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# QUALITY, SATISFACTION AND VALUE IN OUTSOURCING: ROLE OF RELATIONSHIP DYNAMICS AND PROACTIVE MANAGEMENT

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# QUALITY, SATISFACTION AND VALUE IN OUTSOURCING: ROLE OF RELATIONSHIP DYNAMICS AND PROACTIVE MANAGEMENT

*Completed Research Paper*

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## Abstract

*Service Quality, Value and Satisfaction literature in the past have shown that quality drives satisfaction leading to loyalty and financial growth – both revenues and better profits. Recently Relationship Marketing, Information Systems and Service Science streams have focused on relationship factors. But the dynamic perspective of this interdisciplinary model has not been studied within business-to-business context. We show, based on a qualitative study of three large outsourcing accounts, how networked relationships between provider and client plays a crucial role in driving the dynamics of this model. At an operational level, relationship helps manage the expectations so that the client satisfaction levels can be sustained higher and create the opportunity for value proposition. When managed proactively, it helps facilitate value creation with the clients. At extended levels, it helps enhance client value perceptions. From a theoretical perspective, grounded theory from the cases suggests recursive dynamics between quality and satisfaction.*

**Keywords:** Service quality, Client satisfaction, Value creation, Outsourcing, Service Science, Buyer-supplier relationship, Case study, Grounded Theory

## Introduction

Service quality and customer satisfaction have been topics of importance for both researchers and practitioners alike. There are several theoretical and empirical findings from this research area in services marketing that have well established the links between quality of delivered service and financial betterment of the service providing firm (cf. Anderson and Mittal 2000; Zeithaml 2000). Another stream of research on relationship marketing argues that instead of a transactional view based on marketing-mix, dyadic relationships between business buyers and sellers are important in explaining the service outcomes (cf. Möller and Halinen 2000 for a discussion on roots of relationship marketing theory). Yet another stream of literature discusses theories and models in outsourcing relationships from the Information Systems (IS) discipline. This again emphasizes the notion of partnership and integrates power-political, social exchange theories to understand the drivers for outsourcing success (Lee and Kim 1999). Finally, the inter-disciplinary stream of service science (Spohrer et al. 2008) literature focusing on Service Dominant (S-D) logic (Vargo and Lusch 2004) conceptualizes relationship as nested within networks of relationships and occurring between networks of relationships. These networks are not static entities but rather dynamic systems, which work together to achieve mutual benefit (value co-creation) through service provision (Vargo 2009).

While there is enough evidence on the importance of service quality, customer satisfaction and relationship in the services related literature, there is still a lack of understanding on how they interact with each other to drive value

and growth in businesses. There is scant conceptual or empirical research that looks at the quality – financial chain within the interdisciplinary context of these streams. Also, our focus is on business-to-business (specifically IS outsourcing) context, rather than business-to-consumer context, which has been extensively studied empirically in these different streams. Also, many of the research studies in these streams fail to unveil the dynamic perspective of service quality – satisfaction link driven by the client-provider relationship and how they evolve through the relationship. While most of the empirical research in outsourcing space has been done from a client perspective (successful outsourcing practices), our research is motivated by the need to drive the right (profitable) growth for the service provider, with the best interests of client and relationship in context.

Based on in-depth and qualitative research study of three large outsourcing accounts, we propose an overall conceptual research framework that describes and explains the drivers of satisfaction and value outcomes. We also present some interesting theories and dynamics of relationship (between client and service provider organizations) in driving those key service outcomes based on grounding the research in the data from the study.

Our research study makes the following contributions towards understanding relationship dynamics

- Conceptualizes relationship maturity model and identifies that stage of relationship is a very important factor in understanding client behaviors, apart from the age of relationship
- Conceptualizes and identifies that different levels of relationship (operational, proactive, extended) are key drivers in propelling towards value creation and perception
- Identifies the recursive dynamism between quality and satisfaction, via expectation and relationship factors
- Presents the theoretical underpinning and validation of all the findings, within the context of the interdisciplinary literature

The paper is organized into sections as follows: First we describe and explain the overall conceptual model we arrived at from the cross case analysis and theoretical underpinnings of our model, then elaborate the need for a qualitative research approach, illustrate the case study (and grounded theory) methodology adopted and substantiate the theories grounded from the cases; later discuss the managerial implications of the work. Last section explains the limitations and future work to finally conclude with the summary.

This style of presentation is uniquely different than the typical grounded theory style writing, because we first set the broad context, talk to the significance of concepts to build interest and finally show instances of how the propositions were supported in the cases. We establish the linkage by connecting theory and its significance discussion to the propositions and also weave in specific instance discussions where appropriate.

## **Conceptual Research Model and Theoretical Discussion**

The broad conceptual research framework we arrived at from the existing literature and case study analysis is shown in Figure 1 below. The discussion on the proposed path diagram is presented in the sections below. The exploratory case study was designed to understand the dynamics of the different research constructs in driving top-line (revenue) and bottom-line (profit) growth.

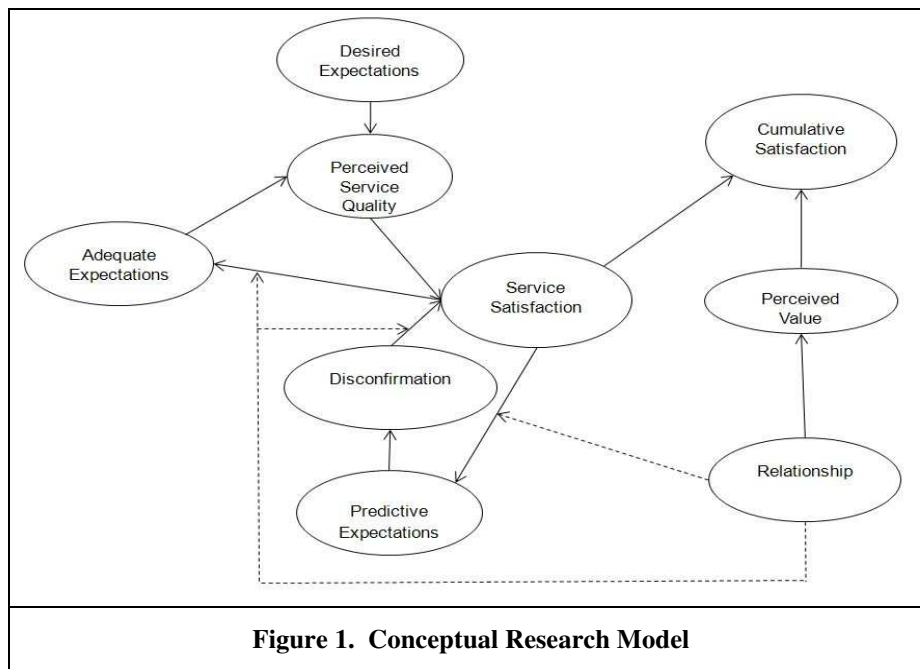
Though the case study questions were extensive and covered a lot of ground, we present the discussion around relationship as a focus research construct in this paper, since this is the construct around which core theories emerged from the study without any pre-study biases. Even though relationship related theories emerged from the cases and were grounded in data, we try to present the theoretical fit of those propositions in the sections below and in the context of existing literature.

