyzing the outsourcing governance mechanisms, it becomes obvious that the contract as well as SLA, contract management, performance and service management processes play a very important role. In contrast, other processes such as strategy processes or benchmarking play only a minor role as does the establishment of structures. Similar to the other groups, the role of an informal relationship governance is rated high by this group. Risk sharing models are hardly set in place and the degrees of freedom attributed to the vendor are very limited. The role of relationship factors for the outsourcing relationships of this client group is comparable to the other groups.

Client Type	Cluster 1: Business-efficiency clients	Cluster 2: Cost-conscious smart shoppers	Cluster 3: Strategists and innovation seekers	Cluster 4: IT excellence and reliability-oriented clients	Group differences significant
<b>Category / Dimension</b>					
<b>Strategic intent / expectation / motivation</b>					
Dominant outsourcing motives / expectations	<ul style="list-style-type: none"> <li>Service orientation</li> <li>Flexibility</li> <li>Quality improvements</li> <li>Cost reduction</li> <li>Joint product and service development</li> </ul>	<ul style="list-style-type: none"> <li>Cost reduction</li> <li>Cost transparency / variabilization / flexibility</li> <li>(no other characterizing outsourcing expectations)</li> </ul>	<ul style="list-style-type: none"> <li>Suggestions for new IT-based products &amp; services</li> <li>Knowledge acquisition</li> <li>Joint product &amp; service develop</li> <li>Access to highly skilled people</li> <li>Access to better IT systems</li> </ul>	<ul style="list-style-type: none"> <li>Access to better IT systems &amp; new technology</li> <li>Modernization of IT</li> <li>Quality improvements</li> <li>Access to highly skilled people</li> <li>Shift risk to service provider</li> </ul>	p < 0.001 (ANOVA)
<b>Context factors</b>					
Dominant industries	Banking/insurance/ finance, trade/wholesale	electrotechnology, consumer goods, IT services	automotive, engineering/machine construction, public/government	(other) manufacturing	p < 0.1 (Chi square)
Firm size: annual sales	large (More than 10 bill. Euro)	medium-to-large-size (1+ - 5 bill. Euro)	non-profit / (medium-size)	medium (50+ - 500 mio. Euro)	p < 0.001 (Somers-d)
Firm size: number of employees	large companies (5001 to 50.000 employees)	medium-to-large-size companies (2001-5000 employees)	small-to-medium-size companies (251-2000 employees)	small companies (251-500 employees)	p < 0.001 (Somers-d)
IT budget	medium (more than 10 mio. Euro)	large (more than 100 mio. Euro)	small (up to 10 mio. Euro)	small (up to 10 mio. Euro)	p < 0.01 (Chi square)
Role of IT for company	high	high	high	medium	p < 0.1 (ANOVA)
<b>Relational architecture</b>					
Company experience with outsourcing	medium (mostly 3 – 10 years)	medium (mostly 3 – 10 years)	medium (mostly 3 – 10 years)	medium (mostly 3 – 10 years)	n.s.
Outsourcing objects: IT-supported business processes	selectively outsourced by most clients	selectively outsourced by some clients	selectively outsourced by most clients. % of clients who totally outsourced BP highest in this group	business processes not considered for possible outsourcing by many clients	p < 0.1 (chi square)
Outsourcing objects: IT applications	selectively outsourced by most clients	selectively outsourced by most clients	selectively outsourced by most clients	selectively outsourced by most clients	n.s.
Outsourcing objects: IT infrastructure	selectively outsourced by most clients	selectively outsourced by most clients	selectively outsourced by most clients	selectively outsourced by most clients	n.s.
Number of involved vendors	more than 3 vendors	2-3 vendors	mostly 2-3 vendors, many single-vendor ventures	2-3 vendors	p < 0.05 (Somers-d)
Degree of outsourcing	selective (20-80% of IT budget)	selective (20-80% of IT budget)	selective (20-80% of IT budget)	highly selective (up to 20% of IT budget)	n.s.
Duration / length of outsourcing contract	medium (3-4 years)	medium to long-term (5-7 years)	unlimited (but option to terminate)	very short-term (0-2 years), also medium (3-4 years)	n.s.
Dominating pricing model	fixed price, transaction-based	fixed price	fixed price, time and material	fixed price	n.s.
Outsourcing alliance model	external third-party provider mostly	external third-party provider mostly	external third-party provider / shared services (internal sub)	external third-party provider exclusively	p < 0.01 (Chi square)
Dependency on service provider (degree of switching costs)	medium	medium	high	medium	n.s.
Goal alignment between outsourcing parties	high	medium	high	very high	p < 0.1 (ANOVA)
<b>Governance mechanisms</b>					
Role of contract	medium to high	high	medium to high	very high	n.s.
Role of processes: Established SLA / contract management	high	high	medium to high	high	n.s.
Role of processes: Established strategy processes	low	low	medium	low	n.s.
Role of processes: Established benchmarking processes	low	medium to low	very low	low	n.s.
Role of structures: Establishment of steering committee	medium	medium to low	medium	low	p < 0.1 (ANOVA)
Role of structures: Establishment of relationship manager	high	high	high	high	n.s.
Role of informal relationships	high	high	high	high	n.s.
Role of staff experience	high	high	(very) high	high	n.s.
Role of know how to control vendor	high	very high	high	high	n.s.
Role of attributed degrees of freedom to vendor	low	low	medium	low	n.s.
Role / establishment of risk sharing models	very low	very low	low	very low	p < 0.01 (ANOVA)
<b>Interactions (relationship factors)</b>					
Communication	high	high	high	(very) high	n.s.
Conflict resolution / consensus	high	high	high	very high	p < 0.05 (ANOVA)
Cooperation / coordination	high	high	high	very high	p < 0.01 (ANOVA)
Commitment / loyalty	high	high	high	very high	p < 0.1 (ANOVA)
Cultural similarity / understanding	medium	medium	medium	medium	n.s.
Degree of trust	high	medium to high	high	very high	p < 0.01 (ANOVA)
Vendor flexibility	high	medium to high	high	high	p < 0.1 (ANOVA)
Vendor proactivity	medium	medium to low	medium to high	medium to high	p < 0.05 (ANOVA)

Figure 2. Consolidated description of four outsourcing client types



## CONCLUSION

This paper was motivated by the need to improve the understanding why outsourcing outcomes and performance are so ambiguous among client firms. The underlying assumption of this paper to be examined was that different expectations towards an outsourcing venture form different outsourcing client types. It was found that out of the variety of different outsourcing expectations, four main categories of outsourcing motives exist. Building upon these expectation motives, a cluster analysis could classify four different client types of IS outsourcing relationships. These types could be characterized not only along their essential underlying outsourcing motives, but also along a number of descriptive attributes that form the client type.

The findings incorporate a number of insights and contributions that are valuable for both theory and practice. The paper applied and confirmed common theories such as transaction cost economics and social exchange theories by clarifying key outsourcing motives and by deriving a framework with characteristics of outsourcing relationships. It also extended these theories by applying them depending on the context (underlying motive structure) of the venture.

The results of this work help IT decision makers to understand the primary underlying motivations to engage in an outsourcing venture and to allocate their outsourcing project. Building upon an informed decision, characteristics of other outsourcing ventures with similar expectations can be benchmarked against current projects. It thus helps to effectively and efficiently dedicate the appropriate economic and human resources to the outsourcing venture.

Future work in the context of these outsourcing client types will address different governance modes that are appropriate for the success of each outsourcing relationship type.

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