### ***Quality – Satisfaction link: Role of Expectations and Relationship***

Service quality and customer satisfaction have been two central constructs in marketing literature – be it consumer, industrial or services marketing streams. Several studies have established the fact that these are two conceptually distinct constructs. Though a lot of debate existed around the causal relationship between the two, in services context, it has been shown that quality judgment causes satisfaction (c.f. Schneider and White 2004). Service quality is considered to be a cognitive judgment and customer satisfaction is considered a state of affect based on experience with the service. The client behaviors such as word-of-mouth, repeat purchase and retention are driven

by the cognitive-affect links above and are explained through cognition-affect-behavior hierarchy in attitudinal theories like expectancy-value theory (Fishbein and Ajzen 1975).

Expectation Confirmation/Disconfirmation Theory (ECT/EDT) has been the underlying theory explaining quality perception and satisfaction formation, though it has been discussed that the nature of expectation is distinct in service quality vs. CS/D (Customer Satisfaction/Disconfirmation) literature – the former using desired (excellence) and adequate (‘should’/minimum) expectations and the latter using predictive (‘will’) expectation (Oliver 1997; Parasuraman et al. 1994). Desired (excellence) expectations are what a consumer feels a service provider should ideally offer (Parasuraman et al. 1988). Adequate expectations are the level of service the customer will accept. Predictive expectations correspond with what customers believe will happen during subsequent contacts with the service delivery system. Desired expectations are proposed to remain relatively stable (increase incrementally from cumulative experience) vis-a-vis predictive and adequate expectations. Predictive and adequate expectations get influenced by the delivered service quality and several other marketing factors like competitive positioning. Also of relevance is the “zone of tolerance” showing how customers are willing to absorb deviation from expectation without significant change in perception (desired expectation to adequate expectation) (Parasuraman et al. 1991). This concept also exists in CS/D literature as “zone of indifference” (Woodruff et al. 1983), which suggests that performance within the zone of indifference around predictive expectation (norm) based on experience leads to confirmation (satisfaction); negative disconfirmation when it falls below that range (dissatisfaction) and positive disconfirmation when it falls above that range (delight).



**Figure 1. Conceptual Research Model**

The relationship between quality and satisfaction is understood to be complex and several moderators have been proposed including tolerance zone (Yap and Sweeney 2007). In the work by Boulding et al. 1993, that analyzes the dynamic process model of service quality, they analytically and empirically validate that ‘will’ expectations of customers should be managed up and ‘should’ expectations should be managed low to have an overall positive perception of performance. In a complex long term business-to-business service context, where there is a significant co-production between client and provider organizations, one also need to understand the psychological implications of co-production and how it influences the quality – satisfaction link. It has been shown that customers, who participate in production, are subject to self-serving bias influencing satisfaction outcomes (Bendapudi and Leone 2003). This tendency is reduced when he or she has a choice whether or not to participate in production. When there is a closer relationship or partnership between the client and provider, client is still likely to overstate his or her role but does so in a more symmetric fashion and shares the credit as well as the blame (Gilovich et al. 1999). Joint

working is shown to be one of the key relational characteristics of importance in a B2B setting (Homburg et al. 2003). Several studies empirically show using case studies and theoretical models on how relationship or partnership is very critical for outsourcing success (c.f. Dibbern et al. 2004;Gong et al. 2007 for a detailed review of literature).

Our case study also brings to the forefront, importance of relationship as a research construct. Specifically, from a theoretical standpoint, we contend that better relationships help the provider organization appropriately manage the adequate (minimum) expectations, so that the zone of tolerance does not become too narrow, and hence there is a higher probability of providing acceptable quality perception. More importantly, we suggest, it helps manage the predictive expectations so that satisfaction can exceed expectations even without exceeding desired quality expectations. The above effects are modeled as an interaction between relationship and disconfirmation variables to drive satisfaction, as well as interaction between relationship and satisfaction in influencing future expectations (Proposition 1 and 2 in Proposition Substantiation section). It has been proposed before that participation from customer and experience (age of relationship) are known to reduce the zone of indifference and zone of tolerance (Johnston 1995; Woodruff et al. 1983). A dissatisfying experience can increase the adequate expectation threshold, because the customer is more sensitized to negative outcomes. We suggest that a good relationship can prevent that from happening. Similarly, satisfying experiences can lead to increase in predictive expectations and might make exceeding expectations impossible. We hypothesize that relationship can help manage the predictive expectations and hence increase the probability of exceeding zone of indifference. The satisfaction we refer to in the transactional dynamics as discussed above is service satisfaction.

Our model (as in Figure 1.) splits the customer satisfaction construct into two dimensions – transactional (service satisfaction) and cumulative (cumulative satisfaction). Service satisfaction is typically leveraged for service diagnostics and is not forward looking, whereas cumulative satisfaction is a fundamental indicator of a firm's current and long term business performance (Anderson et al. 1994), which we will discuss in the next sub-section below on Satisfaction-Financials link. Satisfactions, in literature, have been modeled as a mix of cognitive (disconfirmation) and affect (emotion) behaviors (Oliver 1981). We argue that service satisfaction is driven more cognitively and cumulative satisfaction is more affective and broad-based measure. This is particularly true in complex business-to-business relationships, where service satisfaction is as experienced by lower hierarchy of client organization who are involved in actual work and is more evaluative. Cumulative satisfaction is as experienced by the top business management, which has some cognitive aspect but is more influenced by affect. For example, by studying the monthly 2-way satisfaction scores between Account B and the service provider, we find that the Chief Information Officer's (CIO) scores are much higher than the rest of management and operational scores. Also just before annual satisfaction survey done with the CIO, there were several '2' ratings (Amber) and '1' rating (Red) in Quality of Service dimension in monthly satisfaction surveys during previous couple months from other account management executives in Account B. Still the score in annual (cumulative satisfaction) survey on quality of service was 8 (on a scale of 10) with the comment "*The primary expectations were that service levels would be met and that the provider would be responsive to the client's priorities. Provider has "done the job". The systems are stable and reliable*". This is similar to calculative vs. affective commitment constructs (Han et al. 2008). Cumulative satisfaction and service satisfaction are also shown to be complementary rather than competing concepts (Johnson 2001). Transaction-specific models provide a rich understanding of the dynamics of product and service encounters or episodes (Oliver 1997). Study in business-to-business context (Spreng et al. 2008) shows that the effects of transaction-specific constructs on intentions (outcomes of interest) are completely mediated by the corresponding cumulative constructs. So for loyalty and financial growth outcomes, the cumulative constructs can be considered to be representative of satisfaction.

The key implication from the Expectation - Service Quality – Service Satisfaction – Relationship dynamics, is of a very important practical consideration. If the long term relationship based business service between client and provider starts out on a wrong footing (e.g. transition issues in outsourcing arrangements), the dynamics played out lead to a downward spiraling effect. And even if the delivered quality keeps getting better after that to break the downward spiraling effect, but the relationship and hence expectations are not managed well, it is most likely for the provider firm to be stuck in neutral satisfaction (zone of indifference) without much further growth.

This is an important discovery because several studies have proposed and tested reciprocal relationship between Customer Satisfaction (CS) and Perceived Service Quality (PSQ) to see whether PSQ -> CS and CS -> PSQ, but all found only the PSQ -> CS path to be significant (Cronin and Taylor 1992; de Ruyter et al. 1997; Gotlieb et al. 1994). Our study suggests that there is no direct recursive relationship, but the effect happens through relationship and expectation constructs. So these are two key levers a service firm needs to focus on.

When delivered quality is low to start with (assuming expectations were set higher because of selling process), negative disconfirmation happens and satisfaction becomes low (the relationships to start out with are lower in strength too). When satisfaction is low and the relationship is low, expectations are not well-managed as a result of stunted communication and attitude of parties towards interacting with each other (commitment). This shifts the 'should' expectations and 'will' expectations up such that even if the performance does get better, the satisfaction still stays lower, eventually getting to a point of termination or constrained retention (not much growth for the provider). Focusing on improving relationship in tandem with improvement in quality delivery is a key aspect which can get firms out of the downward spiral and towards profitable growth.

When relationship is managed well, the expectations are managed appropriately and hence the probability of positive disconfirmation is very high even though the quality is only acceptable (within the zone of tolerance), thus enabling an upward spiral. The key aspect here is that exceeding desired expectations or high levels of quality is not necessary to cause satisfaction or delight. Hence our proposition is that relationship management is extremely important for provider to drive higher satisfaction levels with reasonable levels of delivery quality. This is also explained by cognitive consistency theory which states that persons attempt to maintain beliefs that are consistent with one another. If relationship is low (adversarial behavior), the cognitive belief is held that performance is not as expected (leading to unreasonable expectations) such that even future better performances do not lead to better perceived quality and satisfaction. If relationship is high (friendly behavior), even with some issues in delivery, the cognitive belief stays that the issue is one off (leading to unchanged expectations) such that future good performance leads to better quality perceptions and satisfaction. Our hypothesis based on our case study, is that relationship strength forms the basis for managing 'should' expectations low and 'will' expectations high. It has been previously suggested that service recoveries perceived favorably by customers potentially increase the level of customer loyalty more than high-quality original service (Hart et al. 1990). Based on the above discussions, we contend that good service recovery has this effect when the relationship is excellent between the client and provider.

In Account B, the Delivery Project Executive says what he thinks of when speaking of ideal quality "*Key things – responsiveness, open business relationship, trustworthiness. They (the client) know that things are going to break; they will have outages; that we will struggle time to time in delivery. It is about how we respond to those situations – open and honest. Identify corrective actions, document and report those actions to prevent further outages. It is about professional response to outages*". In Account C, the Delivery Project Executive says "*They'll always be potential to think quality is low when outage happened. Mature client also recognizes at some point outage is inevitable - way you respond also demonstrates the value you add. Demonstrate return of service quickly and this turns negative to positive*". In Account A, a lot of interviews suggest ideal quality is lack of outage. Also refer to discussion from Account A, Service Delivery Manager2 under Proposition 2 for a specific instance. It is important to note that relationship and hence expectation management is different in Account A in comparison to B and C.

### ***Satisfaction – Financials link: Role of Relationship and Perceived Value***

The key constructs on which researchers have traditionally focused are cumulative satisfaction, loyalty and perceived value (c.f. Brady et al. 2005; Han et al. 2008). Few studies have also looked at how relationship quality plays a role in this context (Han et al. 2008). This study integrates the theoretical models of QVS (Quality-Value-Satisfaction), relationship-quality, relational-benefits and shows that each of them is important in understanding service loyalty. In this work, they conceptualize service loyalty as a sequence of effects, with behavioral loyalty the outcome of cognitive, affective, and intention (conative) phases of attitude formation (Oliver 1997; Oliver 1999). Their findings show that satisfaction is necessary for loyalty development but may be less important for enduring loyalty as other non-satisfaction determinants including commercial friendship, trust, and commitment exert increasing influence. In the relationship marketing stream, (Storbacka et al. 1994) show the influence of variables other than satisfaction on relationship strength leading to loyalty and profitability. Those include bonds and commitment to the business relationship. We suggest that the loyalty stage model as discussed before (cognitive, affective, intentional, behavioral) manifests itself as customer behavior in stages – retention (stay in relationship with the provider), recommend (help provider attract new clients by providing reference), preferred partner (consider provider as primary vendor without engaging several) and patronage (provide more business to the provider). Lam et al. 2004, conclude that the relationship between customer value and the recommend dimension is totally mediated by customer satisfaction; whereas the relationship between customer value and the patronage dimension is partially mediated by customer satisfaction thereby showing perceived client value is an important construct for growth.

Our cases also indicate that perceived value plays a larger role in driving client loyalty and eventual financial performance (see Tables 1-3). Given our focus on relationship construct for this paper, our case identifies that relationship plays a big role in driving enhanced perceptions of value. Researchers have been looking at relational aspects (emotional, social) of client perceived value in both product and B2B services context (Lapierre 2000; Sweeney and Soutar 2001). But most of these had relational aspects conceptualized with a Goods-Dominant (G-D) view - as trust, communication, and commitment. We view advanced relationship levels (proactive and extended – refer to relationship conceptualization discussion below) as a much needed channel or conduit for any of the value measures (including quality of service or product attributes) to be perceived at enhanced levels with different stakeholders on client side (Proposition 3 and 4 in Proposition Substantiation section). Grönroos 2008, suggests that in service logic, customers are the creators of value and providers are co-creators. So for the service provider to make value proposition and enable clients to help themselves by facilitating value creation, relationship is a key foundation. Hence from both value creation and perception viewpoints, relationship is a necessary determinant of value in especially B2B services.

### ***Relationship conceptualization***

Relationship has been well studied as a research construct in the business-to-business context (Dibbern et al. 2004). It is understood to have trust, commitment, understanding of client's business, communication, information sharing, social/personal bonds, participation etc., Generally it is accepted that the three core variables of relationship quality are satisfaction, trust, and commitment which are treated as interrelated rather than independent variables (Hennig-Thurau et al. 2002). In our conceptualization we deliberately kept the satisfaction construct separately since we are looking at an integrative perspective of QVS model and relationship construct.

Our case adopts a different perspective of the relationship construct from a network-based view and primarily a provider perspective, consistent with the S-D logic conceptualization of relationship (Proposition 4 in Proposition Substantiation). Based on the case discussions the underlying structure we conceptualized in order to evaluate the relationship strength is an enhanced social network representation between client/provider actors and organizations. We suggest an analysis of the same using a combination of typical SNA (Social Network Analysis) techniques and algorithms based on principles of fault tolerance, theories of cognitive dissonance and social capital. The details of these algorithms and techniques are beyond the scope of this discussion.

We conceptualize relationship strength as two dimensions – extent of relationship, nature of relationship. Extent of relationship is whether the objective of building the relationship is functional (operational) or social (extended). Operational relationship is the interactions between delivering and consuming organizations that are necessary for conducting the day-to-day business. Extended relationship is the interactions that are built, enhanced and maintained to ensure that social channels exist for information exchange. Operational relationship is of key focus for driving satisfaction (as explained by the dynamic transactional model before) and extended relationship is of key focus for driving value perceptions. Nature of relationship is again composed of two categories – reactive and proactive relationship. Reactive relationship is where the provider just responds to the requests and situations as they unfold in the service episodes. In other words, the flow of communication is initiated primarily by the client resources than provider. Proactive relationship is where the provider actively seeks out interactions and initiates information exchange, in addition to responding reactively. In other words, the flow of communication is initiated equally by provider and client resources. We hypothesize that reactive relationship quality drives satisfaction, whereas proactive relationship quality drives value perception. We define true partnership as having been realized when there are proactive relationships at both operational and extended levels.

The distinction between driving satisfactions vs. perceived value is important because satisfaction plays a different role in driving revenue growth compared to perceived value, as we discussed in sub-section before on Satisfaction-Financials link.

### ***Relationship Maturity Models***

IT outsourcing maturity model (Adelakun 2004) talks about five stages of maturity based on the classic 'Stage model' of team psychosocial development maturity (cf. Carmel 1999; Tuckman 1965). The study, based on literature and interviews, identifies maturity levels of client as insourcing, forming, storming, norming, and performing. The study also suggests that organizations that go through the maturity stage model have a lower risk of failure than organizations that leapfrog to higher levels. While this is a client-based view of the maturity level

identified typically before the engagement is finalized, our case study findings point to a relationship maturity model of six stages during the actual service delivery.

Another related model in outsourcing, called "A model of partnership development" (Klepper 1995), is composed of four stages: awareness, exploration, expansion and commitment. The customer and vendor gradually move through each phase without skipping any phase until they finally arrive to a full partnership. The underlying theoretical model of our maturity model is an extension of the Tuckman's model of group development and Klepper's model of partnership – forming (new relationship), storming (troubled relationship), norming (operational relationship), performing (stable relationship), transforming (extended relationship) and growing (partnership).

The development from one maturity level to another does not have to be sequential in a complex business-to-business scenario, where uncertainty exists due to changes in business environment, organizational environment etc.,. For e.g. a relationship could move from forming stage to norming stage quickly – in this case storming is very transitory and short. Also a relationship could move from performing to storming when there are significant organizational changes (like key decision maker changes).

The mapping of relationship dimensions to the maturity model would be as follows – forming (initialization of operational relationship), storming (operational–reactive), norming (operational–proactive), performing (extended–reactive), transforming (extended–proactive), and growing (partnership).

Kano theories of customer satisfaction (Berger et.al, 1993) states that there are three levels of importance for service attributes – basic (must-haves, be competent), satisfiers (discriminators, be competitive) and attractive (delighters, be differentiated). It also states that the importance can change over time, is potentially idiosyncratic and can vary by client segments. Our research suggests that the above applies not only for service attributes, but also to the larger constructs of perceived service quality and relationship towards driving perceived value. For example, perceived service quality is attractive in the forming, storming stages, but becomes a hygiene factor after that. We extend Kano's theory by stating that certain service attributes when present before the right maturity model demands its existence, could lead to negative effects or neutral effects. For example, attempting value generation through innovation in storming stage might even be counter-productive or in most cases would not elicit the preferred response from the client. Because it would be mistaken for a slightly better quality service and will only result in jacking up unrealistic expectations with no acknowledged value perception.

As Account C, Project Executive put it, *"When I was first there, we had massive delivery issues, stability issues in environment. I spent first 12 months working that out and fixing those issues. Towards the end of those 12 months we managed to change agenda from tactically focused on stability to strategic focus. Client had number of issues on back burner - until we got stability in the environment. Once we got on to strategic agenda, then we had access to those opportunities that drive lot of growth in account - revenue grew without much cost in annuity space"* (Quality and operational relationship enables tactical to strategic focus shift and is a precursor to value proposition)

*Most clients give you a pat in the back if you are having a go at fixing issues helping them remove inhibitors to business moving forward. They say 'These are the guys that I want, I can see they are dedicated, I can see them committed to my business, can see they are here for the long haul. They are not just selling me stuff and getting away cheaply as possible'. Build that credibility, you will get customer satisfaction and then can have the right conversations. Clients don't get focused on service levels - this is a provider thing. It is a mandate that we need to measure these things. These measurable things won't drive revenue growth or good satisfaction and good GP (Gross Profit). Clients want to have discussion about business outcome - that's where you need to be. If you are having discussion about service levels, you are in a wrong place to be in growth account."*

## **Proposition Substantiation and Case Study Discussion**

### ***Need for qualitative research***

IS relationship literature has specifically called for case study research methodology (Yin 1981; Yin 1984) to explore the complex relationship links to identify "operational links needing to be traced over time, rather than mere frequencies or incidence" (Sargent Jr 2006). Most of the pioneering works analyzing complex business-to-business relationships are driven by case study research which allows the researcher to explore in-depth into the behaviors, feelings, and intentions of provider and their understanding of the different constructs and dynamics of importance.



Our case study combined qualitative interviews, available surveys of provider and client together with quantitative data, with the primary purpose of generating theory and related propositions (Eisenhardt 1989). So it used a combination of exploratory case study and grounded theory (cf. Glaser and Strauss 1967) that has been very successful in IS literature (Urquhart and Fernández 2006). Researchers set aside theoretical ideas to start with and use extant literature to develop conceptual ideas through constant comparison at time of analysis.

### ***Case Study and Grounded Theory Methodology***

The case study research methodology used for the study rigorously followed the two well-cited sources (Eisenhardt 1989; Yin 1994). The discussion below is organized around the same format. The word ‘account’ is used to denote the business-to-business (outsourcing) relationship between the provider and a specific client.

First part of any case study is to understand the need for choosing this method compared to other research methods, which we discussed in the sub-section before. Theoretically speaking, the reasons were as follows – (1) questions for our case study were to understand ‘how’ of some phenomenon (2) the researchers had little ability to control the behavioral events (3) the business setting was a complex contemporary social phenomena in a real-life context

### **High level study questions**

The ‘how’ questions for the study were derived from higher order questions of business importance – influence of satisfaction on growth, factors indicating high growth potential, influence of provider-client relationships. The ‘how’ study questions were – (1) How cumulative client satisfaction impacts revenue growth in accounts? (2) How client value assessment plays a role in revenue growth in accounts? (3) How client relationship factors affect revenue growth in accounts? (4) How delivery quality impacts client satisfaction and hence revenue growth? (5) Other provider-controlled influential variables (apart from satisfaction, value, relationship and delivery quality) that affects revenue growth? (5) How client expectations evolve temporally? Several detailed questions based on the above high level questions were created as a guide to be used during interviews. But our focus was on understanding the context of the practitioner; their experience, their role, the current account and client while keeping the questions open ended to enable discovery. We also probed the practitioners understanding around these concepts of quality, value, satisfaction and how it impacted their own service outcomes and client perceptions.

### **Study design**

The case study was designed to be exploratory – to generate theories based on the cross-case analysis and insights. Any “noncommittal” (Urquhart and Fernández 2006) literature review that was done before the study started were useful to guide the construction of certain aspects of case study protocol (to capture information on some specific topics of interest related to growth). More literature reviews were done as each of the cases completed to compare and sort out potential links between phenomena at analysis time. It was a multiple case design based on initial selection criteria (discussed below) and used a combination of qualitative and quantitative data from the cases for analysis, so that we could use multiple sources of evidence for triangulation.

### **Data collection**

The qualitative data collected were interviews with the account practitioners, including the entire key client facing roles (totally 31 interviews spanning the three cases) and textual data/transcripts from periodic surveys and reviews done with the client organization. Each interview lasted for around 60 minutes and sometimes ended up in two sessions for some key account executives (120 minutes). Interview distribution was as follows: Project Executive: 5, Delivery Project Executive: 4, Service Delivery Manager: 9, Tower/Competency focal: 5, Project Director: 2 and one each of Contract Manager, Base Seller, Financial Analyst, Project Manager, Issues & Risk Manager and Request for Service Manager. Quantitative data, where available, included project management review ratings, annual satisfaction/value assessment ratings, service performance reports, account health indicators, financials (including revenue target/actual, Gross Profit (GP) target/actual etc.,) for a period of recent 3 years. The unit of analysis was ‘account’ (holistic design) and not individual contract level (several contracts can be managed by the same account team). Hence we created three individual case reports based on within-case analysis and then final

report based on cross-case analysis across the 3 cases. After each report completion, the analysis was presented to the business which encouraged further discussions and as a result the case study protocol was also updated.

### **Selection criteria**

All three cases were chosen from Asia Pacific (AP) region (growth markets). The study began with the objective of identifying drivers of revenue growth and hence accounts from growth markets were suggested by business leaders. Also since the researchers were located in India-South Asia region, it made it easier to schedule interviews without time zone pains. The idea was to select cases such that some of the available outcome variables of interest are evidently different – in this case we chose cumulative satisfaction (satisfaction assessment from Table 3 below) and financial growth (year-on-year revenue growth % from Table 2 below). Practically speaking, we chose cases that presented enough opportunity for interesting findings, since all the variables were neither known nor available for any further selection at the beginning of the study. We didn't start out with the intention of studying relationship dynamics, it was a discovery as the case analysis proceeded and hence it did not feature into our selection criteria explicitly. At the time, we had assumed cumulative satisfaction was a good proxy for relationship strength.

### **Methodology**

Since the interviews were carried out over the phone, the case study protocol was sent to the participants along with the meeting invite. The calls were recorded and transcribed (by the researchers themselves) apart from immediate notes written down on the discussions. All materials relevant to the case study were stored in a database (Notes Quickr). The first case was done as a pilot study and the protocol was revised at the end of case analysis after discussions with practitioners. Also researchers wrote down memos of the thoughts after transcribing and reading through the interviews and any relevant literature. The reinforcement of richness of the cases through the interviews, taking detailed notes, later transcribing personally, memoing and following-up was extremely important for the analysis phase, because the coding, connections made between concepts and constant comparison approach was much more internalized and effective than if it were done via some tools like Atlas Ti.

The researchers printed out the interviews and manually read through the discussions and underlined important discussions and coded them. This exercise was done once after each case was done and iteratively many times after then. Also keyword searches over the interviews were used to locate key texts once the interviews were internalized to a great extent. We also ran text visualization tools (Wordle) over different selections of text to get creative insights – e.g., Project Executives talking extensively about relationship. Individual case report discussed the overall account, facts, highlights, lowlights, discussions under different categories (quality, value, satisfaction etc.), story of the particular account, learning and research questions. Apart from this, memos were written down on the different schools of thought emerging from discussions and themes – e.g., meeting over and above client expectations vs. setting client expectations and sticking closer to the contract tactfully, process is client value vs. process is annoyance, no such thing as bad client vs. nasty clients, deliver on promise vs. deliver to expectations, value is professional reaction to events vs. value is being proactive, impress client by commitment vs. impress client by delivering to expectations, value are things done for free vs. value not paid for is not acknowledged. Also the researchers updated the conceptual framework constantly as they were learning through the cases and illustrating process dynamics in the form of storytelling around account scenario evolution – piecing together events from the several cases.

Below are tables (Table 1, 2 and 3) on a quick comparison snapshot of the 3 cases. It can be clearly seen that account B, even with exemplar service outcomes, is unable to grow since the client is not growing and because of challenging business environment for the client. Share-of-wallet (providers share of client's IT spend) as an outcome variable would explain the conceptual model better, when available. We also observed that in comparison to using overall pipeline (signings) growth (which existed for all the 3 cases) as outcome, it is best to use year-on-year revenue growth percentage, gross profit percentage and the variance of quarterly revenue and profits. A key observation was that the variance in revenue/profit was very minimal for accounts that were doing well in comparison to the ones that were not. This is a limited observation since other factors like maturity of client organization and stage of relationship maturity might be driving those. The maturity of both client organization and provider relationship was lower in the case where variance was much higher in revenue/profits.

	Age of Relationship	Sector/Geo	Client Business Environment	Relationship Maturity	Partnership assessment	Loyalty intentions
Account A	Since 2006	Industrial/India-South Asia	Dynamic, Challenging, Growing	Norming	Medium	Reference
Account B	Since 2000	Public/Australia-New Zealand	Stable, Challenging, Shrinking	Transforming	High	Reference/Patronage
Account C	Since 2000	Public/Australia-New Zealand	Dynamic, Challenging, Growing	Growing	High	Reference/Patronage

	YoY revenue growth in percentage 2008-2009/Revenues per yr	Meeting revenue target 2009	Gross Profit (GP) in percentage 2008-2009	Meeting GP target 2009	Quarterly Revenue Variance	Quarterly GP% variance
Account A	Double digit negative/~10M USD	Trouble	Low	Trouble	High	High
Account B	Single digit negative/~16MUSD	Trouble	High	Exceed	Medium	Low
Account C	Single digit positive/~50MUSD	Slight miss	High	Exceed	Low	Low

	Client Expectations	Quality of Service	Switching Cost	Satisfaction assessment	Value assessment
Account A	High	Medium	High	Large Negative Disconfirmation(Neutral)	Low
Account B	Medium	High	Medium	Confirmation(Positive)	High
Account C	High	High	Medium	Small Negative Disconfirmation(Positive)	High

### ***Substantiating propositions derived from cases***

The previous section on theoretical foundations touched upon the context and theoretical underpinnings of the case findings. The discussion below focuses on substantiating the propositions based on the data and analysis of the cases. Apart from Account A/B/C, there are references introduced outside of those three chosen accounts termed as Account X. These were the conversations of service delivery personnel who worked on Account X before they came into current account. Where there are more than one Project Executive and Delivery Project Executive responses for

an account (called out as 1 and 2), it is the current executive owning the account and the executive from the recent past.

Only propositions (in Figure 1) that are substantive theory grounded through the cases are discussed in depth below, since they represent the discovery through grounding in the cases.

**Proposition 1:** Relationship moderates the disconfirmation – service satisfaction link

The expansion of this proposition is to suggest that relationship strength plays a role in moderating the strength of impact of disconfirmation on satisfaction. That is, if the relationship is low, satisfaction is low no matter how the other factors are placed (even if expectations are lower and there is a large positive disconfirmation, the impact on satisfaction is low). If the relationship is high, the disconfirmation has a higher impact on satisfaction (whether positive or negative depends on the kind of disconfirmation). Another significant aspect in such outsourcing services is the aspect of co-production, which means that the provider and client work together in delivering and consuming services. So when relationship is low, the issues in one transaction tend to linger and impact others. Hence even if there is positive disconfirmation in this scenario, impact on satisfaction is not high. This explains the conundrum in ECT theory - negative expectation confirmation potentially leading to satisfaction. When the expectations on provider are negative in such outsourcing arrangements, the relationship is definitely low and hence even if there is confirmation of expectations, the satisfaction is not high.

[Account B, Service Delivery Manager1] - *“In Account X, I was the acting delivery lead. The problem was that I used to spend a lot of time with teams making sure things are getting done. Relationship was different (between client and account) – the client hierarchy would crack the whip on our management saying ‘C’mon guys, this isn’t working, we want you to get it fixed, hurry up’ and we turned around and said the same back to the team calling the situation as crisis. This is what happened a lot of the time. In my current account B, the client is not bashing you as soon as something happens. They are willing to let it go and let us do what we need to do. Hence we can achieve (recovery) in the right amount of time and get things fixed – everybody is happy. Everybody takes ownership in Account B and in Account X they don’t. The difference is the two different relationships. Account X is not a good place to work, that’s for sure. These two accounts have both been around for the same time though .... It is really difficult to please some clients. And delighting Account X is a very difficult prospect. I can’t think of a way you could delight that customer. In Account B, if you deliver to service levels (with no SLA misses) for a year, they would be delighted by that”*

[Account C, Service Delivery Manager] - *“I think one of the most common reasons of degradation of relationships is a perception of being taken for granted. So it’s really important to have a good communication and a high level of understanding at both sides. And also we should ensure that there are no surprises for the client because the damage caused by that is increased ten folds. It is better to communicate to the client on a regular basis, the facts about the problem and better still provide the range of all the solutions - rather than being under the impression that the client wouldn’t learn of the situation. It’s here where the trust comes into play. Then when the relationship is good the client is less likely to blame you and more likely to positively interact with team to get to resolution ... Relationship will definitely affect the performance of the delivery team. For e.g., if I am not doing well with my counterpart he is obviously not going to react positively to my questions or queries and I will say this guy is not responding to what I am asking, which is a human reaction. Then I would also react in a same manner which would in turn affect my work and I won’t be able to give my 100% to the job and to the role I am playing”*

[Account A, Competency focal] - *“If there is no good relationship, one issue in some area affects other interactions. For example, if laptops were not delivered on time for some senior executive, it leads to not signing off on process compliance in a different area – leading to non-compliance for us.”*

[Account B, Service Delivery Manager2] - *“Relationship leads to trust and respect in you and the service you deliver. If you arrive at a course of action, if they (clients) trust you, they are less likely to question and trust your guidance. If they don't trust, they will do their own investigation before following through. Also it impacts the willingness to be able to come to the provider when there are issues. If they think they are not getting good service for their dollars or not getting any benefit, they are less likely to come (to you) with questions or suggestions and that can affect the way you deliver to the client”*

[Account B, Delivery Project Executive] - *“Account B rates us and we rate Account B in our monthly satisfaction survey. If there are any issues, we arrive at action items. We assign people and resolve, track resolution in next*

meeting to address areas of dissatisfaction. We are rating Account B in monthly satisfaction because lot of infrastructure is outsourced to us, but still Account B owns application management and they chair the change management processes and look after some components of infrastructure. So we have to work together and hence we rate that relationship to see whether they are they being responsive to us when we ask them - to do patching, critical maintenance, they have to respond in same way as we do to them. That's why we have 2-way satisfaction scores." This monthly satisfaction survey is completed by both client and provider, capturing both management and operational perspectives from each side. The areas rated from 0-4 are quality of service, relationship, consultation/responsiveness, proactivity, information exchange (accuracy of data and/or advice).

**Proposition 2:** Relationship moderates the service satisfaction – expectations link

The expansion of this proposition is to suggest that relationship plays a key role in managing expectations. If relationship is low, the impact satisfaction has on adequate and predictive expectation is much higher than otherwise.

[Account C, Project Director1] – “Yes, we know we need to improve project delivery. Not so much improve delivery - but manage expectations of client. With the new process we have implemented, we'll achieve that. Expectation management is a constant thing. I remember first meeting with Operations Manager in Account C - she said ‘You have very few decent Project Managers (PM)’. Now she would not say that. She is seeing outcomes. She was in steering committee recently - yes, they are issues and delays, but she can see that collaboratively we can work through issues and continue delivery. We realized we had to improve PM quality from both sides. We have PM both sides, but not working together too well, more adversarial. Project Director from Account C, me and branch heads decided that PMs will present their projects and progress together. Eventually PMs on both sides now come in with common story and work towards common business outcome. This is improving the way project is being delivered.”

[Account C, Delivery Project Executive] – “Meeting expectation without drastically doing more work or make changes to way we do things just to make client feel they are meeting expectations. Sometimes it's a matter of educating them on what they can do to meet it themselves.”

[Account C, Project Director2] – “I do relatively OK job in meeting expectations. That is where client management comes in. Where you set an expectation, you have not delivered on the expectation - you know the client. You reset it at that point, you ask them to reprioritize requirements they asked you to look at. Let's say you have five pieces of work and suddenly another one comes in. When five are delivered when agreed to - expectations are met and relationships managed such that they realize they made decision to set those deliverables such that they can get the outcome they wanted. Expectations need to be set, but managed continuously and to update expectations of client, you need to have a good relationship - they need to be able to listen to you”

[Account A, Project Executive] – “Consistent delivery quality is a subjective phrase. Delivery quality in terms of measurable Service Level Agreements (SLAs) is quantifiable. Are we meeting SLAs? – Yes. The problem that we face is of managing their expectations – they always want to expect more than what we believe we can deliver. The reason for the problem is their perception of provider as a global technology leader, come up with innovation, help them do more for less, manage their cost better, add value to their business. Do they expect more from us? Yes.

We had to establish a baseline first – whatever was promised before signing the deal. It took us time to get there. IT relationships get stopped at CIO level. Going forward we should drive better business relationships with the client and become their preferred choice”

[Account A, Service Delivery Manager1] – “On client-side, we will never be able to meet expectations. Client says you are from a world class organization and even if there is one single mistake, it backfires. Brand is a huge burden while delivering. No single CIO says the provider met expectations. One needs to catch that pulse of CIO/IT head to delight - relationship is what matters 99% and rest are other things like how you actually do the work”

[Account A, Service Delivery Manager2] – “Yes we have built expectations for client in such a way - they even cannot think of any outages. We know many things are not in the hands of service provider when you speak of outages, but still expectations are there. That there should not be any outage, expect a prompt response, expect that guidance needs to be given on questions asked.” (Note that Account A does not rate high on relationship)

[Account B, Service Delivery Manager] – “There is a lot of dialogue between the 2 parties in Account X also. They agree to disagree on lot of things - funny way the client is. Often thought that they should leave us and try

*competitors and see what the world is really like. Their expectations of value they want, what they pay for, what they are receiving vary greatly. They tend to put a lot of pressure on us to deliver things that often are what we don't need to do or shouldn't really be delivering. You end up in catch 22 - work really hard to give them what they want. More you give and more they want.*

*Client wants hot Big Mac– they see the features on the wall poster. Add fries and coke – they get good service. Great, do it again. Do it 10 times and then do it 20... really really difficult thing to do. If one part of order went wrong, we go back to square one. That's where we have been number of times. In Account B when you are at 9 and serve them wrong, they don't send you back to start. They understand.”*

**Proposition 3:** Relationship is a key determinant of perceived value

The expansion of this proposition is that in terms of client value creation and perception, relationship plays a large role (in comparison to quality dimension for the growth phases). That is, perceived value assessment is not just the value delivered through the service, but how much of that delivered value is acknowledged and the reach of the value perception in the client's key decision making hierarchy. The first phase is having value proposition on the table (operational-reactive), followed by facilitating value creation with client (operational-proactive) and finally enhancing value perceptions (extended). Relationship levels form the foundation for each of these different value phases that are required to achieve excellence in perceived value.

[Account B, Project Executive] – *“Value comes from client perspective when we bring their focus to higher level and solve business problems; not just infrastructure management. We are not always given that opportunity. If relationship is not good there is a credibility gap that we need to bridge - situations where delivery, performance, contract issues are there - it's very hard. Can we add value where all these things are going well? - Yes, provided we are given the opportunity to be more engaged at a detailed level, knowing their business environment and the problems they face.”* (Value proposition and creation)

[Account C, Project Executive2] – *“Value can't happen unless relationship is right with CIO and he opens up provider's relationships with business. He was not going to let provider expand into their business if he didn't trust us. He knows we understand what they are doing and have a great relationship. CIO was blocking the business relationships for last 2 years. He wanted to control the relationship with us and he wanted to own it and be seen as the person who fixed up the relationship. I think he is doing that now - he is a bit more open in allowing us to talk to business directly ... (CIO) acknowledges the value, he acknowledges that potentially without provider his job is going to be much tougher. That does not mean CEO (his boss) sees the value of provider - she sees us as commodity. There is work to be done in that relationship”* (Extended relationships needed for value perceptions)

[Account A, Project Executive] – *“New CFO we have now on client side will take time to assess capability and credentials and then build confidence. He takes us to various business teams and engages us more actively on business transformation now. Recently he agreed to be a reference. Senior leadership change can impact that. In infrastructure management, we are doing the same scope. For scope expansion and business transformation, we need to have senior leadership stability. Anchors are needed – it would retard the process otherwise”* (Extended relationships needed for value creation)

[Account C, Project Executive] – *“We have had 2 contract renewals now with a good GP. We gave discount both times, had 3rd party negotiator both times and we managed to be successful. Again comes back to relationship and value based selling as well. We could be 10% cheaper – like Fred down the road who does not know much about client's business and can't bring to bear resources, expertise. We are not in that business and neither is client in that business. They are a 24 \* 7 business and run critical applications – so question is whether they want cheapest supplier or top-of-the-line.”* (Value proposition)

[Account C, Client CIO in survey on overall value provided] – *“The primary expectation was for a high level of performance and availability of the systems. He has just reviewed a study that showed that performance and availability "improved significantly over the past 6-12 months". CIO attributed this to the "care factor" with provider people working "from the heart".”* (Extended proactive relationships for value perception)

[Account B, Client CIO1 in survey1 on overall value provided] – *“Expectations for value included the "totality of satisfaction", including price, quality of service, relationships, responsiveness and impact on the business objectives. He was satisfied with the value provided. Provider was good at responding to the client's needs”*

[Account B, Client CIO2 in survey2 on overall value provided] – “Value was expected to be derived from business satisfaction within the client organization. They were looking for operational stability and reliability and for issues to be addressed promptly. The value being provided was “very good”. Provider delivered to the client's expectations. At the client executive level, satisfaction was high. At the staff level, satisfaction is not as high, but was still at an acceptable level” (Note Account B rates high on partnership)

[Account A – Project Executive] – “To grow revenues, fundamentally client should grow. Then have the right value proposition. Otherwise they just look at cost optimization and reduction and there is a limit to address that. Business transformation phase and opportunity offers more client value-add and business benefit to be realized, because of which client would respect us more and it helps establishing relationship with business, which currently in infrastructure piece gets restricted to CIO.”

[Account A – Client CIO in survey on overall value provided] – “The value perception is really not there at the moment. Client also felt that ‘Value’ means there should be parity between what is being spent in return for quality of services.” (Note Account A relationship with client’s business-side is not strong)

**Proposition 4:** Relationship from network perspective (S-D logic) includes concepts of degree of access with client decision-makers at different levels, multiple communication channels, proactive relationship management – managing perceptions and over-recovering for negative perceptions, frequency and content of interactions, level of unexpected surprises etc.,

[Account C, Project Executive1] – “Access, when things were bad in delivery, was really good. We were in front of CEO even earlier, but we were having the wrong discussion. (Degree of access, frequency, content)

We are in an industry where we get remembered for the last big issue, not for good stuff we did. Preventing 10 major accidents – we won't get remembered for it. Am not really sure how you get proactive around that stuff. Proactive means getting proactive in the relationship - right place with client in relationship. We are always going to have incidents and we are going to recover quickly. That's what clients expected when they buy. These are incidents we don't know that are coming, can't see them coming. (Proactive)

Changes in relationship, absolutely has an impact on service delivery. Changes on client side means different personality, drivers, modes of operation – hence it affects sales, business, relationship management ... everything

We do lot of weekly meeting or discussions - all senior players client facing in account, as to who we are going to approach, how are they are going to be approached, how previous interactions had gone, what works for that particular person - lot of communication

The answer (to growth) is people - can't be anything else in my view. Right people involved in our side and right people on client side - relationship. That's right”

[Account C, Project Director1] – “We could have more visibility at higher levels, something that cluster executive has spotted - gaps on sales side on this account. The gentleman running that departed the organization and no one has replaced him yet. At this point, there are few many relationships in a small number of people now.

I think we have too many eggs in one basket. Relationship from provider rests with few people in client. Client Executive, Project Executives, Delivery Project Executives, and Project Directors engage from provider side and there are few players on client side making decisions. If CIO doesn't sign piece of paper, we are stuck. Everything needs to go through him – has proved to be bottleneck. Our Project Executive is trying to call this out with him. That's not the case in many accounts – in account Y, a proposal worth .25 million dollars gets signed very soon. It is very hard to maintain revenues if in management you have that sort of delay.” (Bottleneck channels)

[Account B, Project Executive1] – “The key difference in a long standing account is that there are extended relationships that go beyond just the account Project Executive - that's Client Executive, previous Project Executive, Delivery Project Executive and the team – so cushioning of changes happens on our side. And similarly on client side it's unusual that there are complete changes on client side with CIO change or other changes in organization. Our client was little unusual in that regard – there was a chain of period of changes - CEO, COO and CIO changed in quick successions. Having relationships over long standing account and some of people coming into roles that have previous experience with our firm, those changes were cushioned significantly. (Multiple channels)

*When there is dissatisfaction, you tend to find yourself arguing at everything - things that don't matter. Like CIO dealing matters that should be dealt with 2 levels below. PE called in to resolve issue of a client manager's laptop and that sort of stuff'*

[Account B, Project Executive2] – *“When the amount of access and frequency of access to key personnel starts to diminish, it is an indication of dissatisfaction. Also when contract starts to be driven through formal correspondence and contract management team, it is a clear and early indicator of dissatisfaction.”* (Frequency, content)

[Account C, Client CIO in survey on new projects] – *“CIO reiterated his concern with project delivery schedules. He noted that the quality of implementations has been very good.”* (Negativity of missed timelines recovered with positive delivery quality notion)

[Account C, Client CIO in survey on knowledge of client's industry] – *“CIO was disappointed that someone from provider firm went directly to a chief official's (not part of client organization) office in an attempt to speed up the renegotiation process.”* (Damage of unwanted surprise)

[Account C, Project Executive2] – *“CIO knows if he has a problem and needs my help he can call me 24 hrs a day. Even though I have a regular meeting with him every week, usually am fair aware of issues for that meeting. Most of the time when I walk into the meeting and he says he has 2 issues he wants to talk about, he knows I know about them and I give him an update. Am fairly close to business and I know what pain points he has in the week – so not too many surprises in these meetings anymore, which is good”* (Principle of least surprises)

## **Managerial Implications**

Based on our in-depth understanding of selected accounts and from presenting the reports from the case study to several practitioners in the business, here are some interesting and important implications. The first and foremost is the importance of relationship/expectation management and how they go hand in hand in influencing the dynamics. One of the key management and governance principles is to maintain right relationships with the key decision making individuals. Still, managing the relationships has been mostly an informal and "soft" exercise that is done at the discretion of an individual and driven by appropriate incentives to drive beneficial interactions. The study shows the importance of systematizing relationship building and making sure it is to the expected level at multiple stages in such a long term outsourcing arrangement. Relationship is a research construct of such importance; because it helps manage/reset the expectations of clients. It helps to realize the full impact of a great service delivery while keeping in check some issues that are bound to happen in such complex arrangements. So by working on operational relationship and managing expectations, it is possible to achieve greater satisfaction without exceeding quality expectations (highest levels of delivered quality that comes at prohibitive cost). This is when service recovery gets perceived as higher quality (and value) rather than lower quality. It helps creating and enhancing the “perception” of value in the client, when it is at the right levels and has the right “reach” into client organization, which eventually leads to better growth and better prospects in a sustainable fashion for the service provider. The notion of “proactive relationship management” is an enabler of all the above and this is something that should be high on the lists of service provider, irrespective of whether it is high on client's agenda. Quality and value of services delivered are of importance to clients irrespective of what they pay for the services, but partnership might have to be something that provider initiates and enhances to have better growth prospects. One example of proactive relationship management is over-recovering for the negativity in perceptions and being seen in good light more often with client folks that are negative in perception due to one-off or some non-persistent delivery issue.

The next key implication from the study is related to the notion of perceived value – the perception of value begins only at a certain relationship maturity stage when the value opportunity is provided by the client. Until then the value from viewpoint of provider does not translate to acknowledged client value; rather translates to better quality of service and informal value acknowledgement. Quality and value play a significantly different role towards driving financial growth and hence this distinction is important. If the distinction gets blurred in the viewpoint of service provider, it results in surprises at the time of renegotiations and adverse implications result from that (non-renewal of the contract). There are several implications for the business management systems and processes from the results of this study, for example, instead of aggregated analysis, performing segmented analysis of data on quality-value-satisfaction based on the stage of the account is important to understand the true value drivers.

The final implication from the study is the awareness of the phase a particular business relationship is in. It is possible to aggressively sell when the account is just out of trouble and get into a high growth phase. But the



dissatisfaction when something goes wrong (timelines slipping) has a more adverse impact at this stage, rather than at a stage when client claims the service delivery is stable (does not have to mean there are no delivery issues, but from client's perception it is excellent and stable). One example of the adverse impact could be the client being led to believe all the provider cares for is their own business requirements of high revenues and margins. This might result in loss of further business, retention issues and bad word-of-mouth.

## Limitations and Future Work

There are several limitations of the case study we did and the foremost being not having direct access to clients for interviews. But this was overcome to a certain extent by having access to all recorded client touch points and inputs (surveys etc done by 3<sup>rd</sup> party for the service which are expected to be unbiased and recorded verbatim reports of client discussion). Also there were only three cases that were studied (though several more were referenced in the cases and practitioners related experiences from several services arrangements they had worked on). The practitioners we talked to were senior and client facing, hence they were significantly experienced in the provider firm and/or in such outsourcing arrangements. Though the propositions present a very interesting, practitioner focused yet new academic viewpoint, they need to be tested rigorously by further research.

We are pursuing future work with extensive set of data from a number of such business relationships and delving deeper, more quantitatively into parts of the conceptual model to unearth detailed and actionable insights. The current model that we conceptualized, had very broad constructs and did not include variables like client characteristics, complexity of service delivered which would be important control variables in any quantitative research on the topic.

## Conclusion

The paper discusses the importance of relationship as a research construct and explains the dynamic process model of Quality-Value-Satisfaction from a provider point of view, using a network-based view of relationship consistent with S-D logic in Service Science. The propositions and conceptual framework are built based on case study research and grounded theory methodology with three large IS outsourcing accounts and serves to show the importance of expectation, relationship, perceived value and their interplay in driving better outcomes in such outsourcing relationships. From a theoretical perspective, the study contributes interdisciplinary insights on expectation-quality-relationship-satisfaction dynamics to both IS outsourcing and marketing literature. From a managerial perspective, the study provides an in-depth perspective on complementary aspects of service management (apart from contract and technology aspects) that makes outsourcing successful and sustainable.

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